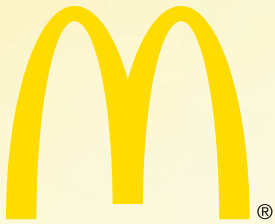


McDonald's Corporation

Worldwide Corporate Social Responsibility 2010 Report



Nutrition and Well-Being

SUSTAINABLE SUPPLY CHAIN

Environmental Responsibility

EMPLOYEE EXPERIENCE

Community



what
we're
made of[®]

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ABOUT THIS REPORT

We're taking a more streamlined approach to our report this year, focusing on progress made since our last report was issued in 2009. As in the past, we are primarily reporting on our nine largest markets: Australia, Brazil, Canada, China, France, Germany, Japan, United Kingdom and United States. At the end of each section, we encourage you to "Read More About" related topics, policies and programs found at <http://www.aboutmcdonalds.com/mcd/csr.html>.

We have cataloged our entire Corporate Social Responsibility site, including the content in this report, using the Global Reporting Initiative (GRI) framework.

What We're Made Of

100% pure beef... crisp lettuce...fresh eggs... these are just some of the ingredients McDonald's food is made of.

Continuous improvement...growth opportunity...commitment to doing the right thing for our customers, our communities and the planet... these are some of the ingredients McDonald's as a company is made of.

With more than 32,000 restaurants around the world, we know that McDonald's can have considerable positive impact. We embrace the opportunity to leverage our size and scope to make the world a better place. We're committed to doing the right thing each and every day and in every aspect of our business operations. This extends to our suppliers as well. We all take this responsibility seriously – and we think long-term.

McDonald's founder Ray Kroc once said "We had principles when we were poor and we have never lost them." From the beginning, these principles have helped our company achieve sustained profitable growth for our shareholders. To achieve long-term success, we know that we must ensure that our business operates in an ethical and sustainable manner, taking into account our impact on society and the environment. It's simply the right thing to do for our business, our customers and the planet.

Though our Brand is recognizable around the world, we operate as a collection of small businesses. The vast majority of McDonald's restaurants are owned and operated by entrepreneurial leaders in the community. Our System balances the interests of franchisees, suppliers and company employees, so making progress requires shared commitment, teamwork and effective communication over time.

Guided by McDonald's company values, we seek to make progress in five key areas: nutrition and well-being, sustainable supply chain, environmental responsibility, employee experience and community. Our bottom line in each is achieving quality every step of the way from the farm to the front counter – fresh, delicious food, productive partnerships, ethical business practices and engaging experiences for our customers and employees.



Nutrition and Well-Being

SUSTAINABLE SUPPLY CHAIN

Environmental Responsibility

EMPLOYEE EXPERIENCE

Community



We're proud of the progress we've made, but we know there is still a long way to go. We're privileged to touch a mosaic of communities in 117 countries around the world and to employ a diverse workforce. We serve a constantly evolving range of menu options to an average of 1,900 guests daily in each McDonald's restaurant. The challenges are many, the issues ever-changing and the solutions are both complex and rewarding.

We listen to what customers and other stakeholders want and expect from us and then work with outside experts and all parts of our System to achieve tangible progress. We always strive to be better tomorrow than we are today. This, more than anything, speaks to who McDonald's is as a company. It's what we're made of.

Governance and Ethics

Among our company values is a simple statement: We operate our business ethically. This value is at the heart of all of our corporate responsibility efforts. To support it, we've established strong policies and processes, as well as a comprehensive governance structure led by our Board of Directors and spanning all levels of the organization.

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.

To learn more about McDonald's business and profile, take a look at our 2010 Annual Report.

WORLDWIDE CORPORATE RELATIONS COUNCIL

Guides and aligns issue positions, approaches and communications across McDonald's System related to social and 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

Leads the development and execution of worldwide food quality strategies, including food safety, and includes senior-level supply chain and food safety specialists and QA directors from each of our major geographic sectors

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



Doing Well By Doing Good

I've had the good fortune to be a part of the McDonald's System for nearly 40 years – and to observe firsthand what this company is made of. I've seen it in the decisions we make, the quality food we offer, and the steps we take to give back to the communities we serve.

Our actions around the world are guided by our values, one of which is a commitment to continuous improvement. We understand that we can always do better ... and we define "better" not just in terms of "doing well" but also "doing good." Consumers are more discerning than ever about the brands they choose. When making purchasing decisions, they consider not only the quality of a company's offerings, but the integrity of its actions.

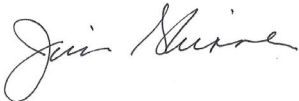
Being a socially responsible company is a part of McDonald's heritage, and it starts with the experience we deliver in our restaurants. We listen to our customers and, consequently, we have evolved our menu to address balance and choice. In recent years, we've expanded our offerings to include salad and grilled chicken platforms, wraps, fresh fruit, smoothies and more. We're proud of these steps and remain committed to being part of the solution around family well-being. We will continue broadening our array of menu choices while always delivering the taste, quality and experience that McDonald's customers expect.

Meanwhile, we continue to intensify our work across the broad spectrum of corporate responsibility, from conservation to animal welfare to sustainable sourcing. In the course of serving communities around the world, we know we use our fair share of resources. This doesn't come without consequence. McDonald's embraces the responsibility that comes with our global presence. Each year, we set our goals higher – continuously challenging ourselves to reduce our impact on society, strengthen the communities around us and help maintain a world that can carry all of us well into the future.

We learned a long time ago that we don't have all the answers – and we can't achieve the best results alone. We are proud to partner with NGOs, academics, governments and others in the industry to help us reach our goals. Recently, we celebrated two decades of sustainable progress, which began with our breakthrough partnership with the Environmental Defense Fund and continues with the partnership and collaboration from experts and organizations around the world.

Moving forward, we will keep partnering with others and communicating our progress in an open and transparent manner. With that, I invite you to examine our 2010 Corporate Responsibility Report and learn more about what we're doing today, where we've had success, and where we still have room to grow.

I am proud of McDonald's as a business and a brand – from the quality food choices we offer customers ... to the opportunities we provide our employees ... and our efforts that address the challenges our society and planet are facing. Our latest report highlights all of this and will give you a better understanding of what McDonald's is made of.



Jim Skinner, CEO
McDonald's Corporation



Our Progress To Date

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 still needs 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.

KEY PERFORMANCE INDICATOR¹ SUMMARY

Since first establishing key performance indicators in 2006, we have continued to refine our approach to gathering and evaluating quantitative measures of our performance. 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.

NUTRITION AND WELL-BEING

1. Accelerate and expand food and beverage choices for kids



Throughout the world, McDonald's continues to innovate around kids' meal offerings, while increasing the appeal of existing food and beverage choices for kids. In multiple markets around the world, special promotions and sampling tests are being conducted, such as free fruit offerings with Happy Meals. Our objectives are two-fold – to increase awareness of fruit and the improved nutritional options available as part of the Happy Meal and to leverage the fun of McDonald's Happy Meals to positively influence kids' perceptions of eating fruit.

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



Globally, McDonald's introduced a series of animated online music videos for kids and moms focused on the fun and good taste of fruits and vegetables. The videos were viewed on various McDonald's websites, Facebook and YouTube. As part of the Shrek Forever After™ Global Happy Meal promotion, McDonald's enlisted the help of these popular characters to dial up the taste and fun of fruit, vegetable and dairy Happy Meal choice items around the world.

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



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

Offering Menu Choice

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

2006	2007	2008	2009
6.1	6.1	6.4	6.9 ²

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

2006	2007	2008	2009
9.9	10.9	11.4	11.9 ²

Providing Nutrition Information

Percent of Top 9 markets that make nutrition information available

In-restaurant (i.e. trayliners, nutrition brochures)			
2006	2007	2008	2009
100%	100%	100%	100%

Out-of-restaurant (i.e. websites)			
2006	2007	2008	2009
100%	100%	100%	100%

SUSTAINABLE SUPPLY CHAIN

4. Educate and communicate with our supply system about sustainability



We continue to communicate with our suppliers about sustainability in multiple ways. It is part of our supplier performance review and a key element of our global product board meetings. We have had annual supplier sustainability conferences and an internal website dedicated to providing our suppliers with tools and resources. In 2010, we launched the Best of Sustainable Supply website, a collection of leading supplier best practices on a range of sustainability issues.

5. Develop a comprehensive global forestry policy that will apply to all products we purchase



We have developed a global forestry policy that is part of our overall Sustainable Land Management Commitment. We envision working with our suppliers and their suppliers to buy certified sustainable wood fiber.

6. Further rollout of our global forestry standards for consumer packaging, expanding into other areas of the world, specifically the U.S., Canada and Asia Pacific, Middle East and Africa (APMEA)



For consumer packaging, we have developed a global forestry policy that is part of our overall Sustainable Land Management Commitment. We are working with our direct suppliers and their suppliers, in Europe, North America and APMEA to encourage increased use of certified, well-managed renewable raw materials, such as wood fiber.

7. Continue to integrate environmental considerations into our packaging design through rollout of our global packaging scorecard into our nine largest markets



All of McDonald's markets use the Eco-Filter global packaging scorecard to evaluate packaging changes. The Eco-Filter uses criteria such as packaging weight reduction, use of recycled materials and reduction of greenhouse gas in its evaluation.

Supplier Workplace Accountability

Percent of food, packaging and tier-1 equipment suppliers that have affirmed our Code of Conduct³

2006	2007	2008	2009
93.5%	92%	95%	95%

Environmental Impacts of Consumer Packaging⁴

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

2006	2007	2008	2009
0.138 ⁵	0.135 ⁵	0.129 ⁶	0.130 ⁷

Percent of packaging material that is made from recycled paper

2006	2007	2008	2009
33.1% ⁵	29.8% ⁵	30.8%	29.2% ⁷

Percent of packaging derived from certified land managed sources

2006	2007	2008	2009
N/A	N/A	N/A	31%

Animal Welfare

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

2006	2007	2008	2009
N/A	99%	97%	100%

Percent of supplier (including beef, pork and poultry) processing plants that received a passing score on their first or second audit

2006	2007	2008	2009
N/A	99%	99%	100%

ENVIRONMENTAL RESPONSIBILITY

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



We established the Global Energy Leadership Board (GELB) in the fall of 2010 and developed a global energy strategy to further align our System in the following key areas: operations, equipment, building and technology. The GELB has also moved quickly to advance energy-efficient solutions such as energy management systems for broader System adoption. In 2010, McDonald's issued the second edition of the Global Best of Green, a collection of best practices that includes a chapter on energy.

Kilowatt hours used per transaction count (kWh/TC)			
2006	2007	2008	2009
N/A ⁸	N/A ⁸	1.76 ⁹	1.68 ⁹

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



Improving the measurement of energy performance in our restaurants continues to be a significant area of opportunity. We have made steady progress in working with our equipment suppliers and introducing new energy-efficient equipment that was showcased at our 2010 Worldwide Convention. There is more we can and will do to increase adoption of this energy-efficient technology and equipment in our restaurants. As a decentralized System with the vast majority of our restaurants operated by independent business owners, we do not have a centralized database or uniform method for tracking energy usage. So gauging performance across our System continues to be a challenge. We have made incremental improvements in the data collection process in 2010 with our major markets; however, there is still a significant amount of variance from market to market in how and to what extent energy data is collected.

EMPLOYEE EXPERIENCE

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



Currently, we have seven Hamburger Universities – state-of-the-art training centers for restaurant employees and corporate staff – around the world. Our newest location in Shanghai, China opened in April 2010. 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 June 2010 was 96.2%. (In 2008, the percentage was 93.3%.)

11. Continue to enhance our employee value proposition (EVP) to drive employee engagement



After initial introduction to company leadership during the 2009 People Summit (an internal meeting attended by leaders from Human Resources, Training & Development, Information Technology and Operations), the EVP was introduced to the entire McDonald's System at the 2010 Worldwide Convention. Today, our global EVP of Family & Friends, Future, and Flexibility has become our Global Strategic People Platform and is reflected in market-level business and people plans.

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



In 2009, we initiated the next phase of values activation with the establishment of the Values Activation Council, which includes representation from 15 McDonald's markets around the world. Values Catalysts from each market meet regularly to share experiences, challenges and best practices related to integrating our values into everyday decision-making and long-term planning.

Opportunity, Training and Development¹⁰

Percent of worldwide top management team who started in the restaurant

2006	2007	2008	2009
42%	42%	42%	42%

Percent of company-owned restaurants with HU-certified managers

2006	2007	2008	2009
N/A	N/A	93.3%	96.2%

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

2006	2007	2008	2009
82%	84%	85% ¹¹	83% ¹²

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

2006	2007	2008	2009
82% ¹³	83% ¹²	82% ¹¹	83% ¹⁴

Management Opportunities for Women¹⁰

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

2006	2007	2008	2009
26.4%	26.7%	27%	26.5%

Percent of company-owned restaurant managers who are women

2006	2007	2008	2009
46.2%	49%	47%	49% ⁷

COMMUNITY

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



Ronald McDonald House Charities® (RMHC®) has been McDonald’s “Charity of Choice” for more than 36 years. In addition to various programs occurring at the local level, McHappy Day®/Give a Hand® continues to be McDonald’s signature fundraiser benefiting RMHC and other children’s causes around the world. This fundraiser is just one more way McDonald’s, its employees, owner/operators, suppliers, and customers demonstrate how small contributions can add up to make a huge difference in the lives of children. Since 2002, countries around the world have raised \$170 million during McHappy Day/Give a Hand events.

14. Continue to increase the awareness of RMHC and its core programs



To support RMHC and highlight the work the Charity does to help nearly 4.5 million families a year, McDonald’s utilizes several vehicles to help increase awareness for RMHC and its three core programs, the Ronald McDonald House®, the Ronald McDonald Family Room® and the Ronald McDonald Care Mobile®. In 2010, participating McDonald’s restaurants in the U.S. began making a contribution from the sale of each Happy Meal® and Mighty Kid Meal®. Additionally, McDonald’s restaurants continue to support the largest ongoing source of fundraising for RMHC through the RMHC Donation Box program. The restaurants provide valuable space on their front counters and in their drive-thrus to raise awareness and funds for RMHC and its local chapters. In 2010 alone, RMHC Donation Boxes in the U.S. generated nearly \$27 million in contributions from McDonald’s customers.

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



In January 2010, McDonald’s launched a more formalized corporate volunteer program that includes an online volunteerism management and tracking tool developed in partnership with VolunteerMatch, group volunteer activities, and incentives such as a monthly raffle for a donation to the winning volunteer’s charity of choice. Participation rates among Home Office employees continue to rise and currently stand at almost 25%.

Philanthropic Activities (Worldwide)				
Total corporate cash and in-kind contributions				
2006	2007	2008	2009	
\$13.6M	\$10.6M	\$15.2M	\$19M	
Local Economic Impacts				
Total capital expenditures in Top 9 markets (investments in new and existing restaurants)				
2006	2007	2008	2009	
\$1.7B	\$1.8B ⁷	\$1.8B ⁷	\$1.5B ⁷	
Total social taxes paid by McDonald’s in Top 9 markets				
2006	2007	2008	2009	
\$493M ⁷	\$621M ⁷	\$616M ⁷	\$568M ⁷	
Total income taxes paid by McDonald’s in Top 9 markets (in billions)				
2006	2007	2008	2009	
N/A	\$1.2B ⁷	\$1.1B ⁷	\$1.1B ⁷	

¹ Except as otherwise noted, figures are for the following markets: Australia, Brazil, Canada, China, France, Germany, Japan, the U.K. and the U.S.

² Data does not include Brazil, France.

³ Total number of suppliers varies year to year based upon business needs. This metric includes suppliers identified to and confirmed by our program management firm as having signed the Code. Data reported are based on a cumulative total.

⁴ Consumer packaging does not include pre-packaged items such as salad dressings.

⁵ Data does not include China.

⁶ In 2008, the report methodology for the US and Canadian markets was changed. This resulted in an overall decrease in total packaging weight which was not solely attributed to changes in packaging design.

⁷ Data does not include Brazil.

⁸ Data reported in 2006-2007 cannot be compared with the most recent data and have been excluded from this chart to avoid confusion.

⁹ The data and methodology for calculating the energy KPI for 2008 and 2009 differ from the years prior. Unlike 2006 and 2007, the 2008 and 2009 data include estimated energy usage beyond electricity, such as natural gas, propane and fuel oil. Does not include data from Australia, Brazil or China. The restaurants for which data are reported in 2008

represent approximately 19% of total restaurants as December 31, 2008. The restaurants for which data are reported in 2009 represents approximately 18% of total restaurants as of December 31, 2009.

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

¹¹ Data does not include Canada.

¹² Data does not include China, France.

¹³ Data does not include Canada, Japan.

¹⁴ Data does not include Canada, China, France.

What We're Made Of ... Farm To Front Counter

The taste and quality of every McDonald's menu item starts with its ingredients – where they are sourced, how they are handled and, ultimately, how they are prepared in the restaurant. We focus on every aspect of this journey in order to ensure quality and safety, work toward greater sustainability and continuously create opportunities for people and communities – all while delivering a great value to our customers. Join us as we follow some of our most frequently-used ingredients on their journeys from farm to front counter.



From Farm to Front Counter: BEEF

Our burgers are 100% beef.

From cheeseburgers to Big Macs, our beef patties are minimally processed and contain no fillers, extenders or preservatives. McDonald's works with suppliers to ensure that every step of the journey from farm to front counter is accomplished as humanely and sustainably as possible, minimizing environmental impacts and continuously improving the social and animal welfare aspects of beef production.



Cows are raised on ranches, cattle farms, dairy farms or feed lots around the world.

DID YOU KNOW? Most McDonald's beef is sourced within the area of the world where the burgers are served.

WHAT OTHERS SAY: "We are glad to see McDonald's looking at its supply chain upstream to identify ways to source its products from certified, sustainable sources. At World Wildlife Fund, we have developed a High Conservation Value approach and see the work at McDonald's as in step with preserving the most important places biologically on earth."

—Jason Clay, SVP, Markets,
World Wildlife Fund-US

WORKING TO MAKE BEEF MORE SUSTAINABLE

In November 2010, McDonald's joined World Wildlife Fund as a lead sponsor of the first Global Conference on Sustainable Beef. More than 300 stakeholders from all parts of the beef supply chain gathered in Denver, Colorado, for three days to discuss current practices, identify areas of opportunity and drive continuous improvement throughout the global beef system.

The objectives of the conference were to raise awareness of sustainable beef production issues, present current research, case studies and best management practices, and to build consensus around the key global environmental impacts of beef production as the foundation for a sustainable beef work plan. The conference was just a first step. In 2011, additional regional beef sustainability roundtables will take place to build on the conference objectives.

PROTECTING THE RAINFOREST FOR MORE THAN 20 YEARS

McDonald's commitment to protect valuable rainforest land began in 1989 when we established a policy against sourcing beef from deforested areas in Brazil. We built on this commitment in 2006 when we partnered with Greenpeace International, the Brazilian government and others in the industry to establish a moratorium on the purchase of soya for feed from recently deforested regions of the Amazon. (Soya is a major component of feed for both cattle and poultry). The moratorium has been extended each year since then and best of all, has successfully stemmed the tide of deforestation due to soya farming.

In 2009, we took this many steps further with the development of our Sustainable Land Management Commitment. Created in collaboration with World Wildlife Fund, this commitment states that we will work with suppliers over time to ensure that agricultural raw materials for McDonald's food and packaging originate from legal and sustainably managed land sources. In 2010, we worked with World Wildlife Fund (WWF) to establish priorities for action. WWF conducted a thorough assessment of our supply chain impacts related to our Sustainable Land Management Commitment, with beef identified as our number-one priority.



PRODUCTION

Cattle are processed at abattoirs (animal handling facilities) in keeping with McDonald's animal welfare standards, which were developed with the assistance of Dr. Temple Grandin, a leading authority on animal welfare. Employees working in these facilities are also protected by our Code of Conduct for Suppliers, which establishes minimum requirements for employment and workplace practices.

Meat patties are created from 100% pure beef – no extenders, fillers or preservatives are added. Patties are then frozen, boxed and sent to McDonald's Distribution Centers. From there, they are delivered to individual restaurants.

AUDITING ANIMAL WELFARE PRACTICES

McDonald's requires all processing facilities used by our beef suppliers to adhere to our animal welfare principles, designed to ensure that animals are free from cruelty, abuse and neglect. In addition, abattoirs used by our suppliers are required to be audited by external experts every year. In 2009, 100% of facilities were audited and 100% passed their audits. Facilities that do not pass their audits on the first or second try are given a defined period to make improvements or they will be removed from our supply chain.

WHAT OTHERS SAY: "McDonald's efforts to integrate animal welfare standards and improvements into its quality assurance program have made a huge difference. I have been in this business for more than 30 years, and I have never seen such a transformation."

—Dr. Temple Grandin,
Animal Welfare Expert



RESTAURANT

Frozen beef patties are delivered to our restaurants and kept frozen until use. Crew members use a specially designed "clam shell" grill to cook both sides of the patty at once until a timer signals it's done. Daily checks occur at every restaurant to ensure that the product is cooked to a food-safe temperature.

DID YOU KNOW? 96% of all McDonald's restaurant managers are accredited by one of our seven Hamburger Universities (HU) around the world. HUs offer restaurant managers, as well as corporate staff, a wide range of management training and leadership skills to help make a job at McDonald's a growth opportunity, no matter what role they play in the business. In 2011, we celebrate the 50th anniversary of the first HU.

LESS IS MORE WITH BURGER PACKAGING

Larger sandwiches typically need more packaging, which can increase environmental impacts. McDonald's worked with our packaging supplier, HAVI Global Solutions, to create a lightweight clamshell carton for the launch of the M Burger in France and Germany – a unique sandwich containing a beef patty with Batavia lettuce and Emmenthal Cheese on ciabatta-style bread.

The result was a packaging design as unique as the M burger itself, resulting in a 20% reduction in weight compared to packaging containers for comparably-sized sandwiches. Each carton is made of virgin fiber, with 74% coming from certified well-managed forests. The packaging was awarded the sustainability prize by Europe's Pro Carton ECMA award in 2008 and recognized as an honorable mention by the U.S. DuPont Award in 2009.

BURGERS FOR GOOD – CUSTOMERS HELP US HELP KIDS

Sometimes we leverage our burgers for a cause we believe in. For example, as part of McDonald's annual McHappy Day fundraiser, 100% of the proceeds from all Big Macs sold in McDonald's Brazil restaurants on August 28, 2010 were donated to Instituto Ronald McDonald, the Ronald McDonald House Charities chapter in Brazil. The 1.5 million Big Macs sold that day surpassed records set in 2008 and 2009 for the annual McHappy Day fundraiser. Instituto Ronald McDonald provides support to sick children and their families through Ronald McDonald Houses, Ronald McDonald Family Rooms and other programs.

BEEF AND SO MUCH MORE

At approximately 250 calories and less than 10 grams of fat, McDonald's hamburger remains a hallmark of our menu – one of the seven items offered when our first restaurant opened its doors in 1955. Over the years, our menus around the world have evolved to include various burger options and portion sizes, from the Quarter Pounder to the one-third pound Angus Burger.

We've also moved beyond beef to add a host of additional choices, from chicken and salads to wraps and oatmeal. Our goal remains to continuously expand choice and variety so that our customers have options that can support a balanced, active lifestyle. We are also working to evolve our most popular menu items to have better nutritional profiles, while still delivering the taste, quality and experience that today's customers expect from McDonald's.

From Farm to Front Counter: POTATOES

Only the best potatoes make the cut.

From field to freezer to fryer, McDonald's potatoes are on a sustainability journey of their own. We work with our suppliers to incorporate sustainable practices at all stages of the supply chain and to ensure that each potato meets our high standards of quality, safety, appearance and taste.



Potatoes are planted, grown and harvested in farms around the world in keeping with a set of good agricultural practices (GAP) developed by McDonald's employees, suppliers and outside consultants.

DID YOU KNOW? McDonald's has only four approved potato varieties (out of the hundreds that exist in the world) for use in making our fries. Within those varieties, there are very strict requirements for size, shape, consistency and more to achieve the perfect texture, color, length and appearance of each fry.

GROWING POTATOES SUSTAINABLY

McDonald's sustainability work in the area of potatoes varies considerably by region, but our focus is always on ensuring that growers meet standards for good agricultural practices that contribute to quality, safety and sustainability. In Europe, two initiatives have helped potato growers (as well as producers of other raw materials such as eggs, produce, beef and pork) lead the way in enhancing sustainability performance:

McDonald's Agricultural Assurance Program (MAAP) measures supplier performance against target standards.

The Flagship Farms website supports the exchange of ideas among European farmers by featuring agricultural practices that are environmentally sound, economically positive and ethically valuable.

McDonald's USA has taken this focus one step further with an initiative designed to reduce pesticide use among potato growers in its supply chain.

REDUCING PESTICIDE USE BY POTATO GROWERS

Working with the Integrated Pest Management Institute, the National Potato Council and growers in the U.S. and Canada, McDonald's USA has developed a comprehensive audit process that analyzes the use of pesticides, as well as fertilizer and water, on crops. By the end of 2010, 100% of potato growers and processors supplying McDonald's had completed the voluntary audit. In 2011, a report showing scoring per category (basic, steward, expert and master), as well as an overall performance index will be made available.

WHAT OTHERS SAY: "The work done with McDonald's to evaluate the use of Integrated Pest Management in the production of potatoes has been incredibly useful and collaborative. Growers now have a state-of-the-art tool to benchmark their performance and learn from the experience of other growers, supply chain partners and consumers, which will ensure the efficient production of high quality potatoes. McDonald's has been a real leader in identifying a path forward that is truly a win/win for all involved."

—John Keeling, National Potato Council



Potatoes arrive and are washed, peeled, washed again and inspected for blemishes. Potatoes are then cut into shoestring-style strips that are inspected, then blanched in hot water to preserve texture. After drying, the potato strips are partially fried, then frozen and packaged for transport to McDonald's Distribution Centers.

DID YOU KNOW? In the U.S., there are more than 200 inspection points between farm and front counter to ensure that McDonald's fries meet our quality and safety standards.

KEEPING SCORE FOR THE ENVIRONMENT

When potatoes reach our suppliers' production facilities, they are well-positioned to become McDonald's French Fries in as sustainable a manner as possible. Globally, our potato suppliers complete an annual Environmental Scorecard that measures water, energy, air and waste impacts. Developed in partnership with Conservation International, the Environmental Scorecard is not only a tangible symbol of our commitment to environmental responsibility, it's also smart business. Using fewer natural resources makes our supply chain more efficient and cost-effective, too.

For example, McCain Foods, one of McDonald's largest potato suppliers, began using the scorecard in 2005 to track the utilization of "biogas" (a by-product of wastewater treatment that can be used to replace fossil fuels in plant boilers or to generate "green" electricity). The scorecard helped McCain identify improvement opportunities that increased biogas usage from about 65% to more than 86%. The clean renewable energy resulting from this increase is enough to power a city of about 20,000 people for one year.



Fries are delivered to restaurants and stored in the freezer until use. Fries are then cooked, salted and served crisp, hot and fresh to customers.

McDonald's French Fries are served in every McDonald's market around the world. In addition, we use potatoes in other regional menu items such as hash browns, potato wedges, and in some markets, veggie burgers.

DID YOU KNOW? It's been five years since McDonald's discontinued offering the Supersize portion for drinks and fries as a regular item on our menus.

THE SAME GREAT TASTE WITH A BETTER NUTRITION PROFILE

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 substantially reduced the trans-fatty acids (TFAs) in our cooking oils. This includes additional products and ingredients such as apple pies, baked cookies, crispy chicken breast, Chicken McNuggets and more. In addition, we have made significant progress reducing the amount of saturated fat in these items. For example, in Europe, the maximum amount of saturated fat is 12%.

FROM THE FRY STATION TO THE C-SUITE

In 1978, Jan Fields applied to work at a McDonald's restaurant in Dayton, Ohio, attracted by the flexible hours. She spent her first day making French Fries, then went home and cried. "I was convinced it was too hard," Fields said. "I thought they had too many rules for French Fries – though I now understand why they taste so good!"

Fields stuck with it, and three decades later, she is now the first female chief executive officer of McDonald's USA, overseeing 673,000 employees at nearly 14,000 restaurants. During the last four years, Fortune has ranked her among the 50 most powerful women in business and Forbes has listed her among the world's 100 most powerful women.

NOT ALL FRYERS ARE MADE THE SAME

The fryers we use to make our French Fries and other products have come a long way since 1978, when Jan Fields began her career. McDonald's has developed a next-generation "low oil volume" (LOV) fryer that uses about 40% less cooking oil and 4% less energy. Electric and gas versions are now available to our restaurants around the world.

From Farm to Front Counter: LETTUCE AND TOMATOES

We're keeping it green.

Whether destined for sandwiches or salads, McDonald's lettuce and tomatoes travel from the farm to the front counter fresh, with no preservatives added. We go to great lengths to ensure their quality, freshness and sustainability.



Multiple varieties of lettuce and tomatoes are grown on farms around the world in keeping with good agricultural practices (GAP) developed by McDonald's employees, suppliers and outside consultants. Individual lettuce plants and tomatoes are picked and packed in containers for transport.

DID YOU KNOW? Once our lettuce leaves the farm, every leaf is kept at a constant temperature of below 40° F (less than 4°C) to ensure freshness and safety.

WHAT OTHERS SAY: "The food safety systems McDonald's has developed and implemented during the past three decades are the global standard for the food service industry. I know I can eat at any McDonald's restaurant in the world and enjoy a safe and tasty meal."

—Michael P. Doyle, Ph.D., Center for Food Safety, University of Georgia

IMPROVING CONDITIONS FOR TOMATO FARM WORKERS

McDonald's expects employee safety and well-being to be a priority throughout our supply chain, and we support our suppliers' efforts in various ways. 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 U.S. restaurants.

McDonald's USA and our suppliers continue to support the payment of an additional penny per pound for Florida tomatoes, as well as other initiatives. For example, the CIW and the Florida Tomato Growers Exchange (FTGE) have reached an agreement that will extend the CIW's Fair Food principles – including a code of conduct, a cooperative complaint resolution system, a participatory health

and safety program, and a worker-to-worker education process – to more than 90% of the Florida tomato industry. All three growers that McDonald's USA uses in Florida have signed onto the agreement.

MEASURING OUR WATER FOOTPRINT IN EUROPE

In 2009, McDonald's Europe completed a "water footprint" pilot focused on lettuce and potato growers in Spain, Germany and the UK. They calculated the quantity of rainwater, irrigation and polluted water in crop production and analyzed the condition of local water sources to assess the water risk of each raw material. Results revealed that multiple factors influence a water footprint, including temperature, rainfall, length of growing cycle and type of irrigation. It also became clear that the quality and availability of water at the growth site is more important than the quantity of water used to produce the crop.

McDonald's Europe shared the results of the study with the farms involved and is now promoting good water practices in two ways: through the produce standard in the McDonald's Agricultural Assurance Program (MAAP) and through the sharing of leading practices on the Flagship Farms website.

FLAGSHIP FARMS SHARE SUSTAINABLE PRACTICES

Pentaflora Horticola, a grower in Spain that supplies baby lettuce for McDonald's, has some ideas to share. From altering seed rates at different times and in different weather conditions to providing work permit support to fixed contract workers, these sustainable practices have positively impacted their crops and their business.

Farmers across Europe can read about these practices and more on McDonald's Europe's "Flagship Farms" website. Developed in conjunction with the Food Animal Initiative (FAI), the site encourages the exchange (and hopefully replication) of ideas among the European farm community. Case studies can be submitted in the areas of environment, economics and ethics. Every farm that submits a case study must meet strict environmental and social criteria.



Upon arrival at the production facility, lettuce and tomatoes are inspected for damage and freshness. They are washed and then shredded, sliced or cut to size (depending on whether they are destined for sandwiches or salads). The produce is packaged according to type and shipped to McDonald's Distribution Centers.

DID YOU KNOW? McDonald's uses more than 15 different types of lettuce in sandwiches and salads around the world, including romaine, batavia, rocket, radicchio, tatsoi and lollo rosso.

MCDONALD'S USA'S JOURNEY TO SUSTAINABLE SUPPLY

To better align with McDonald's corporate commitment to sustainability, McDonald's USA created a Supply Chain Sustainability Council in 2009, including representatives from 15 direct suppliers and McDonald's USA. The group assessed the depth and status of current sustainability programs and practices, looking at such areas as employee health and welfare, animal health and welfare, manufacturing, design, raw materials, lifecycle assessments and economic responsibility.

In July 2010, the group sponsored their first-ever Sustainable Supply Summit. More than 340 participants spent two days discussing priorities and sharing best practices in the areas of energy, water and solid waste.



Lettuce and tomatoes are delivered to restaurants and stored in coolers. Shredded lettuce is stocked at the food assembly tables to be added to Big Macs, McChicken and other sandwiches as they are ordered. Salads are assembled daily, with crew members adding appropriate toppings depending on the market and the customer's preference. These can include tomatoes, carrots, grilled or crispy chicken, bacon and shredded cheese. And don't forget the dressing – most restaurants have multiple regular and low fat options to choose from.

THERE'S MORE GREEN BEYOND LETTUCE

McDonald's is focused not only on ethical and environmental responsibility, but also on economic responsibility. Struggling economies are a major topic of concern around the world these days. In early 2010, McDonald's USA conducted a study to quantify the economic contributions of our restaurants. Collectively in 2009, McDonald's 13,980 U.S. restaurants:

Spent nearly \$16 billion nationwide (or nearly \$43.3 million per day)

Created more than 1.9 million additional jobs

Returned nearly 48 cents of every dollar earned to their local economies

Had a combined investment of nearly \$28.2 billion in the nation's communities

Paid a total of nearly \$1.1 billion in business taxes, licenses and payroll taxes, plus additional sums for state and federal income taxes on profits

GET YOUR VEGGIES HERE

McDonald's features salads on the menu in almost every market around the world. A small garden or side salad is the most common item, but more and more countries are adding entrée salads that include crispy or grilled chicken on top (or seared, if you are in Australia). McDonald's different entrée salads typically contain two to three servings of vegetables, close to the daily amount recommended by most governments.

Caesar salads seem to be a favorite of McDonald's customers around the world – you can find some version of a Caesar in the U.S., Canada, Australia and multiple countries in Europe. From there, options vary depending on local tastes. Canada offers Mediterranean or Spicy Thai salads, while the U.S. has its Premium Southwest and Premium Bacon Ranch options. Taiwan offers a corn salad, while customers in the Middle East can select a tuna salad. With all these choices, it's no wonder McDonald's serves more salads than any other quick service restaurant in the world.

Giving our customers quality, choice and value

Whether it's a quick breakfast, lunch on the go or dinner with the kids, customers come to McDonald's for quality food at a great value. Our goal is to continuously improve our classic offerings and increase the number and variety of new options that deliver the great taste and balance our customers seek.

In addition to an evolving array of menu items, we also offer many ways for customers to learn about the nutrition information of our food. We pay particular attention to our offerings for children and how we communicate about them to both children and their parents.

With guidance from our Global Advisory Council (GAC), we continue to evolve our overall approach, while supporting our individual markets in meeting the specific needs and requirements of their local cultures and governments. Since 2004, the GAC has provided McDonald's guidance on key areas such as global nutrition labeling, McDonald's "what i eat, what i do" children's well-being platform, the development of internal metrics to gauge our progress, and approaches for motivating children to eat more fruits and vegetables.

WELL-BEING: McDonald's Holistic Approach



WHAT WE'VE ACCOMPLISHED

NEXT-GENERATION HAPPY MEALS

Over the last several years, Happy Meal offerings around the world have been enhanced to offer a range of side and drink options such as yogurt, fruit bags, carrots, apple slices, corn cups, soy milk, water and juices. After a multi-year effort to increase the breadth and depth of Happy Meal choice items, we now offer a fruit, vegetable or dairy option for Happy Meals in all of our top nine markets. Moving forward, we continue to seek ways to expand choice options and improve the overall nutritional profile of the Happy Meal.

In an effort to further enhance the Happy Meal experience, McDonald's France encouraged kids to eat more fruit in 2010 with their "Les Mercredis a Croquer" (Crunchy Wednesdays). On the first Wednesday of each month, kids received a free bag of apple slices and grapes with the purchase of a Happy Meal. McDonald's USA is currently testing the concept of including an additional fruit or vegetable side option in every Happy Meal. They are also testing a breakfast Happy Meal that would include at least one serving of fruit.

We find that the best Happy Meal choice ideas tend to originate at the market level and then travel around our System. Corn cups were first introduced in China in 2006 and are now offered in Japan, South Africa, Malaysia and multiple countries in Latin America. We are also seeing more beverage options in our Happy Meals around the world, including soy milk, natural fruit juices and flavored waters.

CHOICE FOR THE WHOLE FAMILY

McDonald's is enhancing the nutrition profile of core products while continuing to introduce a range of new choices. For example:

Lower Sodium Chicken – McDonald's Canada has reduced the amount of sodium in all of its menu items featuring grilled chicken. For example, the Chicken Snack Wrap includes a sodium-reduced tortilla, chicken and ranch sauce, resulting in a total sodium reduction of nearly one-third (32%).

Whole Grain Any Time – All U.S. restaurants have begun offering "Fruit & Maple Oatmeal," a delicious and wholesome snack that has two servings of whole grains, a half cup of fruit, maple flavor, brown sugar and a touch of cream. Available all day, it is low in fat, an excellent source of fiber, a good source of Vitamin C and only 290 calories.

Heart Foundation Tick-Approved Meals – McDonald's Australia works with the Heart Foundation to identify McDonald's meals that meet the strict criteria needed to earn the Heart Foundation Tick. This symbol indicates for customers that the meals have been independently tested and contain less than 2% saturated fat, virtually no trans fat and at least one serving (75g) of vegetables.

MAKING A COMMITMENT TO MARKET RESPONSIBLY

McDonald's understands the importance of responsible marketing practices, and we take our communication with children and families seriously. McDonald's Children's Global Marketing Guidelines continue to provide a common set of rules for responsible communication to children in our markets around the world.

Building on this, five of our major markets – Australia, Brazil, Canada, Mexico and the United States – have committed to Food Marketing Pledges for Kids. McDonald's Europe has also committed to a comprehensive set of responsible marketing principles. The pledges vary by market and circumstances, but generally state that the food McDonald's features in advertising to children must meet specific nutritional criteria (including defined levels of calories, fat, sodium, etc.). In the United Kingdom, McDonald's ensures that all Happy Meal advertising includes the government's "five-a-day" message, which promotes eating at least five portions of fruits and vegetables each day.

MAKING FRUITS AND VEGETABLES FUN

In May 2010, McDonald's launched a Global Happy Meal promotion featuring the characters from DreamWorks' Shrek Forever After™. The promotion ran in the majority of our major markets and was translated into nine languages.

Advertising and packaging featured fruit, vegetable and dairy items such as carrots, apple slices or milk. There were also interactive games such as a pop-out Puss in Boots who makes drinking milk more fun. Online activities included:

Animated music videos featuring fun characters like the "Yummivore" and focusing on fruits, vegetables and dairy

Interactive games featuring Shrek and his friends choosing fruits and vegetables

Celebrity lunch examples detailing what food choices Shrek characters prefer

Like all of our advertising, this campaign followed our Children's Global Marketing Guidelines.

MORE WAYS TO GET NUTRITION INFORMATION

Information is power, but only if it is accessible and easy to understand. That's why McDonald's puts nutrition information in the hands of its customers in as many ways as possible. All of our markets use two or more of the following methods:

McDonald's websites

Third-party websites

Mobile devices

Packaging

Brochures

Trayliners

Toll-free phone lines

Voice-activated information

McDonald's also complies with local laws and regulations, such as menu board labeling in the U.S. We will continue to provide innovative and effective ways to ensure customers can easily access the information they are seeking.

CHALLENGES AHEAD

It is clear that nutrition and well-being will remain a topic of significant interest to society for the foreseeable future. Opinions on how to address the challenges will continue to evolve, and McDonald's will continue to listen, learn and identify ways to do more.

The world is changing, and consumer expectations continue to evolve. That's why McDonald's continues to provide expanded menu choices and nutrition information to our consumers. Local regulatory actions related to nutritional content, information-sharing and marketing are increasing. McDonald's will continue not only to meet these changing regulations, but also to provide leadership and dialogue with experts and third parties, using our influence, skills and resources to play a role in this arena. We will do our part, and look for ways to join others to do more.

2011-2013 GOALS

Accelerate and expand food and beverage choices containing fruit and vegetables across our menu

Increase awareness of fruit, vegetable and dairy options for children available on our menu



WHAT WE'VE ACCOMPLISHED

A COMMITMENT TO SUSTAINABLE LAND MANAGEMENT

Building on our long-standing policy not to source beef from valuable rainforest land, McDonald's developed a Sustainable Land Management Commitment in 2009. The commitment states that we will work with suppliers over time to ensure that agricultural raw materials for McDonald's food originate from legal and sustainably managed land sources.

In 2010, we began working with our suppliers to implement policies and programs that are aligned with our shared goal to achieve sustainable solutions for continuous progress. Our aim is to conserve biodiversity, maintain rare and critical ecosystems and landscapes, and meet the economic and cultural needs of local communities, all while ensuring safe, high quality and affordable supply for McDonald's restaurants around the world.



Over the last year, representatives from World Wildlife Fund performed an assessment of our supply chain risks and opportunities in this area, with a focus on our most purchased ingredients: beef, chicken, oil, coffee and wood fiber (for packaging needs). The analysis was completed at the end of 2010, and we are in the process of setting global and local priorities and have begun engaging our suppliers in taking action.

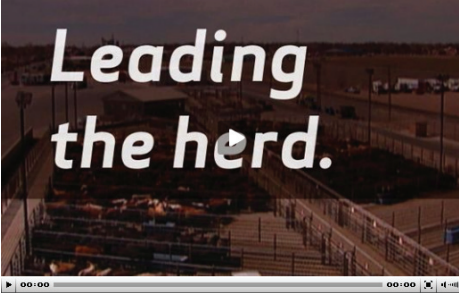
For more details, see our Sustainable Land Management Commitment.

http://www.aboutmcdonalds.com/mcd/csr/about/sustainable_supply/sustainable_land_management_commitment.html

Our suppliers focused on the 3E's: Ethical, Environmental, Economic

The McDonald's supply chain is a complex web of direct and indirect suppliers. We manage this complex system by working with direct suppliers who share our values and our vision for sustainable supply. We hold them to clear standards for quality, safety, efficiency and sustainability. We expect them to extend those requirements to their suppliers. We also partner with them to identify, understand and address industry-wide sustainability challenges and achieve continuous improvement. Overall, McDonald's and its suppliers are collectively focused on three responsibility areas: ethical, environmental and economic.

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



HOW WE MEASURE UP

McDonald's has a number of programs in place to regularly track our performance in sustainable supply areas such as environmental impact, animal welfare, Supplier Workplace Accountability and sustainable fisheries. Below are updates on our performance for 2009-2010:

Environmental Scorecard. For the past five years, McDonald's has used its Environmental Scorecard to encourage suppliers to measure and reduce their environmental impacts. Suppliers provide annual data for energy, water, air and waste relative to units of production. Suppliers then use the scorecard to identify and share best practices throughout McDonald's supply chain related to collectively producing more with less – less waste, less pollution and less use of resources during the development of our products.

In 2010, we transitioned from a manual process for collecting data from our suppliers to one that utilized a software database system. We required that our suppliers for six categories (beef, poultry, pork, toys, potatoes and buns) provide on-line data for the top nine markets. They were asked to input data from 2007 to 2009, with 2010 data due in the first quarter of 2011.

Sustainable Fisheries. McDonald's Sustainable Fisheries program continues to be our leading sustainable sourcing program, and the ruler by which we measure our success in other supply areas. The program establishes sustainability standards that guide our purchases for wild-caught fish. If these standards are not met, we discontinue purchasing from the supplier until improvements are made. Our goal is not only to reduce the number of red or "unsatisfactory" ratings, but to increase the amount we source from "green" rated fisheries. In 2009, 98.7% of McDonald's fish originated from fisheries with zero unsatisfactory (red) ratings.

Animal Welfare. Developed in conjunction with Dr. Temple Grandin, our Animal Welfare Guiding Principles and audit process have been in effect since 2000. In 2009:

- 100% of abattoirs were audited (beef, pork, poultry)
- 100% of abattoirs passed their audits

We also continue to monitor research related to specific animal welfare practices such as housing and electric stunning to ensure that our System is aware of the latest developments.

Supplier Workplace Accountability: McDonald's focuses not only on the quality and safety of our products but also on the working conditions of the people who work in our supply chain. Ninety-five percent of our direct suppliers have signed our Code of Conduct for Suppliers, which establishes minimum requirements for employment and workplace practices. Signing our code also represents a commitment by our direct suppliers to extend our expectations to all of their suppliers. To ensure compliance, we regularly track and assess performance with on-site audits conducted by third-party auditors, with frequency based on the site's level of risk.

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

McDonald's takes 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 know our toys are safe because we impose rigorous safety protocols throughout every step of toy design, development and manufacture. 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 process 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.

CHALLENGES AHEAD

Going forward, as in the past, the biggest issues and potential impacts we face in the area of sustainable supply chain are actually "upstream" from McDonald's and influenced by our direct suppliers and their supplier partners. As a result, we must continuously reach out to partner with direct suppliers, industry experts, NGOs like World Wildlife Fund and Conservation International, and others within the industry to encourage and motivate systemic improvement and change. A prime example of this is our work to continue the momentum established with the Global Conference on Sustainable Beef, which was convened by WWF. This can only be accomplished jointly with other major sponsors such as Cargill, JBS, Walmart and Intervet.

2011-2013 GOALS

Set goals and make tangible progress for priority products as identified in our Sustainable Land Management Commitment

Reduce environmental impacts of direct suppliers by continuing to utilize our Supplier Environmental Scorecard as a continuous improvement tool

Work with other stakeholders on next actions resulting from the Global Conference on Sustainable Beef

ENVIRONMENTAL RESPONSIBILITY



Doing more with less

Less is more when it comes to the environment – less energy, fewer emissions and less waste. At McDonald's, we seek to reduce our environmental impact because it is not only good for our planet, but also good for our long-term financial success. We aim to use less and spend less through three areas of activity: sustainable packing and waste management, energy conservation and green restaurant design.

20 YEARS OF COLLABORATION

November 2010 marked the 20th anniversary of a groundbreaking partnership between McDonald's and the Environmental Defense Fund. We collaborated in 1990 to create a Waste Reduction Action Plan for the U.S. that eventually eliminated 300 million pounds of packaging waste. It was the first partnership between an environmental group and a Fortune 500 company at a time when environmental and business interests were typically not aligned. It also provided a model that McDonald's has used with more than 40 other initiatives over the last 20 years to address a wide range of social and environmental issues. Take a look on our website at Partnering for Success: Two Decades of Sustainable Progress to learn more.

WHAT WE'VE ACCOMPLISHED

WASTE CONSCIOUS

McDonald's uses an internal global scorecard tool called the Eco-Filter to help us make packaging decisions while keeping the environment in mind. Over time, we have made changes aimed at reducing the amount of packaging and increasing our use of recycled materials. For example, in 2009, McDonald's France introduced a frappe cup and lid made out of 40% recycled plastic (rPET). Using recycled materials reduces the amount of virgin resin needed by 123 metric tons per year and reduces the amount of landfill waste by an equivalent amount.

Similarly, McDonald's USA worked with packaging supplier HAVI Global Solutions to transition to a plastic material called Clarified Polypropylene (CPP) for McCafe beverage cups, achieving cost savings and delivering environmental benefits while maintaining performance and premium product image. The CPP package delivers the same consumer experience while using 20% less material as compared to PET. Less material use per cup drove cost reduction of 15% as well as reduced inputs of raw materials and energy and generated 20% less solid waste. Transition to the new cups will be complete by the end of the first quarter of 2011.

ENVIRONMENTAL RESPONSIBILITIES IN THE RESTAURANT



MEASURE, ASSESS, INNOVATE, REPEAT

How much energy do McDonald's restaurants use around the world? It seems like a simple question, but it is more difficult to pinpoint than one might imagine. The size and complexity of our decentralized System, the lack of available data and other issues have made this a significant challenge. But with our commitment to continuous improvement, we are working on better data collection and analysis to advance our energy efficiency goals.

We have created a new Global Energy Leadership Board, which includes representatives from all our areas of the world. The group met in September 2010 to evaluate global energy measurement, set global priorities and discuss how we can bring more focus and alignment to our many energy conservation initiatives around the world.

In the area of measurement, we have developed better, more reliable metrics for six markets, with a focus on company-owned restaurants. Comparing annual measures of energy use per guest count appears to be the most promising approach. In the markets where this type of measurement is available, we're finding that our reduction efforts are enabling our energy use to remain steady, despite increases in restaurant hours and the addition of more equipment and menu items.

LEARNING WITH GREEN BUILDINGS

McDonald's continues to test and learn how to incorporate more green elements into our buildings. There are green components already present in our existing restaurant standards around the world, and we are working to enhance these. Several of our markets, including France, Canada, Germany, Brazil, Costa Rica and the U.S., currently have plans to install and track the performance of new sustainable features to improve energy efficiency.

Many markets are also already operating or planning to build restaurants that feature environmental attributes. For example, McDonald's Europe is currently implementing a set of McDonald's Green Building Guidelines for remodeled and new restaurants. In addition, a number of countries are constructing green restaurants to pilot greener building designs and technologies. These restaurants provide us with excellent ways to identify the best materials and designs that lead to practical and sustainable improvements.

McDonald's USA has been a national member of the U.S. Green Building Council (USGBC) since 2007 and uses tools such as the LEED rating system. This nationally recognized green building rating system outlines specific standards for sustainable site development, water savings, energy efficiency, material selection and indoor environmental quality. McDonald's participation in the pilot version of the LEED Retail program helped to develop the current LEED Retail rating system for all retailers.

"We were inspired to rebuild our original restaurant to LEED gold-certified standards to encourage and educate our customers on the importance of environmental sustainability. For us, this is a way to give back to our community and to our McDonald's System. We hope that what we learn from this restaurant can be utilized to build more efficient and environmentally friendly restaurants in the future, which will then benefit more communities."

—Tom and Candace Spiel, Owner/ Operators, LEED-Certified McDonald's restaurant in Riverside, CA



CHALLENGES AHEAD

Three primary challenges must be overcome as we seek to reduce McDonald's environmental impact.

Energy use. The demands of extended hours and additional equipment to cook new menu items complicate the goal of decreasing our energy use. We will need more innovation in reducing energy consumption, while maintaining the speed of service our customers expect.

Consumer package recycling. This continues to be a real challenge, mostly because there is great variation in what packaging is accepted by local recycling programs. Additionally, food-contaminated waste is generally less desirable to recyclers. We must seek out ways to deal creatively with these challenges over time.

Green buildings. As we identify and implement "greener" features in our buildings, we will be challenged to extend these solutions to the broader existing restaurant base in ways that are practical for the business.

2011-2013 GOALS

Increase adoption of energy efficient equipment and technology in the restaurants

Improve tracking of restaurant energy consumption data

Increase energy awareness and education across our business to continue to realize savings to the bottom line and benefits to the environment



WHAT WE'VE ACCOMPLISHED

INTERCULTURAL LEARNING

A diverse workforce operating in an inclusive environment is essential for business success – but it isn't always comfortable. McDonald's Intercultural Learning Practice includes a series of workshops designed to help participants explore the challenges of a diverse environment, practice non-judgmental listening and most important, become agents for positive change at work and in the world. The courses address not only race and gender, but also sexual orientation and generational and physical differences. Since they were first offered in 2009, more than 100 sessions have been conducted in every U.S. region, Canada and multiple countries in Asia.

People make the difference at McDonald's

McDonald's and its independent franchisees employ more than 1.6 million people worldwide – they are the face of our brand and differentiate us from the competition. Our continued success requires that we develop and retain a diverse, engaged and talented workforce. We must do this in a range of cultural environments and in the face of often-negative perceptions of working in the quick service industry. That's why we focus our people programs and policies on three priority areas: respect and inclusion, Employee Value Proposition (EVP) and talent management.

DELIVERING OUR EMPLOYEE VALUE PROPOSITION

McDonald's Employee Value Proposition (EVP) defines what our employees around the world value the most about their jobs at McDonald's. Our EVP represents what we offer to crew and managers in exchange for their performance and commitment to the organization. We have communicated the three elements of our EVP (Family & Friends, Flexibility and Future) across the System along with tools and best practices to help our individual markets bring them to life. Activating the EVP is a key element of the 2011 business plans for each of our nine major markets.

PEOPLE PRIORITY: McDonald's Approach



As markets work to deliver the EVP, we ask them to consider their actions in three categories:

Foundational. These policies and programs are impactful and needed, but can be found at other companies; for example, certification of restaurant managers and training provided at our Hamburger Universities around the world

Differentiated. These actions set McDonald's apart from competitors but could possibly be duplicated; for example, sabbaticals for restaurant managers

Unique. These programs can only be found at McDonald's; for example, our Voice of McDonald's and Olympic Champion Crew programs

RECOGNITION AROUND THE WORLD

McDonald's is regularly recognized by industry and professional associations around the world as an employment leader. Most recently, McDonald's received the prestigious 2011 Catalyst Award for our work to promote the advancement of women in the workplace. Each year, the Catalyst Award honors companies that stand out for their achievement in this area – through specific initiatives that produce real and tangible results in promoting opportunities for women.

In 2010, McDonald's received awards or recognition in more than 33 countries for such areas as diversity, corporate culture, talent management and the employment of students and disabled persons. In addition, McDonald's has been recognized as a "best employer" or as one of the "best places to work" in more than 30 countries where we operate, including Brazil, Canada, China, France, India, Ireland, Italy, Mexico and Saudi Arabia.

Below is a brief sample of other people-related recognitions McDonald's received in 2010:

India: "Best Employer Brand – Restaurant"

Shanghai, China: "Company with Highest Employee Satisfaction Rate"

United Kingdom: "Top 100 Graduate Employers"

United States: "40 Best Companies for Diversity," Black Enterprise magazine



MODERN BENEFITS FOR TODAY'S WORKFORCE

Benefits programs enable McDonald's to offer economic support to employees beyond wages. In many of our markets around the world, these programs are considered "foundational" elements of the Employee Value Proposition because they are regulated by the government. In other markets, such as the U.S., benefit programs can be a source of differentiation for McDonald's. For example:

Just like McDonald's executives and corporate staff, U.S. restaurant employees (both hourly and salaried) are offered the opportunity to invest in their future in the McDonald's Profit Sharing and Savings Plan, a 401(k) plan. Because McDonald's believes that the 401(k) plan is the sole retirement vehicle for many employees, we have taken specific measures to ensure that eligible restaurant managers are enrolled in the program and provide a generous, fully vested matching contribution for all participants in the 401(k) plan.

Staff and restaurant employees in the U.S. are also offered a choice of company-sponsored medical plans. Having a choice allows employees to pick the plan with the right combination of premiums and coverage to fit their needs. All of the company plans incorporate preventive care benefits, recognizing that getting an annual physical or other health screenings can identify a condition before it becomes serious. In addition, we strongly believe in providing ongoing health care-related education to our employees, so that they can optimize their benefits and improve their health.

LIVING OUR VALUES

McDonald's values represent how we do business, but they only come to life through the actions of our employees. After a multi-year effort to build understanding of the values across the System, we have now identified "Values Catalysts" in our top 10 markets, five emerging markets and corporate departments. These individuals are responsible for developing and implementing values integration plans in their markets and sharing results and best practices worldwide. The ultimate goal is to bring our values to life at the restaurant level, where our consumers experience the brand.

CHALLENGES AHEAD

As McDonald's works to improve training, increase commitment and reduce turnover across our markets, our major challenges are overcoming negative perceptions of quick service restaurant jobs and dealing with the constantly changing wage, hour and other employment-related legislation around the world. McDonald's, along with other companies, will have to deal with the declining number of young employees, as the global workforce continues to get older.

2011-2013 GOALS

Energize our restaurant crew and managers and differentiate McDonald's as an employer of choice through continuous and aligned focus on our global Employee Value Proposition

Identify ways to bring our values to life at the restaurant level in ways that enhance employee commitment and the customer experience



WHAT WE'VE ACCOMPLISHED

HOPE AND HEALING FOR CHILDREN AND THEIR FAMILIES

Our charity of choice, Ronald McDonald House Charities (RMHC), creates, finds and supports programs that provide stability and resources to families so they can keep their children healthy and happy. In addition to our overall corporate support, below are some highlights of how McDonald's franchisees, restaurants and regional staff contributed to the charity in 2010.

The St. Louis McDonald's Co-op was a lead contributor to the 300th Ronald McDonald House, which opened in September 2010 near St. John's Mercy Medical Center in St Louis, MO.

McDonald's Russia donated all the proceeds of "Helping Hands" sold November 1-20 and the sales of French Fries on November 20 (McHappy Day) to the Ronald McDonald Family Room program.

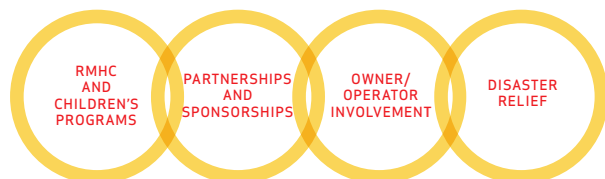
From November 10-30, all proceeds raised from the sale of "Hope Bears" were donated to RMHC Taiwan. McDonald's Taiwan also invited customers to support McHappy Day online. For each visitor's click on its Facebook page, McDonald's Taiwan donated \$1 to further support RMHC.

Beginning in 2010, participating restaurants in the U.S. began making a contribution to RMHC from the sale of Happy Meals® and Mighty Kids Meals®.

Reaching out and giving back to the communities we serve

Giving back to the community is an essential part of McDonald's heritage and values – it is part of our DNA. We are committed to using our scope, people and profits to create lasting impact on the communities in which we live and work. Across the globe, we seek to make a difference through four primary avenues: our support of Ronald McDonald's House Charities and their children's programs; our local, regional and global partnerships and sponsorships; involvement by our owner/operators in their local communities; and disaster relief.

COMMUNITY SUPPORT: McDonald's Framework



GLOBAL CONNECTIONS, LOCAL IMPACT

McDonald's sponsorships of local grassroots programs and global events like the Olympic Games and FIFA World Cup provide opportunities that make a difference for kids and communities around the world.

During the 2010 FIFA World Cup in South Africa:

1,408 children ages 6-10 from 47 countries received the chance to walk hand-in-hand onto the pitch with their football heroes as part of the McDonald's Player Escort Program.

McDonald's South Africa launched "Coach the Coaches," based on the successful McDonald's UK program, which trains coaches to teach children football; they expect to reach 3,000 South Africa schools over the next three years.

McDonald's funds helped contribute to the purchase of a new bus for the Mvezo region, the birthplace of Nelson Mandela.

During the 2010 Olympic Winter Games in Vancouver, Canada:

McDonald's Champion Kids program gave children ages 6-14 from around the world a once-in-a-lifetime opportunity to experience the Games firsthand and be youth correspondents to share their stories with their hometown media and communities.

EMPLOYEES GIVING BACK

McDonald's corporate volunteer program matches employees to volunteer opportunities and uses an online management tool to track participation. In addition, employees can double the impact of their own charitable donations by applying for matching funds from McDonald's. In 2009 and 2010, more than \$900,000 in matching funds were distributed to charities identified by employees.

REACHING OUT WHEN DISASTER STRIKES

McDonald's franchisees, employees and the corporation have a proud history of reaching out in times of natural and other disasters. In 2010, we responded with donations, on-site food and water provisions and other assistance to earthquakes, floods and other disasters in Chile, China, the U.S., and many others. For example:

McDonald's franchisees, employees and the corporation donated more than \$500,000 in cash to the International Red Cross to support the victims of the Haiti earthquake.

McDonald's restaurants operated by Arcos Dorados in Latin America raised \$1.1 million for Haiti relief efforts by donating 50 cents from every sale of a Big Mac or a Big Mac Extra Value Meal.

CHALLENGES AHEAD

In the area of community involvement, the challenge is always how to do more and have more impact. At McDonald's, we continue to focus on extending our reach in the communities where we do business not only through global activities, but by further empowering our franchisees and employees to make a difference in their own communities.

2011-2013 GOALS

Leverage local and global resources to have greater impact on children, families and communities

Increase financial and volunteer support to Ronald McDonald House Charities through communication outreach

Increase participation in the corporate volunteer program

2011-2013 Goals

We aim to make concrete progress on the following goals between now and 2013:

NUTRITION AND WELL-BEING

- Accelerate and expand food and beverage choices containing fruit and vegetables across our menu
- Increase awareness of fruit, vegetable and dairy options for children available on our menu

SUSTAINABLE SUPPLY CHAIN

- Set goals and make tangible progress for priority products as identified in our Sustainable Land Management Commitment
- Reduce environmental impacts of direct suppliers by continuing to utilize our Supplier Environmental Scorecard as a continuous improvement tool
- Work with other stakeholders on next actions resulting from the Global Conference on Sustainable Beef

ENVIRONMENTAL RESPONSIBILITY

- Increase adoption of energy efficient equipment and technology in the restaurants
- Improve tracking of restaurant energy consumption data
- Increase energy awareness and education across our business to continue to realize savings to the bottom line and benefits to the environment

EMPLOYEE EXPERIENCE

- Energize our restaurant crew and managers and differentiate McDonald's as an employer of choice through continuous and aligned focus on our global Employee Value Proposition
- Identify ways to bring our values to life at the restaurant level in ways that enhance employee commitment and the customer experience

COMMUNITY

- Leverage local and global resources to have greater impact on children, families and communities
- Increase financial and volunteer support to Ronald McDonald House Charities through communication outreach
- Increase participation in the corporate volunteer program