

McDonald's and its franchisees employ 90,000 Australians which is equivalent to 7% of workers in the Australian café, restaurants and takeaway food services sector.

Some 3,000 new jobs were created in 2012 as a result of new restaurant development.

There are 869 McDonald's restaurants across Australia.

More than 1.7 million customers visit McDonald's restaurants in Australia every day.

The economic contribution of McDonald's Australia to the national economy is equivalent to 0.2 per cent of Australia's GDP.





ABOUT THIS REPORT

This is the fourth Corporate Responsibility and Sustainability Report from McDonald's Australia. The first report was published in December 2006. This report primarily focuses on the activities and results achieved in 2011 and 2012 but it also includes highlights from previous years. All data and financial reporting is from the 2011 calendar year unless otherwise stated.

The content of the report is limited to the activities and responsibilities of McDonald's in Australia, with reference to McDonald's Global only where there is a direct impact on the Australian operation. It has been developed with reference to the Global Reporting Initiative G3:1 Sustainability Reporting Guidelines. See Page 67 for an index detailing the specific requirements of the Global Reporting Initiative guidelines. The choice of content has been determined with reference to our stakeholders' areas of interest and focuses on the subjects that have the greatest impact on our franchise partners, suppliers, employees, customers and neighbours. The key external stakeholders that we anticipate will use this report include Australian based government authorities,

dietitians and nutritionists, education and employment organisations, environmental organisations, business partners and media plus our customers who are demonstrating an increasing interest in our sustainability performance.

McDonald's in Australia is a franchise operation with almost three quarters of the restaurants owned and operated by Australian small business people. Each of these restaurant owners have the freedom and flexibility to run their restaurants as they see appropriate within the framework set down by McDonald's Australia. While this system has many benefits it does present issues for this type of reporting, therefore, some of the data in this report reflects the operations of company owned restaurants only. Other data is estimated based on actual information from company owned restaurants and the data that we would expect from franchised restaurants. The nature of the specific information is indicated throughout the report. While data in this report, at times, only reflects company owned stores, the practices outlined apply to all restaurants Australia wide.

ABOUT McDONALD'S AUSTRALIA

The McDonald's story started in 1955 in Chicago, Illinois USA when Ray Kroc opened the first franchised McDonald's restaurant. There are now 33,000 McDonald's restaurants in 119 countries around the world serving nearly 68 million customers on average every day. Some 80 per cent of these restaurants are owned and operated locally by almost 5,000 business men and women. The first McDonald's restaurant opened in Australia in the western suburbs of Sydney in 1971. There are now (as at 31 December 2011) 869 McDonald's restaurants across Australia serving more than 1.7 million customers every day. There are 62 more restaurants in Australia now than listed in our last report which reflected restaurant numbers as at 31 December 2009.

McDonald's Australia Limited is an unlisted Australian public company limited by shares. It is a franchise business with more than 70 per cent of the restaurants in Australia owned and operated by individual, local business men and women. The remainder of the restaurants are run by company staff. Most franchisees enter into a 20 year agreement with McDonald's and many own and operate more than one restaurant. The franchise structure allows our restaurants to meet the needs of their individual communities within a framework that ensures high safety, quality and accountability standards.

McDonald's and our franchisees employ approximately 90,000 people in restaurants and management offices across Australia.

RELATIONSHIPS

At the heart of McDonald's operations lies a trio of essential players: franchisees, suppliers and employees. We refer to the close interdependency of these three players as a "the three-legged stool". The stool forms the foundation of the business and represents our greatest strength as a company.

We are committed to ensuring sustainable and profitable relationships with all of our partners so it is critical to our business that our franchisees, suppliers and employees all benefit from the growth of the McDonald's business.

This is evidenced by the fact that many of our supplier relationships date back to the opening of the first McDonald's restaurants in Australia. We have some 9,000 suppliers in Australia and we are committed to ensuring all suppliers benefit from their relationship with McDonald's.

McDonald's commitment to using local suppliers has a substantial economic impact in Australia. In response to McDonald's growth and with the addition of new menu items many suppliers have made major investments in new facilities to manage the increasing volumes required by our restaurants.

The McDonald's franchise model also provides positive economic benefits by providing business opportunities for Australians. Currently some 258 Australians are running their own businesses as McDonald's franchisees. The franchising model encourages entrepreneurial skill within a proven business model and McDonald's assists franchisees to build long term, profitable businesses.

NUMBER AND DISTRIBUTION OF RESTAURANTS*

STATE	NSW/ACT	QLD/NT	SA	TAS	VIC	WA	TOTAL
CORPORATE	115	34	10	0	51	24	234
FRANCHISEE	200	165	42	15	172	41	635
TOTAL	315	199	52	15	223	65	869

*As at 31 December 2011

ECONOMIC CONTRIBUTION

As a significant employer, purchaser, retailer and franchisor in Australia, we know we have a responsibility to add value and contribute to the local economy and to the communities in which we operate.

To quantify the contribution McDonald's restaurants make at a national, state and local level, in 2011 we commissioned AECOM, an independent provider of economic modelling, to assess our contribution. Their report found that the economic contribution of McDonald's Australia is equivalent to 0.2 per cent of Australia's gross domestic product. The outcomes of the modelling also highlighted McDonald's contribution to a broad range of industries. McDonald's most significant expenditure is in the following areas:

- \$1.1 billion annually on the manufacturing of food, paper products, utilities, and business support services.
- \$1 billion on wages annually across 90,000 full time, part time and casual staff members.
- \$112 million annually on construction due to the building of new restaurants, remodelling of existing restaurants, including the cost of furniture and equipment.

The key results of the modelling demonstrated that for every \$1 of McDonald's output, 79 cents of value is added in other industries. In addition for every \$1 million in sales, 11.1 persons will be employed across all industries.

The report also looked at the difference between metropolitan and regional restaurants and their individual contribution. AECOM found that depending on the location and size of the restaurant, each McDonald's restaurant contributes between \$1.2 million and \$4.9 million to their metropolitan or regional economy.

Each new restaurant brings with it local employment and training for approximately 100 to 120 people in full time, part time and casual positions but the effect of the restaurant on employment is broader than just those employed to work in the restaurant. According to the AECOM report, each restaurant creates between 21 and 88 full time equivalent jobs depending on the size and location of the restaurant. This includes people employed by the restaurant as well as those employed by suppliers and other service providers.

Many of our restaurants are located in country towns and regional centres creating employment opportunities where they are often most needed and the wages bill for an average restaurant is in the vicinity of \$1 million. This income enters the local economy as employees make purchases and pay taxes.

NEW RESTAURANTS AND 24/7 TRADING

We conduct extensive and continuous customer research and convenience is something Australians tell us is increasingly important to them. They tell us convenience is about having a restaurant close by and knowing that it will always be open. As a result of ongoing business growth and this consumer insight, we are expanding our development program. During 2012 and 2013 we anticipate opening 70 new restaurants across Australia amounting to a capital investment value of approximately \$210 million. We are also moving more of our restaurants to 24 hour trading, seven days a week.

CORPORATE GOVERNANCE

McDonald's is committed to conducting business ethically and in compliance with the letter and spirit of the law. This commitment is reflected in our values.

Inherent in each value is our commitment to be ethical, truthful and dependable and this is reflected through our Standards of Business Conduct which serves as a guide to making good decisions and conducting business ethically. McDonald's success is built on a foundation of personal and professional integrity and these guidelines apply to all salaried employees worldwide, including restaurant managers.

The complete Standards of Business Conduct for Australian employees can be read at www.aboutmcdonalds.com.

When employees start work at McDonald's Australia they receive a copy of the Standards of Business Conduct and they are asked to sign a form certifying that they have read and agree to abide by them. They are subsequently asked to recertify on an annual basis.

Behaving ethically is the responsibility, and our expectation, of all McDonald's Australia employees and is a fundamental aspect of our organisation's culture. This is guided by the policies, direction and behaviour set by the leadership team as well as the written Standards document.

OUR VALUES



WE OPERATE OUR BUSINESS ETHICALLY.

Sound ethics is good business. At McDonald's, we hold ourselves and conduct our business to the highest possible 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 (RMHC), and leverage our size, scope and resources to help make the world a better place. We are committed to sustainable business practices and are determined to conduct our operations in a manner that does not compromise the ability of future generations to meet their needs.



WE GROW OUR BUSINESS PROFITABLY.

Our stakeholders support our ability to serve our customers. In return, we work to provide sustained, profitable growth for all members of our System and our investors.



WE STRIVE CONTINUALLY TO IMPROVE.

We consider ourselves a learning organisation that is green and growing and that anticipates and responds to changing customer, employee, System and community needs through constant evolution and innovation.



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 great value. Our goal is outstanding quality, service, cleanliness and value (QSC&V) for each customer every time.



WE ARE COMMITTED TO OUR PEOPLE.

We provide opportunity, recognise talent and develop leaders. We believe that a diverse team of well-trained individuals 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.

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

LOCAL LEADERSHIP

Catriona Noble continues as Managing Director and Chief Executive Officer of McDonald's Australia. Catriona has worked for McDonald's Australia for over 28 years after starting as a casual crew member when she was 14 years old.

The McDonald's Australia Board consists of the following McDonald's Australia employees:

- Catriona Noble, Managing Director and Chief Executive Officer
- Helen Nash, Chief Operating Officer
- Joanne Taylor, Chief Restaurant Support Officer
- Craig Cawood, General Counsel
- Andrew Gregory, Chief Financial Officer

The McDonald's Australia Board works hand in hand with a body of elected franchisees from across the country. As at 2012 the McDonald's Australia National Business Group of franchisees includes:

NSW Ian Garton, Craig Evans, Hani Sidaros, Kerry Gordon
VIC Ken Turner, Tony Kitto, Chris Carroll
QLD Adam Dando, Steve Flook, Tony Ward
SA Mark Dutschke, Graham Delbridge
WA Richard Hill, Nick Agostino

The Board reports to the President Asia Pacific, Middle East and Africa, McDonald's Corporation who in turns reports into

McDonald's Australia National Business Group 2012 with McDonald's Australia Board members.

McDonald's Corporation senior management in the US. In this way, the operation of McDonald's Australia is governed by the global McDonald's System. This System is decentralised providing great freedom for individual countries to operate the business to best suit the needs of their customers within a framework that ensures each market adheres to the same core values, principles and standards.

OUR RESPONSIBILITY

From the beginning, we've been a company committed to doing the right thing. Corporate responsibility and sustainability is part of our heritage and dates back to our founder, Ray Kroc. Long before the terms became popular, Ray Kroc saw the importance of making a positive contribution to the community.

Operating responsibly is also an integral part of our business strategy as it just makes good sense. Our customers' trust is a precious asset and one that we strive to build and preserve every day. We know that we must have that trust to achieve our vision of 'being our customers' first choice.' As a result, we are committed to being a brand that our customers will trust to do the right thing.

Corporate responsibility challenges are always evolving and we are focused on learning from experts and adapting our operations

to maximise the positive impact we can have on society. We work hard to understand the complex issues that confront our business and industry, and how we can make a significant difference.

As our business grows, we are becoming increasingly focused on building our business sustainably so that our impact on the environment is minimised and our contribution to the communities within which we operate is positive.

Being a responsible company is a journey and there is always room for improvement but we are striving towards a sustainable future for our company, franchise partners, suppliers, employees and the communities in which we operate. We are determined to work with our stakeholders to continuously improve our performance.

OUR STAKEHOLDERS

Stakeholders are those individuals, organisations and groups whom we affect and who affect us. Our stakeholders are diverse and include:

- Customers - more than 1.7 million Australians who visit us every day. These are a wide range of people from families to senior citizens who come to our restaurants in cities, suburbs, regional centres and small towns all over Australia.
- Business partners - our 258 franchisees and all of our 9,000 suppliers.
- Employees - more than 90,000 people employed in our restaurants and offices all over the country.
- Opinion leaders and experts - government, health professionals, environmental groups, media and more. These are the people we learn from and consult with on a range of issues affecting our business.

STAKEHOLDER CONSULTATION

We use various tools and resources to engage with our stakeholders on the issues that matter to them. These

include surveys and research, one on one communication and meetings and our participation in forums, conferences and exhibitions.

Each year we initiate numerous meetings with stakeholder organisations to listen to their feedback, update them on our business plans and discuss solutions which meet the needs of both parties. We have conducted personal meetings with government departments, health and nutrition bodies, emergency services, law enforcement agencies, employee unions, industry associations, local councils, other quick service restaurants, environmental groups, animal welfare organisations and other special interest groups. Details of some of these alliances and relationships are outlined further in this report. Understanding our customers and their expectations and attitudes is also very important to us and as a result we conduct continual, comparative research on a quarterly basis. This research addresses all areas of our business.

Based on this research, other feedback from stakeholders, public debate and our own understanding of the impacts of our business we have identified and prioritised the corporate responsibility issues that are currently of most importance to our stakeholders and have focused on these in this report.

These priorities are:

- Our menu choices and food quality;
- Our marketing practices, particularly in relation to children;
- The sustainability of our supply chain;
- The impact of our operations on the environment and the actions we are taking to minimise them;
- Our employee practices and training opportunities;
- Our contribution to the community on a local and national basis.

Some of these areas present ongoing challenges for us and in others we are very proud of our standards and achievements. We are consulting with experts and working hard to develop strategies to deal with those priorities that currently present a challenge. At the same time we are continuing to innovate and lead the way in other areas of responsible business practice.