

In 2011 McDonald's opened the first Green Star quick service restaurant in Australia accredited by the Green Building Council of Australia.

An employee booklet of 40 sustainability tips for home and office was launched to celebrate 40 years of McDonald's in Australia.

New environmental best practice guidelines make it easier to choose and implement sustainability initiatives in the restaurant.

New landscape guidelines for restaurants focus on water conservation, the use of native and drought resistant plants and advanced storm water retention methods.

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ENVIRONMENTAL RESPONSIBILITY



WORKING TOWARDS ENVIRONMENTAL SUSTAINABILITY

McDonald’s has always strived to be an environmentally responsible business and we have made significant changes throughout the history of our operations as our understanding of environmental impacts has improved.

Now more than ever we consult with experts and third party environment organisations to learn and gain their views on how we can do better. Continual improvement is an important part of McDonald’s overall business culture and this attitude also directs our journey towards environmental sustainability.

We know that our position as the leading quick service restaurant in Australia brings with it significant responsibility and considerable opportunity to make changes and implement improved business practices. These responsibilities extend from the kitchens of our restaurants to the fields of our produce suppliers and beyond.

We have an environment policy in place that underpins all of our decisions and actions. The McDonald’s Australia environment policy can be viewed at www.mcdonalds.com.au. In addition to this policy we operate within a sustainability framework which is designed to assist the entire McDonald’s business to define and deliver appropriate initiatives against the major environmental themes of five identified sustainability pillars.

To ensure the implementation of initiatives across the business, an environmental sustainability cross functional team has been formalised. The team includes senior staff from multiple areas of the business including restaurant design and construction, supply chain, operations, marketing, legal, IT, finance and more. The team also comprises franchisee representatives from each state. The team meets regularly and is responsible for the progress of our sustainability efforts.



SUSTAINABILITY FRAMEWORK

PILLAR 1: CORPORATE OPERATIONS

Aspiration:
'Leading by example'

ENVIRONMENTAL THEMES

Office supplies/materials
Energy use
- direct & indirect
Water
- source, use & reuse
Emissions, effluents & waste

PILLAR 2: RESTAURANT OPERATIONS

Aspiration:
'Making it real in our restaurants'

ENVIRONMENTAL THEMES

Building/equipment materials
Energy use
- direct & indirect
Water
- source, use & reuse
Emissions, effluents & waste

PILLAR 3: SUSTAINABLE OPERATIONS

Aspiration:
'Long term profitable growth through sustainable supply'

ENVIRONMENTAL THEMES

Climate change
Biodiversity
Soli, Water, Air
Waste

PILLAR 4: ADVOCACY & PARTNERSHIPS

Aspiration:
'Working together to achieve mutual outcomes'

ENVIRONMENTAL THEMES

Water
Waste
Energy
Product stewardship

PILLAR 5: CULTURE & COMMUNICATIONS

Aspiration:
'Walk the talk'

ENVIRONMENTAL THEMES

Governance framework, Corporate, licensee, manager and crew engagement, Business case criteria, KPIs, measurement & reporting

OUR PRIORITIES

All of the pillars in our sustainability framework are important but to date our primary focus – and the areas in which we can make the most significant difference – are in restaurant operations and sustainable supply. The impact of the McDonald’s system on the environment is most significant in our restaurant operations in the areas of energy use and greenhouse gas emissions, water consumption and waste generation. We therefore continue to concentrate on these key areas in performance management and improvement targets.

Recent customer research (Globescan 2012) supported these priorities and told us that customers want us to focus on waste and recycling, the environmental practices of our suppliers, packaging materials and design, and energy efficiency and climate change.

For more information about the environmental practices of our suppliers please see page 22 and for more information about waste, packaging and recycling please see page 26.

SAVING ENERGY AND REDUCING GREENHOUSE GAS EMISSIONS

At McDonald's we are committed to ongoing action to improve the environmental performance of our business. We are working to ensure we stay informed and educated about ways to measure and reduce greenhouse gas emissions, what our own impacts are and what the perspectives and expectations are from all of our stakeholders. We are also sharing information within McDonald's globally so that we can learn from each other and collectively find opportunities to use resources such as energy and water more efficiently.

In our operations, energy use accounts for the bulk of carbon dioxide emissions so our focus in this area is primarily on reducing electricity consumption.

McDonald's participates in the federal government's Energy Efficiencies Opportunities (EEO) Program which obligates corporations that use an amount of energy over a specified threshold to undertake assessment of energy efficiency opportunities and report on the outcome of those assessments. Our public report for this program can be found at www.mcdonalds.com.au/about-us/responsibility.

We are also required to report our greenhouse gas emissions under the federal government's National Greenhouse Gas Emissions Reporting (NGER) Act and the reports are published online by the Department of Climate Change at www.climatechange.gov.au.

RESTAURANT ENERGY USE

Current energy use (2010/2011):
4.04 GJ per 1000 transaction counts

As we build new restaurants and update our older restaurants, we are installing more efficient fittings and equipment and these are making a significant difference to our energy use.

Standard practices to reduce energy use introduced to the McDonald's System now include:

- New McDonald's restaurants now use Low Oil Volume (LOV) Fry Vats. LOV Fry Vats have a reduced size frying area, therefore using less oil and energy to heat oil. LOV fryers improve cooking efficiency, and provide environmental benefits as they use approximately four per cent less energy than previous models and due to the automated filtration system, reduce the amount of oil used by approximately 40 per cent.
- McDonald's restaurants now use a three platen cooking grill. The three platen grill has reduced the conventional cooking platform size, delivering improved energy efficiency. Energy savings are estimated at approximately 25 per cent compared to previous models of cooking grills.
- LED carpark lights are now standard in all new restaurants. These lights use 50 to 70 per cent less energy than traditional metal halide lamps. Over 50 Golden Arches pylons have changed to LED lighting and the remaining restaurants are expected to change in coming years.
- Lighting controls are now standard in new and remodelled restaurants. These link to the internal or external lighting systems and dim the lights according to the level of daylight available. A trial of internal light level sensors showed a 29 per cent energy saving on the dining room lighting.
- The installation of Power Factor Correction (PFC) equipment was identified as an energy efficiency opportunity across our existing restaurants as it ensures every kilowatt of energy consumed produces useful work and also reduces transmission losses and reduces greenhouse gas emissions. The equipment has been trialed in 25 restaurants and is now recommended for implementation in all appropriate restaurants.
- A new energy saving system called Capture Jet is being installed in new restaurants. It is an air curtain for our fry vats and grills that prevents cold conditioned air from being removed through the exhausts above the vats and grills.
- Company owned restaurants are currently changing over to more energy efficient Heating Ventilation Air Conditioning units which is expected to reduce energy use.

WATER USAGE

Water is essential to the operation of our restaurants. It is a requirement for maintaining our quality, service and cleanliness (QSC) standards and in the preparation of our products. Water is also a by-product of our operations and so we place considerable focus on water quantity and quality for both water supply and waste water.

We are participating in the Sydney Water Every Drop Counts business program which involves entering into a voluntary business arrangement with Sydney Water designed to improve water management practices and implement water saving measures.

The 95 restaurants participating in the Sydney Water program use an average of 746 kilolitres of water per day. The water used in this selection of restaurants is indicative of water used in restaurants nationally.

The reduction of water use has been a key focus for our restaurants for several years now and a number of initiatives are in place which have reduced water use significantly since we began our focus on this area. These include:

- Rainwater tanks have been installed in many restaurants to harvest stormwater for use in irrigation and toilet flushing and reduce the demand on town water supplies.
- All new restaurants use water efficient tapware and sanitaryware as required by the federal government's Water Efficient Labelling and Standard (WELS) Scheme, with water flows selected to optimise water efficiency to each task.
- A water efficient spray rinse gun has become a standard item for wash up sink use. The Enware spray rinse gun has a reduced flow rate of four litres per minute (six star WELS water efficiency rating) saving approximately 60 per cent of spray gun water usage which is equivalent to 300 to 800 litres of water per day depending on the previous spray gun used. The new spray gun also provides hot water electricity savings.

Crew and managers are also trained to consider their water usage as they undertake tasks in the restaurant and are encouraged to use water efficiently. We believe that wide community awareness of the importance of saving water has also encouraged our employees to use water more responsibly.

A recent focus has been on improving our landscaping policies for all restaurants and new guidelines were introduced in 2011. These guidelines educate contractors and field personnel on issues such as water conservation, the use of native and drought resistant plants and advanced storm water retention methods.

The guidelines are detailed and include requirements such as the:

- Planting of shade trees in car parks.
- Retention of existing trees on the site when a new restaurant is being built.
- Draining of hard surfaces into bio-retention areas.
- Capture of roof water and rainwater harvesting, and
- Minimal use of irrigation.





FIRST AUSTRALIAN GREEN STAR RESTAURANT

McDonald's has opened the first quick service restaurant in Australia to be recognised with Green star certification. The new restaurant in Kilsyth, Victoria has a Four Star Green Star - Custom Design rating from the Green Building Council of Australia (GBCA). The new restaurant opened at the end of 2011 and the Green Star certification recognises that this restaurant is Australian best practice for quick service restaurant design.

While McDonald's already has green components in our existing restaurant building standards, we strive for continuous improvement and so we partnered with the GBCA to produce the McDonald's Custom Tool. The tool provides the basis for the evaluation of the environmental design and construction of our freestanding restaurants. The Tool assesses the attributes of a building through nine categories:

- Management
- Indoor environment quality
- Energy
- Transport
- Water
- Materials
- Land use and ecology
- Emissions
- Innovation

GBCA Chief Executive, Romily Madew said: "This is the first time we have worked with a brand in the food and beverage industry to create a custom-built Green Star rating tool and we congratulate McDonald's for being the leader in this industry."

Some of the features of the new restaurant that helped it acquire a Green Star rating include:

- An Energy Management System to monitor control, and optimise the performance of the electrical equipment within the restaurant. Estimated energy savings from this new system are expected to be between 20 and 25 per cent on the current system.
- Rain water harvesting to collect rain water for plant irrigation and the flushing of toilets.
- Solar panels that produce 14,888 kilowatt hours of energy per annum.
- A heat recovery system to remove heat from the air conditioning system and generate hot water for washing.
- Evaporative air conditioning system to supplement fresh air into the kitchen area, therefore decreasing the loss of conditioned air through the exhaust system.
- LED lighting throughout the restaurant with occupancy sensors.
- High performance external LED lighting including the capacity to dim selected pole lights to reduce external energy use by approximately 11 per cent.
- Recycled building materials were used including recycled concrete aggregate, recycled steel and recycled content floor tiles.
- Low VOC paint, sealants and adhesives and floor coverings.

Several monitoring systems have been installed in the restaurant which will provide data on energy and water use. This information will be analysed enabling further enhanced commissioning procedures or operational changes and to assess the viability of the new features in the long term.





KEEPING THE STREETS CLEAN

We know that our packaging litter is a concern for the neighbours of some of our restaurants. It is a fundamental environmental issue and is one that we have had programs in place to manage for many years. Like our customers and neighbours we want our surroundings to be clean and free from litter.

Our Clean Streets program includes initiatives designed to keep the area around our restaurants tidy and clean. The key to this is the Litter Patrol program which is a structured and regular task for crew members who pick up litter from within the restaurant grounds and in neighbouring streets. The crew remove any litter from the area, including McDonald's packaging, and are provided with all the appropriate tools to do this safely. Adherence to the Litter Patrol program is ensured by including this activity in the regular assessments conducted at each restaurant.

Within the Clean Streets program we also use packaging, restaurant traymats and car park signage to remind our customers not to litter.

EARTH HOUR

Held for the first time in 2007, Earth Hour is designed to clearly connect energy use with climate change and to show that small actions can make a real difference to global warming. McDonald's Australia has been a supporter of the World Wildlife Fund's Earth Hour since its inception in 2007 and in 2010 we were named a 'Friend of Earth Hour' in recognition of our ongoing commitment. We have continued our support each year since by asking all restaurants across the country to turn off their pylon or outdoor signage and any other non-essential lighting for Earth Hour. All lights and equipment in our offices are also turned off. We also produce an Earth Hour traymat and other print materials for use in our restaurants which help raise awareness of the initiative amongst our customers and employees.



EDUCATION AND AWARENESS

TOP 40 SUSTAINABILITY TIPS FOR HOME AND OFFICE

To celebrate 40 years of McDonald's in Australia, we compiled 40 top sustainability tips to help employees to save energy and water and reduce waste at work and at home. The simple initiatives in the booklet are all beneficial for the environment but also help our employees and the business save money. The publication was circulated to all corporate staff and was well received.

ENVIRONMENTAL BEST PRACTICE GUIDELINES

To assist restaurants to evaluate and prioritise environmental initiatives an Environmental Best Practice Guidelines booklet was produced for all restaurants in 2011. The booklet consolidates and communicates best practice initiatives in the areas of energy, water, waste, landscaping and litter. The guidelines are based on a Silver, Gold and Platinum ratings system and reflect our commitment to making environmental improvements through practical and cost effective measures.



DOWN TO EARTH

In 2010 an internal publication called Down to Earth was launched for corporate staff and franchisees. The publication keeps staff and franchisees informed about sustainability trials in restaurants, provides energy and water saving ideas, outlines the environmental benefits of new equipment and provides updates on the regulatory environment. This communication tool helps to keep McDonald's sustainability strategy 'top of mind' for all franchisees and staff, and help align the organisation behind the sustainability focus.

