

Scale for Good

This McDonald's Australia Corporate Responsibility Report features the key milestones and figures from 2018. All information in this report refers to 2018 and the restaurants operated directly by McDonald's Australia as well as all restaurants in Australia run by franchisees. Any other information is highlighted accordingly. As the largest restaurant company in Australia, we know we have the responsibility and opportunity to affect change on some of the most pressing social and environmental challenges our country is facing. Operating over 980 restaurants nationally, and serving almost 1.7 million people each day means that even small changes can make a big difference.

While committed to taking on many challenges facing society today, we're elevating a few priorities where we believe we can make the greatest difference and drive industry-wide change:



We opened our first restaurant in the Sydney suburb of Yagoona in 1971. Today, McDonald's Australia:

- Has over 980 restaurants.
- Has over 250 franchisees nearly 85% of restaurants are owned and operated by local, small business franchisees.
- Serves 1.7 million customers every day.
- Employs more than 105,000 restaurant and corporate staff.

McDonald's restaurants in Australia have undergone many changes over the years, as we have introduced new technologies and practices to ensure our customers have the best possible dining experience. These include:

Table delivery, which is now available in all restaurants in Australia, allowing customers to have their food brought to them at their table. Home delivery, which is currently available via Uber Eats at over 600 restaurants and is continuing to scale – as Uber Eats grows, so do we.

Dual-lane Drive-Thrus are being

introduced in some restaurants, making the drive-thru process even quicker for our customers.

Digital menu boards are now in restaurants and Drive-Thrus in every restaurant, providing a more modern, dynamic ordering experience.

A new fibre network has been installed into restaurants this year, meaning ordering, payments and our free customer Wi-Fi are quicker than ever before.

Digital kiosks are now in all

McDonald's restaurants, allowing for a seamless ordering experience and allowing our crew to interact with our customers more personably.

Economic Contribution

- Each new restaurant brings with it approximately 100-120 employment opportunities in local areas.
- We spend over \$1.5 billion annually on employee wages.
- McDonald's employs approximately 8% of people working in the Retail Trade industry.
- We plan to invest approximately \$500 million in new restaurants and refurbishments over the next three years (2019-2021 inclusive).
- Over the past three years (2016-2018 inclusive), McDonald's has invested an average of more than \$115 million each year into new and existing restaurants.

Our business model

The McDonald's business model is depicted by the three legged stool: One leg of the stool is McDonald's franchisees; the second, McDonald's suppliers; and the third, McDonald's employees. The balance of interests among the three groups is key, and the stool is only as strong as the three legs that form its foundation.

Franchisees

The franchisee is at the centre of our business. Nearly 85% of our restaurants are owned and operated by 250 local business men and women, all of whom are committed to supporting their communities.

McDonald's is committed to supporting the communities in which we operate. Every year, individual McDonald's franchisees provide countless employment opportunities and support thousands of local sporting and community groups.

McDonald's franchisees are at the heart of key business decisions made by McDonald's. Our franchisees nominate their peers to sit on all McDonald's main business committees and have been the brains behind many of McDonald's most successful business platforms, such as McCafé.

Suppliers

Our suppliers work with us across all areas of the business and are an integral part of how McDonald's operates. We have strong relationships with our suppliers, some dating back more than 25 years.

We set extremely high standards for our suppliers, who have been able to deliver consistent quality over many decades across multiple industries. In the agriculture space, this means that McDonald's not only uses Australian produce locally, but some local suppliers also export product for use in other areas of the world.

One example of a long term supplier relationship is Tony Parle from Tabita, NSW (Pickles). In 1990, McDonald's agreed Tony would supply one third of Australian pickle orders and within a month the contract increased to 100% of the business. Tony has been the sole local supplier of McDonald's pickles in Australia ever since.



The McDonald's Australia Business



The McDonald's Australia Business



Scale for Good

We are using our size and reach to drive action on key issues within our business and across the industry. We embrace this opportunity to drive meaningful progress, and do so by collaborating with millions of customers, employees, franchisees, suppliers and other partners all around the world.

As we work towards achieving these goals, we are proud that McDonald's Australia has already made good progress against a number of these targets, which create shared value for our business and our communities. These are outlined throughout this report.

Provide balanced choices in Happy Meals by 2022

Help increase the purchase of more fruits,, vegetables, low-fat dairy and whole grains in Happy Meals.

Remove artificial flavours and artificial colours and reduce artificial preservatives where feasible in Happy Meals.

Continue to be transparent with Happy Meal nutritional information and continue to market Happy Meal bundles responsibly.

Beef sustainability by the end of 2020

Accelerate industry progress by sourcing a portion of our beef from suppliers participating in sustainability programs.

Engage with local farmers to help develop and share best practices.

Select and showcase McDonald's Flagship Farmers to demonstrate leading best practices.

Set up McDonald's Progressive Farm Partnerships to trial and discover new practices.

Conserve forests by verifying that the beef we source comes from farms where primary forests and high conservation value lands are preserved.

Packaging and recycling by 2025

100% of guest packaging to come from renewable, certified or recycled sources.

Recycle guest packaging in 100% of restaurants.

Committed to our people

Create opportunity - provide lifelong skills and career opportunities for McDonald's and its franchisees global workforce.

Promote diversity and inclusion foster a work environment that values the unique contributions of all.

Climate change by 2030

Reduce greenhouse gas emissions related to McDonald's restaurants and offices by 36% (globally) from a 2015 base year.

Through collaboration and partnership with our suppliers and producers, reduce emissions intensity (per metric tonne of food and packaging) across our supply chain (globally) by 31% from 2015 levels.

You can read more about our global commitments on our global **Scale for Good** website.





We believe that our people are the key to our success and we are committed to providing them with the training and opportunities they need to be successful in their careers, whether that is with McDonald's or elsewhere.

Every McDonald's employee has the opportunity to take part in structured training that will not only help us run great restaurants, but also provide our employees with skills for life. This includes training in hospitality, team work, food safety, leadership and more.

Training

The business officially became a Registered Training Organisation in 1997 and each year provides thousands of employees with McDonald's specific training as well as nationally recognised and awardwinning certifications.

In 2018 alone, over 3,200 employees completed qualifications through the McDonald's RTO. An employee can access a range of qualifications throughout their development in McDonald's, from a Certificate II level right through to a Diploma.

McDonald's Australia was presented the AHRI Talent Management Award for the Corporate 'Operations Acceleration Program' in 2017. The 'Restaurant Manager of the Future' Program, introduced in 2017, supports the development of McDonald's Restaurant Managers to build their skills and grow their leadership capabilities. The Program was a winner of the HR Management category in the 2018 Australian Business Awards.

The LEAD (Leadership, Experience, Accountability and Development) Program launched in 2018, providing high performing restaurant staff from across the country the opportunity to research, develop and implement a solution to an identified challenge or business-critical brief. McDonald's partnership with the University of Technology Sydney offers employees the opportunity to gain a post graduate certificate, with direct credit points towards a Masters or Graduate Diploma. The *Executive Certificate in People & Operations* course brings new, cutting edge operations and people management skills to our business, while allowing us to reward and retain our best people through higher education.

Common Census

An independent study, launched in January 2019, found that current crew, parents of current crew and alumni believe the top three skills learnt at McDonald's are communication, teamwork and work ethic.

The study also found that:

- **80%** of McDonald's alumni believe their experience working in-restaurant helped set them up for future success, a sentiment mirrored by **84%** of current crew.
- Almost 95% of current restaurant employees believe McDonald's is teaching them useful life skills and skills that will be valuable in the future.
- Four out of five alumni feel working at Macca's is a great way to enter the workforce, and 80% think working at McDonald's vastly improved their chances of securing their next job.
- **90%** of parents of current employees believe McDonald's is helpful or very helpful in setting up their children for future success.
- **93%** of current employees believe McDonald's are teaching them skills that will be valuable in the future.
- Research commissioned by McDonald's in 2013 showed that **84%** of people in recruitment looked positively on a candidate who had experience as a McDonald's crew member.

There are five dedicated training centres in Australia (including four Barista Academies) offering stateof-the-art lecture theatres and classrooms. The very first Barista Academies opened in NSW and Victoria in 2017 and, since then, over 6,100 employees have completed the barista training.

Since McDonald's first opened in Australia in 1971, we have hired around 1.3 million Australians nationwide.

We strive to provide all of our people with a job in a respectful, safe and friendly environment where they have the opportunity to learn and grow. We take very seriously the responsibility of delivering a workplace experience that our employees will always value, that is flexible, complements their lifestyles and provides opportunities for the development of life-long skills.

Recognition

'People Month' was first launched in restaurants in 2013, designed to reward and recognise the people who work in McDonald's restaurants.

The Ray Kroc and Silver Spatula Awards recognise the top 1% of Restaurant Managers globally and the top 5% of Restaurant Managers nationally (respectively) for demonstrating superior performance in their restaurants.

Restaurant Manager and Business Leader Conventions are held annually, focusing on communicating business performance and priorities, developing and enhancing the skills of our leaders and empowering them to drive innovation and change in the business.

Responsible Employer of Students

McDonald's is the largest employer of young people in Australia.

Approximately 65% of our crew are secondary, TAFE or university students.

The Charlie Bell Scholarship for Future Leaders (initiated in 2006) is awarded to young people, including employees at McDonald's restaurants. Winners receive a contribution of up to \$15,000 towards tuition fees for their chosen undergraduate or postgraduate study.



Jobs that work for you

With over 980 restaurants across the country, many of which open at different times and have unique sales patterns, McDonald's is ideal for a workforce seeking flexible hours.

We give our employees the freedom to:

- earn and learn: a job that powers your career.
- fit work around your life: a job that gives you flexibility.
- be you: a job that recognises and values you as part of a diverse and inclusive team.

Wellbeing

McDonald's promotes employee wellbeing through the "Five Ways of Wellbeing", which encourage employees to connect, give, take notice, keep learning and be active.

Employer of Choice

Recognised as an 'Employer of Choice' Winner in the 2018 and 2019 Australian Business Awards.



Responsible employment

The Employee Relations Hotline first launched in 2006 to support all restaurant employees.

In 2016, the Fair Work Ombudsman publicly recognised McDonald's strong workplace relations system.

We are committed to developing a safety culture in our head offices and restaurants where 'the safe way is the only way'.

McDonald's implemented a new incident reporting system - rolled out nationally in 2018 after a successful trial in December 2016, simplifying the workplace safety reporting process.



For more than 40 years, McDonald's has been committed to supporting local suppliers, and remain firm believers in the quality of Australian home grown produce, choosing to serve local ingredients whenever possible.

In fact, 100% of our beef, chicken, potatoes, wheat flour (for our buns), and our freshly cracked eggs are Australian sourced. We also source more than 90% of our fresh produce from Australia, including our world famous pickles, lettuce, tomatoes and apples.

Sometimes we will import products from overseas, for example when:

- · Unforeseen events impact supply e.g. weather events.
- There is customer demand for a specific product e.g. the origin of our coffee beans.

We are also proud supporters of Australian companies and **manufacture more than 90% of our food and beverage in Australia**.

Animal welfare

We have a responsibility to ensure our suppliers implement practices that protect and improve the health and welfare of animals in our supply chain. For many years, we've collaborated with our suppliers, NGOs and animal welfare experts to develop and improve the handling, housing, health and slaughter practices for the animals in our supply chain.

Our animal health and welfare requirements meet Australian standards and model codes for industry. To ensure supplier compliance with our animal health and welfare requirements, independent, third party auditors from AUS-MEAT regularly audit our beef, poultry and pork suppliers processing plants.



Supporting young farmers

In July 2018, McDonald's announced the Charles Sturt University (CSU) Young Farmer Programme, which grants two undergraduate students a paid 12-week placement within the McDonald's system each year. The program involves on-the-job experience within the McDonald's Supply Chain, including with producers, processors, distributors and head office.

McDonald's has been a sponsor of the Cattle Council of Australia's Rising Champions initiative since 2015, helping to foster the talent of young beef farmers. As of December 2017, McDonald's Australia restaurants only use fresh cage-free eggs.

Compassion in World Farming awarded McDonald's Australia the Good Egg Award in 2016 for committing to use only cage-free eggs in our supply chain.

McDonald's is a participant in the Australian Beef Sustainability Framework external stakeholder consultation committee.

Launched in 2017, the Framework defines sustainable beef production under four themes: animal welfare, economic resilience, environmental stewardship, and people and the community.

McDonald's has committed a million dollars towards research projects to support the beef industry, including a recent partnership with Meat & Livestock Australia (MLA), which will see us jointly developing a tool to enable McDonald's and other supply chains the ability to verify sourcing of sustainable beef.

You can find more information on the website: www.sustainableaustralianbeef.com.au

100% of all coffee sourced for McDonald's comes from Rainforest Alliance certified farms. Over the past three years, an average of **56.9 million kilograms of Australian beef** was exported to McDonald's markets outside of Australia each year.

McDonald's purchases huge amounts of Australian produce from suppliers across the country each year for use in its Australian restaurants, including:



Scale for good – beef sustainability



Winner

Australian Packaging Covenants high performer award for six consecutive years from 2012 - 2017. Recently, we replaced the cardboard box for McWraps with a paper wrap, which reduced fibre use by approximately 249 tonnes per year, based on current sales.

A trial of paper straws began in August 2018, as part of our commitment to phase out current plastic straws by the end of 2020.

As of the end of 2018, 100% of our fibre based packaging is sourced from certified renewable or recyclable sources.



Introduction of recycled fibre for all carry-out bags in 2016 replaced the use of 1,300 metric tonnes of virgin fibre with recycled fibre.

An updated McCafé coffee cup design, implemented in 2016, saved fibre usage by 328 tonnes in the first year of transition.

Sundae cups light weighting saved 72 tonnes of plastic in 2015, when the change was made.

In 2013, 127 tonnes of plastic was saved by replacing plastic salad bowls with a fibre alternative.

Plastic lids were removed from McFlurry cups in 2011, saving 48 tonnes of plastic in the year of transition.

Packaging

McDonald's Australia has a long history of making packaging improvements in an effort to reduce the amount of packaging we use and improve our sustainability.

We have come a long way since the days of Styrofoam packaging. We removed the last piece of Styrofoam packaging from the business in 2009. We continue to partner with suppliers who share our commitment to sourcing materials for packaging in an ethical and responsible manner.

Since July 2018, McDonald's has been working with Starbucks and Closed Loop Partners as a founding partner of the NextGen Cup Challenge. Globally, McDonald's has invested \$5 million towards the project, which aims to discover a scalable, sustainable fibre to-go cup.

* Note: all figures relating to materials saved in the year of transition

Recycling

Since 2018, we have been trialling beverage cup and coffee grinds recycling in 35 restaurants across NSW and Victoria, diverting cold beverage cups, coffee cups and coffee grinds from landfill. Our paper cups are sent to specialist recycling centres in Australia, which make different products from the fibre and plastic lining, including moulded fibre trays and egg trays that go back in to our Supply Chain.

Many of our restaurants also recycle cardboard, used cooking oil, milk bottles and soft plastic packaging from the kitchen.

Car park wheel stops made using a blend of recycled plastics, including coffee cups, are being trialled in the Spring Farm restaurant (NSW). Each wheel stop diverts 10.5kg of plastic and coffee cups from landfill.

The paper and card we use is certified by the Forest Stewardship Council (FSC) or the Program for Endorsement of Forest Certification (PEFC). That means it comes from sustainable sources.

Foodbank

2011: McDonald's became a partner of Foodbank Australia www.foodbank.org.au

550,000kgs: the amount of food McDonald's has contributed to Foodbank since 2011

235,600 meals: the amount McDonald's, working with our distribution partner, Martin Brower, has contributed in 2018 alone, by providing over 100,000kgs of food.

Scale for good

Currently, **100%** of fibre based packaging is sourced from recycled or certified sources.

83% of all our packaging is fibre based.

By 2025, **100%** of McDonald's guest packaging will come from renewable, recycled or certified sources.

By 2025, our goal is to recycle guest packaging in **100%** of McDonald's restaurants. We understand that recycling infrastructure, regulations and consumer behaviours vary country to country, but we plan to be part of the solution and help influence powerful change.





At McDonald's, good food means great taste, modern choices and real ingredients. In Australia, we have a long history of implementing changes to improve the nutrition value of our food. For more than a decade, McDonald's has been offering more balanced menu choices, including salads and wraps. We are committed to enabling our customers to make informed choices that fit their needs and lifestyles. McDonald's Australia instigated the introduction of the self-regulatory Quick Service Restaurant Initiative for Responsible Advertising and Marketing to Children in 2009. As such, McDonald's Australia abides by the following:

- We do not advertise in TV programs that have an audience made up of over 35% children, aged under 14 years.
- We do not advertise in 'P' or 'C' rated programs.
- When advertising Happy Meals, we only advertise our healthier choices that comply with criteria set by Accredited Practising Dietitians.
- Any toys advertised are incidental to all of the healthier food choices.
- Any advertising of adult products will not use content, tone or visuals primarily directed at children.



Scale for Good

More than 50% of Happy Meals listed on menu boards in Australia meet the global criteria, which were set in 2018 and based on recommendations by third-party experts.

By the end of 2022, all McDonald's Australia Happy Meal bundles will be free from artificial colours and artificial flavours.

Note: This set of global criteria are: less than or equal to: 600 calories; 10 percent of calories from saturated fat; 650mg sodium; and 10 percent of calories from added sugar.



We have been making changes to our menu in order to improve our food quality and nutritional value for many years. Over the past ten years, McDonald's Australia has:

- Reduced the sodium content of our cheese by 20%.
- Reduced the salt added to French Fries.
- Removed palm oil from the frying oil.
- Reduced sodium content of ham and bacon.
- Introduced Grape Tomatoes, Grilled Chicken Bites and Yoplait Petit Miam Strawberry Yoghurt to the Happy Meal menu.
- Reduced artificial colours and preservatives in Happy Meals.

- Introduced almond milk to McCafé.
- Voluntarily introduced KJ labelling on menu boards throughout the country.
- Chicken McNuggets that are free from artificial colours, artificial flavours and artificial preservatives.



In September 2013, McDonald's joined forces with the Alliance for a Healthier Generation in a global effort to increase customers' access to fruits, vegetables, low-fat dairy, and water options and to help families make informed choices.

McDonald's has pledged to implement five commitments across twenty major markets by 2020, including Australia:

- Feature only water, milk and juice as the beverage in Happy Meal advertising.
- Do not feature soft drink logos or images in Happy Meal advertising.
- Use Happy Meal packaging to generate excitement for fruit and vegetable options in Happy Meals.
- Dedicate one panel on the Happy Meal box to children's wellbeing and health.
- Include a wellbeing message in 100% of advertising to children.



McDonald's has always strived to be an environmentally responsible business. For many years, we have been on a path of continuous environmental improvement. McDonald's works closely with suppliers and franchisees to investigate new, more sustainable practices for our in-restaurant operations and throughout our entire supply chain.

McDonald's is partnering with franchisees to reduce greenhouse gas emissions related to McDonald's restaurants and offices by 36% globally by 2030 from a 2015 base year.

Through collaboration and partnership with our suppliers and producers, McDonald's also commits to a 31% reduction in emissions intensity (per metric tonne of food and packaging) across our supply chain globally by 2030 from 2015 levels.

This combined target has been approved by the Science Based Targets initiative (SBTi).

The ROTX heat reclaim system became standard in 2013, capturing hot air from air conditioning units and reusing it to heat water.



All new restaurants are fully equipped with LED lights, from the kitchen to the car park.



Installation of new high efficiency Heating, Ventilation and Air-Conditioning (HVAC) systems began in 2012, in order to reduce electricity usage in restaurants.

We report all of our greenhouse gas emissions

under the National Greenhouse and Energy

Reporting (NGER) scheme.

Our reports are published online at:



Water

All new restaurants use water efficient fixtures with flow set to optimise use, including a water-efficient spray rinse gun, which has reduced flow rates and water consumption.

Water efficient spray rinse guns reduce flow rate, saving approximately 60% of water, or 300-800L per day.

Crew and managers are trained on water usage.

Landscaping is designed specifically to minimise water usage and carparks are designed to maximise off-flow of water into gardens.

Where possible, on-site exterior water tanks are branded to educate the public on the importance of water reuse.

Rainwater tanks are installed in all applicable restaurants to harvest stormwater for garden irrigation.



Together with engineering consultants and internal global experts, we are undertaking a review of the mechanical systems within our restaurants, including cooling, ventilation, filtering and exhaust.

The review will identify industry-leading equipment and technology to reduce physical equipment by 50%, leading to substantial reductions in energy use.

Litter

Restaurants conduct daily litter patrols, removing litter from within the restaurant grounds and neighbouring streets within a one-block radius of the restaurant.

McDonald's is a founding partner of Clean Up Australia, participating in the first Clean Up Australia Day in 1989. Since then, we have donated more than \$5 million towards both sponsorship and clean up kits for our restaurants.

McDonald's franchisees participate each year, cleaning up the areas around their restaurants and throughout their local community.

This year, we had more than 11,000 volunteers from our restaurants and offices participate in the day.

Energy

In 2014, we installed new air conditioning technology in over 100 restaurants, resulting in an average electricity saving of 30% per unit in comparison to previous air conditioners and a saving of 4% of the total restaurant energy use.

A new Energy Data Management Platform was implemented in 2018 to track and report on energy consumption.

Voltage optimisation units were approved for installation in new and existing restaurants in 2017, where applicable.



Community

At McDonald's, we are proud to play an active role in neighbourhoods all over Australia. One of the ways we do this is by supporting groups and charities that are important to our customers or that make a difference to the lives of our fellow Australians.

At the heart of our community commitment is

Ronald McDonald House Charities (RMHC), an independent charity that helps families of seriously ill children. The cornerstone program of RMHC, the Ronald McDonald House, provides a 'home away from home' for families of seriously ill children being treated at nearby hospitals.

In 1981 the first Australian Ronald McDonald House opened in Sydney's Camperdown. The North Fitzroy House opened in November 2018, bringing the total number of Ronald McDonald Houses in Australia to **18**.

RMHC also has **18 Family Rooms**, **5 Family Retreats**, the national **Learning Program** and the **Care Mobile** in Australia.

- The Ronald McDonald Family Rooms provide a relaxing haven within hospitals, giving families a break from the stress of many hours spent by their child's bedside.
- The Ronald McDonald Family Retreats provide families with seriously ill children a week's free accommodation at one of four family retreats across Australia, enabling them to reconnect and enjoy a holiday when they most need it and can least afford it.
- In 2018, McDonald's Australia through the corporation, its franchisees and suppliers, and customer donations in restaurant – raised more than \$8.1 million for Ronald McDonald House Charities.
- McDonald's began selling RMHC water in 2018, with a portion of sales going towards the charity.

McHappy Day

McHappy Day occurs annually and everyone in the McDonald's business – franchisees, crew, managers, head office staff and suppliers – participate in some way. Celebrities and local personalities join in the fun, with two dollars donated to RMHC from every Big Mac sold. Selling other products and merchandise also contribute to the fundraising.

\$42 million: the amount McHappy Day has raised for RMHC since its inception in 1991.

\$4.8 million: the record-breaking amount raised by McHappy Day in 2018.

In 2018, the Ronald McDonald Family Rooms supported more than **44,000** families nationally.



The Ronald McDonald Learning Program currently helps over **1,300**

children a week catch up on missed

schooling following a serious illness.

