



McDonald's Australia Limited
Australian Packaging Covenant
Action Plan 2013 to 2015



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CEO Forward

At McDonald's Australia, environmental responsibility spans the entire life cycle of our products. It starts with the fresh ingredients at the farm and the design of our packaging, and extends through food manufacture to our restaurants, customers, and waste disposal.

Our choice of packaging is important to ensuring our customers receive their food and beverages at the right temperature, and in an easy manner to consume. Environmental impact is one of five criteria incorporated into McDonald's process of developing food and beverage packaging. The other four are functionality, cost, availability of materials and impact on our operations.

Historically, we have shown a willingness and commitment to reducing the environmental impacts of our packaging and have always sought opportunities to actively engage in environmental initiatives at all stages in the life of a package, from its design through to disposal.

In 1971, when the first Australian McDonald's restaurant was opened in Sydney, the restaurant conducted daily litter patrols – a practice that continues at all our restaurants today. In 1991 we changed from foam burger packaging to paper and incorporated a "Be Tidy" logo to discourage littering and later, we introduced recycled content to some packaging.

Since 2000 we have been encouraging our suppliers to reduce the environmental impacts associated with the manufacture and supply of McDonald's products. Our Australian review process was in fact used to develop a template for McDonald's global reporting on supplier environmental commitment and performance.

We have continued to make notable improvements not only to our packaging and waste practices, but to how we measure and report against them.

We introduced a detailed environmental evaluation tool (Eco-Filter) to compare the environment impact of packaging options. This enables our product development teams to more objectively assess the environmental credentials of our packaging.

We placed a keen focus on partners at the paper-based products converter and raw material supplier level and, in doing so, helped them increase their level of sustainable forestry.. We also completed the removal of all foam packaging from our restaurants, as well as plastic plates from our McCafe operation.

In addition, we enhanced and re-launched our restaurant litter patrol program, and drove increased awareness of the impacts of inappropriately discarded waste with our 90,000 staff as well as all Australians, through our ongoing support of Clean Up Australia and its flagship annual event – Clean Up Australia Day.

What has become clear over the past years is the fact that our customers – who total approximately 1.7 million Australians every day – want us to continue focusing on packaging materials and design, along with waste and recycling. They are some of the most visible areas in which we have an impact on the environment and also the areas in which, given the scale of our business, even small improvements can make a big difference.



In 2010 we decided to take a staged approach to preparing our Packaging Covenant action plan. We know from experience that to implement meaningful change on a large-scale across our operations, we need to approach that change in stages, where careful consideration is applied to the results gathered at each stage before decisions are made and further plans are articulated and implemented.

Our 2011 to 2012 action plan was executed with positive results. We have taken the learning's of our 2011 to 2012 action plan, and used these to guide the creation of a new action plan that will drive our focus between 2013 and 2015. The actions committed to in this plan will enable us to further engage with industry on challenges and opportunities, and to continue to trial a number of potential solutions to waste and packaging issues. We believe this is the right approach: it means our plan is robust, and provides our System – inclusive of corporate and restaurant-based staff, our licensee and supplier communities – with relevant and finite actions to carry-out within a short-to-medium timeframe.

This action plan will keep us focused on the packaging sustainability journey – a journey our entire System is committed to continue travelling over the coming years.

A handwritten signature in black ink, appearing to read 'Catriona Noble', is shown within a light gray rectangular box.

Catriona Noble
CEO/Managing Director
McDonald's Australia Limited

Executive Summary

As a signatory to the Australian Packaging Covenant (APC), McDonald's Australia Limited has prepared this action plan with the goal to further reduce the environmental impacts of McDonald's packaging at all stages in the life of a package.

Our plan addresses the strategies adopted in the Sustainable Packaging Guidelines, with actions listed against the three key performance goals of the APC; design, recycling and product stewardship.

We have noted the overarching objectives and targets of the Covenant and have reviewed our waste stream in order to develop a realistic plan for the McDonald's System that encompasses the principles of product stewardship. The journey to sustainability is an ongoing one and we acknowledge we have a way to travel with regard to minimising waste to landfill, including diverting resources to recycling. We will continue to work alongside industry to ensure we move in the right direction as efficiently as possible.

Our aim is to build on past achievements and we recognise that the entire McDonald's System – inclusive of corporate and restaurant-based staff, our licensee and supplier communities – is important to the implementation of this plan.

Our focus in the area of design will continue to be on reducing the impact of our packaging from design and sourcing of materials through to its end life. Eco-Filter2.1 is a detailed environmental evaluation tool and will play a key role in comparing the environment impact of packaging options, and assessing each for viability. We have long-term relationships with our suppliers, including packaging suppliers, and are aligned on our principles and goals. We will continue to leverage these relationships to make progress against APC key indicators and performance goals.

This plan also details activities that will enable McDonald's to continue to drive market development in the area of recycling and use of recycled materials through the purchase of products made from recovered recyclable materials. This action will be applied across the relevant business units from consumer packaging, to restaurant construction and fittings.

In addition, our product stewardship focus will see us play a role in reducing litter through a focus on participation in our Restaurant Litter Patrol program, along with consumer packaging and other initiatives.

Contents

Forward	3
Executive Summary.....	5
Contents.....	6
Introduction	7
The Organisation	7
Site Locations	7
Other Site Details	8
Contacts	9
Our Values.....	9
Our Stakeholders.....	10
Supporting Australian Packaging Covenant Goals	11
Design	11
Recycling & Use of Recycled Materials.....	14
Product Stewardship	14
McDonald’s Packaging Review against Sustainable Packaging Guidelines	15
Packaging Review Timeline	15
Key Performance Indicators	16
Covenant Goal 1 - Design	16
Covenant Goal 2 - Recycling.....	17
Covenant Goal 3 - Product Stewardship	19

Introduction

The Organisation

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 68 million customers every day. Some 80 per cent of these restaurants are owned and operated locally by almost 5000 business men and women.

The global business is managed by McDonald's Corporation as four distinct geographic segments: United States; Europe; Asia Pacific, Middle East and Africa (APMEA); and Latin America and Canada. McDonald's Australia is part of the APMEA group and this segment represents more than 9,500 restaurants across 37 countries, and nearly 20 per cent of the total revenue of the global system. Within this group Australia, Japan and China make up nearly 2/3 of total APMEA sales.

Australia, along with the United States, Canada, France, Germany, United Kingdom, China and Japan, is considered to be a major market for McDonald's worldwide. These eight major markets comprise approximately 70 per cent of total revenues.

The first Australian McDonald's restaurant opened in the western suburbs of Sydney in 1971. There are now (as at May 2013) 897 McDonald's restaurants across Australia serving approximately 1.7 million customers every day. Table 1 provides details of where these restaurants are located and the distribution of franchise and company operations.

Site Locations (as of June 2013)

State	Company Restaurants	Franchise Restaurants	Offices	Total Sites
A.C.T	0	18	0	18
NSW	111	190	5	306
QLD	31	169	2	202
VIC	37	193	2	232
SA	8	46	2	56
WA	27	45	1	73
TAS	0	17	0	17
NT	0	6	0	6
Total	214	684	12	910

Table 1

McDonald's Australia Limited is an unlisted Australian public company. It is a franchise business with more than 70% 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. Table 2 shows the locations of each of our office and training facilities in Australia.

McDonald's Australia reports to the President Asia Pacific, Middle East and Africa - McDonald's Corporation who in turn reports into 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.

The following are registered trademarks of McDonald's Corporation and its affiliates: McDonald's, Chicken McNuggets, Happy Meal, Deli Choices, Salads Plus, McCafe, McHappy, Made to Order, Ronald McDonald House, Ronald McDonald House Charities, Ronald McDonald Learning Program, Ronald McDonald Family Room and Ronald McDonald Family Retreat.

Other Site Details

NEW SOUTH WALES	NEW SOUTH WALES	NEW SOUTH WALES
Head Office, NSW State Office, Reg'd Office 21 – 29 Central Avenue Thornleigh NSW 2120 P: 02 9875 6666 F: 02 9875 6565	Training Centre & Tech Services Workshop 14 – 20 Central Avenue Thornleigh NSW 2120 P: 02 9875 6666 F: 02 9875 6515	New South Wales: Sydney CBD Cnr Pitt & Park Streets Sydney NSW 2000 P: 02 9875 6666 F: 9267 8054
NEW SOUTH WALES	NEW SOUTH WALES	SOUTH AUSTRALIA
Hunter: Regional Office 23 Maitland Road Hexham NSW 2322 P: 02 9875 6666 F: 02 4964 9702	Southern NSW: Regional Office 312 Queen Street Campbelltown NSW 2560 P: 02 9875 6666 F: 02 4628 0099	South Australia: State Office 36 Bank Street Adelaide SA 5000 P: 02 9875 6666 F: 08 9475 5900
VICTORIA	VICTORIA	QUEENSLAND & NORTHERN TERRITORY
Victoria: State Office 2 Smith Street Collingwood VIC 3066 P: 02 9875 6666 F: 03 9418 5595	Victoria: Training Centre 6-10 Mason Street Collingwood VIC 3066 P: 02 9875 6666 F: 03 9418 5595	Queensland / Northern Territory: State Office and Training Centre 1364 Gympie Road Aspley QLD 4034 P: 02 9875 6666 F: 07 3838 3263
NORTH QUEENSLAND	TASMANIA	WESTERN AUSTRALIA
North Queensland: Regional Office PO Box 856 Castletown Hyde Park QLD 4812 P: 02 9875 6666 F: 07 3630 3999	Tasmania: State Office 302 South Arm Road Lauderdale TAS 7021 P: 02 9875 6666 F: 03 6248 1244	Western Australia: State Office 18 Lyall Street Ascot WA 6104 P: 02 9875 6666 F: 08 9385 1086

Table 2

Contacts

MAIN CONTACT – Covenant Officer	OTHER CONTACT
Susanne Craig Sustainable Supply and Quality Manager A: 21 – 29 Central Ave, Thornleigh 2120 A: PO Box 329, Pennant Hills, NSW 2120 P: 02 9875 6689 F: 02 9875 6530 E: Susanne.Craig@au.mcd.com	McDonald's Customer Service A: 21 – 29 Central Ave, Thornleigh 2120 A: PO Box 329, Pennant Hills, NSW 2120 P: 02 9875 6666 F: 02 9875 6565 W: www.mcdonalds.com.au

Table 3

Our Values

McDonald's Australia has a clear set of corporate values in place which are communicated to all employees from casual crew to senior management. Our values are expressed in a manner that is easy for everyone to put into action in their everyday working life but they also guide our broad strategic direction and corporate planning. To achieve our mission of becoming our customers' favourite place and way to eat, the following seven core values are fundamental to our business operations.

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.

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.

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.

Our Stakeholders

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

- Customers – the 1.7 million Australians who visit us every day. These are a wide range of people from children to senior citizens who come to our restaurants in cities, suburbs, regional centres and small towns all over Australia;
- Business partners – our 271 franchisees and our approximately 9,000 suppliers and service providers;
- Employees – the more than 90,000 people employed in our restaurants and offices all over the country;
- Opinion leaders and experts – health professionals, government, environmental groups, media and more. These are the people we learn from and consult with on a range of issues affecting our business.

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. Our dialogue with individual stakeholder groups impacts our activities both reinforcing and determining our priorities.

Supporting Australian Packaging Covenant Goals

McDonald's Australia's Australian Packaging Covenant Action Plan supports the APC objectives of design, recycling and product stewardship and builds on our past achievements. It is robust and provides our entire System – inclusive of corporate and restaurant-based staff, our licensee and supplier communities – with relevant and finite actions to carry-out within a short-to-medium timeframe.

McDonald's position in the packaging supply chain is a Brand Owner / Packaging User.

HAVI Global Solutions (HGS) is McDonald's global packaging procurement partner. HGS are based within McDonald's Head Office and attend all relevant internal meetings that affect packaging, such as Product Development and New Product Implementation Cross Functional Teams. As our strategic partner for packaging procurement, HGS manage McDonald's expectations and APC commitments with regards to retail packaging and retail packaging suppliers. HGS brings to the table a depth of knowledge both locally, and from a zone and global level on packaging supply including materials, sustainability, alternative sources and regulations.

Design

Environmental impact is one of five key criteria McDonald's incorporates when developing food and beverage packaging. We look to balance the environmental aspects of packaging with functionality, cost, availability of materials and impact on operations.

From an environmental perspective, we focus on reducing the impact of our packaging from design and sourcing of materials through to its end of life.

Packaging Material Strategy

McDonald's Australia's packaging material strategy is aligned with our global strategy and is embedded in our packaging development through the use of the Eco-Filter2.0 tool to compare different types of packaging options during development.

McDonald's Australia's packaging material strategy seeks to:

- Ensure that packaging solutions are developed in alignment with the material hierarchy and McDonald's policies.
- Ensure that the packaging portfolios meet end of life requirements.
- Provide support for further standardisation of the packaging portfolio to drive consistency in branding.

To implement this strategy, McDonald's Australia will leverage HGS, to:

- Develop technical and policy briefs to support product development and strategic procurement in alignment with the material preferences, for example, evaluation of sustainability issues related to using bioplastics produced from various feedstocks.
- Ensure that Product Development works closely with environmental experts to identify new materials/developments that could improve the profile of the packaging portfolio.
- Continue to leverage the Eco-Filter tool to evaluate individual packaging items and use the EFPAT (Eco-Filter Portfolio Analysis Tool) to evaluate and improve on the total packaging portfolio across Australia, and to help identify gaps, set targets and evaluate progress.

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- Ensure packaging suppliers adherence to specifications and focus on sustainability including fibre sourcing and ethical sourcing activities (Social Accountability) in facilities.

Specifically in Australia, the packaging material hierarchy is focused on the following key areas:

1. Can the item minimise packaging weight through optimisation?

One aspect of optimising packaging design is using the least amount of material required to provide the required packaging performance. The amount of material affects the environmental impact at the front end, during use and during end of life.

2. Can the packaging item be made using recycled materials? (Preference for post consumer recycled content where permitted by law).

To ensure compliance with local regulatory requirements and standards, as a general principle, recycled content paper and plastic will only be used in the countries or markets where the materials are produced.

3. Can the packaging item be made from renewable materials?

With regards to renewable raw materials for consumer packaging, as part of McDonald's Sustainable Land Management Commitment, McDonald's is committed to:

- Working with suppliers to ensure that renewable raw material-based products originate from legal and acceptable sources. McDonald's will not knowingly purchase from suppliers that source otherwise.
- Giving preference to the purchase of renewable raw material-based products that have earned credible, third-party certifications.

McDonald's longer term goal is for all renewable raw material-based products to be sourced from sustainably-managed land sources that are verified by credible, third-party certification. We will encourage suppliers to demonstrate continuous improvement towards this goal by working over time to achieve assurance for their raw materials.

4. If recycled materials cannot be used for the packaging, can virgin paper be sourced from certified sustainable forestry sources?

5. If performance requires plastic-like properties, is there an option for a polymer made from renewable resources?

If not, polyolefin (PET, PE, PP) is preferred to polystyrene.

McDonald's environmental packaging review tool, Eco-Filter, has been used for the analysis of all new packaging formats since 2010. The tool has been reviewed by GreenBlue, the US non-profit sustainability institute, of which the Sustainable Packaging Coalition (SPC) is a project. GreenBlue provided the following comment in relation to the Eco-Filter 2.0:

"The stated intention for the Eco-Filter tool is to enable a consistent approach to the evaluation of packaging designs/formats against key environmental metrics aligned to McDonald's corporate values and sustainability goals. Overall Eco-Filter2.0 is well suited to that task."



GreenBlue review of Eco-Filter2.0 tool

The Eco-Filter2.0 scoring system includes the following six weighted criteria:

1. Package weight
2. Recycled vs. virgin material content
3. Renewable materials preference
4. Material health/regulated chemicals associated with the packaging material production
5. Greenhouse gas (GHG) emissions associated with the package (raw material extraction, conversion, disposal)
6. End of Life disposition (opportunities for recycling, composting, incineration with energy recovery)

A platform update to the Eco filter tool was made in 2011 and hence Eco-Filter 2.1 is the current version now in use.

McDonald's Global Packaging Standards

Consistency is synonymous with the McDonald's brand. The quality criteria for our global core menu items are clearly defined by Gold Standards. These standards include sensory attributes, appearance and safety. McDonald's have established a set of Gold Standards for packaging in addition to food, to ensure consistency of delivery to our customers. Packaging is globally and regionally reviewed for compliance to Gold Standard.

McDonald's Packaging Standards include the following criteria:

- Operational performance (how the packaging is handled within the restaurant)
- Product performance (e.g. heat retention)
- Consumer performance (e.g. staining, moisture resistance, heat transfer, accessibility)
- Regulatory compliance (e.g. food contact compliance, environmental compliance)
- Material
- Dimensions
- Design
- Sustainability (minimum Eco-Filter2.1 score)
- Brand image / Graphics
- Barrier / Coating

Packaging choices may be constrained by the requirements to meet Gold Standards.

Recycling & Use of Recycled Materials

McDonald's Australia will continue to drive market development through purchase of products made from recovered recyclable materials. This action will be applied across the relevant business units from consumer packaging to restaurant construction and fittings. We have processes in place to quantify the recycled material in our packaging and will develop and implement processes in the other areas of our business to capture volumes.

In Australia, all of our plastic beverage cups and sundae cups are at least 35% recycled PET (rPET). Our take-out bags contain 50% recycled fibres and drink and dessert carriers are made from 100% recycled fibre.

A majority number of our restaurants recycle the cardboard cartons that consumer packaging and ingredients are delivered in. Cardboard cartons account for approximately 30% of our solid waste. We are investigating opportunities to increase the diversion of waste to recycling, including restaurant trials. We will be working with industry groups to better understand Australia's recycling capability including existing and future infrastructure to assist us in developing action plans to increase the recyclability of our waste packaging.

A number of packaging items within our restaurants are re-usable, for example, our transport packaging for buns and English muffins are delivered in re-usable plastic crates, our dine-in orders are served on re-usable trays and our dine-in McCafe customers' orders are served on crockery.

Product Stewardship

McDonald's procures packaging, ingredients and services from reputable suppliers. McDonald's ensures that businesses that it does direct and indirect business with meet our minimum expectations with regards to supplier workplace accountability (employment practices). This is verified by independent audits. In addition, all packaging suppliers supplying food-contact packaging must meet food safety requirements. The finished packaging product is tested for food approval biennially to international standards in an international laboratory.

McDonald's works closely with Martin Brower, a company dedicated to the distribution of McDonald's restaurant supplies. Martin Brower collects and recycles all waste incoming cardboard and pallet wrap at each of their six (6) Australian DCs. In addition, Martin Brower provides a backhauling service to a number of our suppliers where it makes economic and geographic sense. In 2012, Martion Brower commenced collection of waste cooking oil from our Victorian restaurants which is converted to biodiesel and used to fuel the majority of their Victorian fleet.

All of our branded packaging is labelled with an anti-litter message:



McDonald's Packaging Review against Sustainable Packaging Guidelines

We have categorised our branded consumer packaging based on construction type and material. We will review new packaging construction types as they are developed and will progressively review existing packaging construction types as per the Packaging Review Timeline below. A new graphic (e.g. promotional product) is not considered to be a new packaging construction type.

Packaging Review Timeline

Packaging Category	Packaging Material	No. Packaging Items	Review Commencement Date*
Bags	Paper	8	Q1 2015
Cold and hot cups	Coated paperboard	10	Q3 2013
Lids - paper cups	Plastic	7	Q3 2013
Folding cartons	Paperboard	23	Q1-2015
Plastic cups and lids	Plastic	12	Q1 2014
Salad and dessert packaging	Plastic	6	Q3 2013
Straws	Plastic	2	Q4 2013
Cutlery	Plastic	10	Q4 2013
Napkins / miscellaneous	Paper	1+	Q2 2014
Wraps	Coated paper	4	Q2 2014
Traymats	Paper	1	Q1 2015
Liners	Paper	1	Q1 2015
Stickers	Compound	2	Q1 2015

Table 4

* NB Reviews are expected to be completed within six (6) months of commencement. This includes decisions by key stakeholders but excludes implementation, which will be managed on a case by case basis. Progress against both decisions and implementation, will be reported in Annual Reports.

KPI 8 - Reduction in the number of packaging items in the litter stream.

Action	Responsibility	Baseline data	Performance Target
Maintain restaurant litter patrol frequency and compliance	National Sustainability Manager	From July 2010, litter patrols increased from 1 to 2 daily, for restaurants with extended trading hours and who have a safe environment to do so	100% of restaurants completing patrols at required frequency (Where safe to do so)
Maintain and grow Clean Up Australia Day commitment	National Sponsorship Manager	In 2011 438 McDonald's restaurants participated in CUA Day. In 2012 268 McDonald's sites were registered participants in CUA Day with the reduction attributed to inclement weather and flooding in parts of NSW.	Clean Up Australia Day restaurant participation increased by 10% each year. Leverage McDonald's marketing and in-store tray liners to support Clean Up Australia Day
Investigate options to reduce the number of separable packaging items per product.	HGS Packaging Services QA & PD Manager	No review of product packaging pieces undertaken.	Identify a multipart packaging solution where ONE element can be removed by December 2013. Full Implementation of viable solution by December 2014
Maintain branded packaging disposal labelling	HGS Packaging Services Procurement Operations Manager	McDonald's Litterman logo is used on all branded packaging	McDonald's Litterman maintained as a standard inclusion on all branded packaging ongoing.

Table 10