



## **Climate Action**

We are working to take climate action and helping transform our food systems to be more resilient for the future ahead.



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To meet our climate action ambitions, we are focused on reducing emissions in our restaurant operations, engaging suppliers to reduce emissions in supply chains, strengthening the resilience of our business and using our voice to advocate for collective transformation.

As a global brand, we are embracing our unique opportunity to mobilize the entire McDonald's System to act now. We are collaborating with Franchisees, suppliers and producers to catalyze change and help create a brighter, better world for the future.

#### **Recent Progress**

We joined the United Nations Race to Zero campaign, committing to put McDonald's on the path to net zero emissions by 2050.

We participated in COP26 where our CEO joined panels and roundtables with other leaders to share notable developments in our climate journey, and to discuss the importance of addressing climate change on a global stage.

We released our inaugural <u>Climate Risk & Resiliency Summary</u>, guided by recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), demonstrating our commitment to assessing, managing and disclosing climate-related risks and opportunities for our business.

We have achieved a **2.9%**<sup>1</sup> reduction in the absolute greenhouse gas (GHG) emissions of our restaurants and offices compared to 2015 figures. As the 2019–2022 transacted U.S. renewable energy projects come online, they are expected to contribute to a **27% reduction** from our global 2015 baseline.

We have achieved a **7.8%**<sup>1</sup> reduction in supply chain GHG emissions intensity compared to 2015 figures.

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## **Our Strategy**

Climate change is one of the biggest challenges of our time, with severe effects including more wildfires, flooding, droughts and an increase in extreme weather patterns. The impacts not only pose significant risks to the resilience of our food supply but also to all communities, including those in which we operate and from where we source around the world.

In partnership with our Franchisees and suppliers, we are helping to transform our food systems for the better and take care of our shared planet. Reducing emissions and adapting to climate change is critical to the collective success and resilience of the McDonald's System, and our ability to feed

communities today and in the future. While taking action on climate change is challenging and requires significant investment, it is important for the strength of our business now and in the long term.

On this page, you'll find out more about our impact reduction measures across our business:

- Our Priorities for Reducing Our Footprint
- Climate Impact Measurement
- Climate-Related Risks and Opportunities
- Collaborating to Drive and Advocate Change

### Our Climate Targets and Net Zero Pledge

In 2018, we committed to reducing greenhouse gas (GHG) emissions related to our restaurants and offices by 36% by the end of 2030 from a 2015 base year, as well as a 31% reduction in emissions intensity (per metric ton of food and packaging) across our supply chain. These science-based targets were approved by the Science Based Targets initiative (SBTi) in 2018, and we are working to reach them by collaborating with industries, governments, Franchisees, suppliers, consumers and local communities.

In 2021, we joined the United Nations Race to Zero campaign, committing to achieve net zero emissions by 2050. Through the SBTi Business Ambition for 1.5°C campaign, we have also committed to adapting our climate targets to do our part going forward to keep global temperature rises below 1.5°C.

## Our Priorities for Reducing Our Footprint

We are prioritizing action across the areas that contribute most to our enterprise carbon footprint, including restaurant energy, supply chain, and packaging and waste.

#### **Restaurant Energy**

With restaurants in over 100 markets across the world, we are working with our Franchisees to be more innovative in creating and managing increasingly sustainable and efficient locations. This includes investing in areas such as renewable energy, LED lighting, energy-management systems and energy-efficient kitchen equipment. Across the globe, our markets are in various phases of

strategy development and implementation. McDonald's is also proudly taking <u>steps to procure and use renewable electricity.</u>

#### **Supply Chain**

Together with our supplier partners, we share a commitment to take action to address climate change and drive continuous improvement. We expect all McDonald's suppliers to set climate targets, measure emissions and make reductions – particularly in Scope 3 emissions – in line with their broader sustainability strategies. This expectation is communicated to suppliers through sourcing teams, and is assessed through CDP disclosures and other reporting feedback mechanisms. We regularly reinforce the importance of taking action during supplier webinars and reviews, while also supporting our suppliers with a Climate Action Toolkit.

Through our climate data and insights platform, we understand the various impacts suppliers and sourcing categories have on our emissions. These insights allow us to work with our suppliers on strategies that support our science-based targets and reduce our collective impact on the climate.

As one of the biggest buyers of beef in the world, we recognize that beef is one of the top three contributors to the overall carbon footprint of our supply chain. This is why we are prioritizing action to address our supply chain footprint by working in partnership with our suppliers, nongovernmental organizations (NGOs) and climate experts, including launching roundtables and farmer innovation programs for beef sustainability.

Our supply chain focus areas include:

- **Farm management** We are committed to supporting suppliers and farmers as they continually improve farm management practices, systems and technologies that reduce emissions, improve efficiency, optimize inputs and use resources efficiently.
- **Regenerating soils** We support regenerative agriculture initiatives to encourage awareness and adoption of management principles that improve soil health and climate resiliency while sequestering carbon.
- **Conserving forests** We are committed to eliminating deforestation in our supply chains to reduce our emissions from land use change.
- **Supplier emissions** We focus on reducing energy usage at supplier facilities, sourcing renewable energy, transportation efficiency and reducing waste.

Read more on our approach to Responsible Sourcing and Nature, Forests & Water.

#### **Packaging, Toys and Waste**

How our packaging is designed, produced, transported, disposed and recovered impacts the planet. Our packaging and waste strategy aims to accelerate a circular economy approach – reducing waste while also reducing emissions across our operations and supply chain. Read more on our <a href="Packaging, Toys & Waste">Packaging, Toys & Waste</a> page.

#### Climate Impact Measurement

We hold ourselves accountable by measuring emissions data annually and partnering with experts to leverage the latest leading methodologies for data collection and analysis in alignment with the Greenhouse Gas Protocol.

We have an internal, enterprise-level climate tracking system that uses millions of data points to model the emissions from our sourcing, restaurants and operations. The climate tracking system is also a way to share actionable data and benchmarking insights with key internal audiences to inform strategy development. We will continue to evolve the system through annual improvements of data quality, climate accounting methodology, the latest external scientific insights and benchmarking capabilities, and can expect our baseline and annual progress figures to continue to adjust.

The climate tracking system runs parallel with our supply chain sustainability reporting system, using common sources of information. We also utilize CDP Supply Chain information to better understand the actions of key suppliers on climate and forests.

To demonstrate the impact of factors such as land use change and carbon sequestration to our footprint and to ensure the resilience of our strategy, we are contributing to the development of globally relevant and accepted GHG accounting methods through various third-party coalitions.

## Climate-Related Risks and Opportunities

Impacts of climate change threaten to disrupt agricultural food supply chains, effect infrastructure and pose real risks to vulnerable communities around the world. We are assessing climate risk and strengthening our collective resiliency as recommended by the TCFD.

In 2021, we released our first Climate Risk & Resiliency Summary (PDF - 3.82 MB).

## Collaborating to Drive and Advocate Change

We know that addressing climate change requires a collective effort across our global community. That is why we're partnering with our suppliers, Franchisees, industry, governments, NGOs and

others to take action.

#### **Climate-Related Pledges, Networks and Memberships**

Partnerships, including serving as a Leader's Circle of <u>America Is All In</u> (formerly We Are Still In), help us to contribute to climate action and advocate for climate policy. For example, McDonald's is a member of the <u>Clean Energy Buyers Association (CEBA)</u>, collaborating with other energy buyers, energy providers and service providers to navigate the complexities of the energy market.

McDonald's also joined the WWF Climate Business Network to exchange ideas with peers on how to reduce emissions in line with our global climate targets.

Since announcing our climate commitment in 2018, McDonald's has been meeting with members of U.S. Congress and their staff to discuss important topics such as recycling, soil health and renewable energy. We believe public policy is a critical part of the solution and our advocacy work in Washington, D.C. is driven by our <u>U.S. Environmental Sustainability Policy Principles</u>.

In 2020, we became members of the Ceres Business for Innovative Climate and Energy Policy (BICEP) network where, alongside nearly 70 other organizations, we are supporting the development of strong climate and energy-efficiency policies in the U.S.

#### **Climate-Related Collaborations and Partnerships**

Across the world, we collaborate with supplier partners and industry peers on a range of projects to help develop tools and best practices.

- We are part of the SBTi Forest, Land and Agriculture (FLAG) project consultative group, which
  provides expert advice and direction for companies in land-intensive sectors, including
  developing guidance to ensure the criteria for target-setting are robust, clear, and practical.
- We are members of the Greenhouse Gas Protocol Land Sector and Removals Guidance
  Technical Working Group, which is developing new technical guidance and standards on how
  companies account for and report emissions, reductions and removals from land use
  activities in their GHG inventories.
- As members of the Gold Standard Value Chain Initiative a not-for-profit established to
  ensure projects that reduced carbon emissions featured the highest levels of environmental
  integrity we work with others to test new techniques of carbon accounting in the supply
  chain and deal with challenges around traceability.
- We are working with other organizations as part of the C-Sequ working group to help develop
  a clear methodology to account for carbon sequestration in life cycle analysis (LCA)
  calculations. The group aims to improve accounting techniques to provide more certainty
  when organizations are investing in projects to sequester and store carbon through

agricultural activity.

• We support the work of the GWP\* Group to examine and model the impact and application of the GWP\* methodology to better understand the warming impact of methane.

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#### **Our Performance**

The figures below reflect our 2021 progress against our 2015 base year emissions, which have been updated based on best practice guidance around leveraging the latest methodology and data available. As we update our science-based targets and continue to enhance our methodology and data quality over future reporting cycles, we expect the baseline and annual progress figures to further adjust.

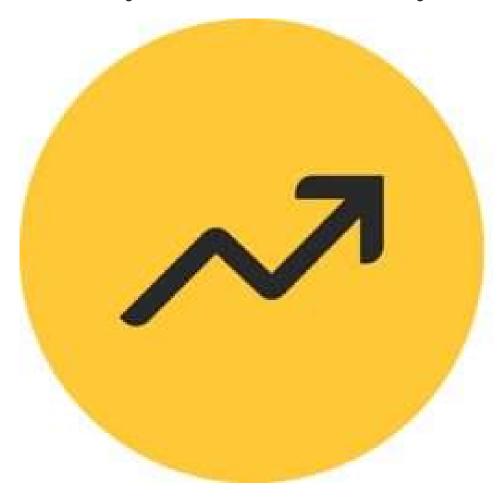
McDonald's has committed to evolve its 2030 goals to put us on the pathway toward achieving net zero emission across our global operations by 2050.

For comprehensive disclosure on climate action, see our <u>2021 Climate Risk & Resiliency Summary</u> (PDF – 3.82 MB) and <u>McDonald's 2021 CDP Climate Change (PDF – 552 KB)</u>.



#### **Restaurants & Offices Emissions Reduction Goal**

By the end of 2030, partner with Franchisees to reduce GHG emissions related to McDonald's restaurants and offices by 36% from a 2015 base year.



## **Progress**

As of the end of 2021, we have made a **2.9%**<sup>1</sup> reduction in our restaurants' and offices' absolute emissions from the 2015 baseline. This means we were approximately **8.1%**<sup>1</sup> of the way to our 2030 absolute emissions target at the end of 2021. This reporting period saw a reopening of many of our restaurants and offices following temporary closures in 2020.

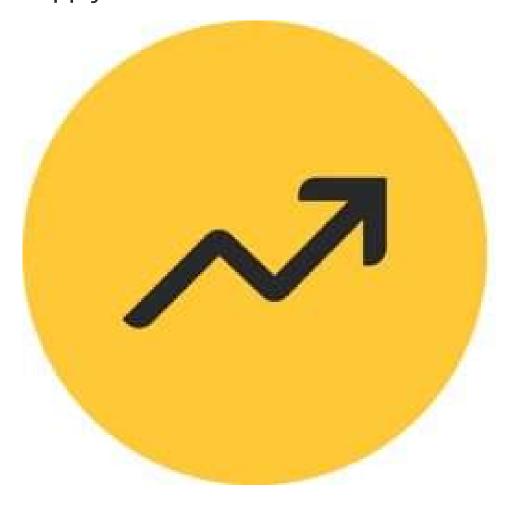
As all of the 2019–2022 transacted U.S. renewable energy projects come online over the next several years, the new clean energy generated across the grid will be equivalent to over 10,000 U.S.

restaurants' worth of electricity and is expected to contribute to a **27% reduction** from our global 2015 baseline.



**Supply Chain Emissions Reduction Goal** 

By the end of 2030, reduce emissions intensity (per metric ton of food and packaging) by 31% across our supply chain from 2015 levels.



#### **Progress**

As of the end of 2021, the emissions intensity of our supply chain has decreased by **7.8%**<sup>1</sup> from the 2015 baseline. This means we are approximately **25.2%**<sup>1</sup> of the way toward our 2030 emissions intensity target at the end of 2021.

We continue to partner with our suppliers to make progress, and we are seeing an increase in the number of our suppliers setting climate targets and implementing strategies to reduce emissions intensity that are tailored to their own supply chains.

#### **Additional Disclosures**

#### **GHG** Emissions (Metric Tons Carbon Dioxide Equivalent (CO<sub>2</sub>e))

Emissions	2015 (Baseline)	2021 <sup>1</sup>
Gross Scope 1 Emissions	162,958	113,286
Gross Scope 2 Emissions (market-based)	1,295,123	469,236
Gross Scope 3 Emissions	47,841,054 <sup>1</sup>	56,803,958

#### **Total Energy Consumed**

Energy	2021 <sup>1</sup>
Total Direct Energy (MWh)	2,219,204
Renewable (%)	12.7%
Grid (%)	62.5%

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## **Our Actions**

Our approach to meeting our climate goals spans our entire operations, from our offices through to Franchisees, suppliers and producers. In 2021, we continued to implement our strategy through improved climate tracking and supplier commitments, adding renewable energy into the grid and improving our restaurants' sustainability.

### Adding Renewable Energy to the Grid

Since 2019, McDonald's has completed eight renewable energy projects through virtual power purchase agreements (VPPAs) and continues to be among other leading corporate renewable energy buyers in adding new, large-scale renewable energy to the U.S. grid.

McDonald's renewable energy projects represent both solar and wind technologies, and are located in Texas, Illinois, North Carolina, Ohio and Louisiana. This includes three recent wind projects that are online and operational as of January 2022, currently providing renewable energy to their respective grid regions.

As the projects initiated in 2019–2022 continue to come online over the next few years, the energy generated by renewable energy projects will be equivalent to more than 10,000 restaurants' worth of electricity and is expected to contribute to a **27% GHG reduction** from our 2015 baseline. McDonald's portion of these renewable energy projects will help to prevent approximately 3,200,000 metric tons of CO<sub>2</sub>e emissions each year.

In Europe, over 6,000 restaurants' worth of electricity is renewable across 11 markets (Austria, France, the U.K. and Ireland, Germany, the Netherlands, Poland, Portugal, Spain, Sweden and Switzerland). These markets purchase over 75% renewable electricity for their restaurants, and in many cases are at or close to 100% renewable electricity.



## Keeping Our Transport and Logistics Impact Low

McDonald's logistics network transports our food products across more than 250 million miles every year.

We have a twofold approach to working with our suppliers to achieve world-class logistics operations with the lowest possible environmental footprint:

- 1. Using fewer miles and less fuel through continuous routing improvements, innovations like engineless cooling and air deflectors, and ongoing driver training.
- 2. Increasing the use of alternative fuels with lower emissions, including renewable natural gas created from biowaste, biofuels, hydrogen, natural gas, propane and electricity. Where possible, these biofuels are generated from by-products rather than crops grown for food.

All of McDonald's global and North American independent logistics suppliers have set science-based targets, approved by the SBTi.

In 2017, 2019, 2020 and 2021, McDonald's U.S. received a SmartWay Excellence Award for outstanding environmental performance and leadership, and was a semifinalist in 2018. The SmartWay Excellence Award is the Environmental Protection Agency's (EPA) highest recognition for demonstrating leadership in freight supply chain energy and environmental performance.

In addition, based on the performance of our freight transportation operations, EPA has named McDonald's as a 2021 <u>SmartWay High Performer</u>. Our freight partners were recognized for achieving 98% of miles, or ton-miles, as SmartWay shipped, with strong performances in areas such as data reporting and validation, educational and collaborative work, and community links.



## Sustainable Farming Practices as a Climate Solution

We believe that the principles behind sustainable or regenerative agriculture can provide crucial solutions to help tackle climate, biodiversity and nature challenges by restoring and rebuilding ecosystems and while enhancing people and animal welfare. Scaling more innovative agriculture

practices is an essential way to actively mitigate negative climate impacts in farming, where possible, while amplifying and creating new benefits to our environment.

- Calculating farmer emissions in France We helped to establish project CAP'2ER, an environmental footprint calculator that evaluates the environmental impacts within beef farming and helps to identify where farmers can work to reduce their GHG emissions. To date, more than 20,000 assessments have been carried out, and we have verified that 129,000 hectares of land is being managed to support biodiversity by the French beef farmers we source from.
- Improving grazing techniques in the U.S. We have committed to matching up to \$4.5 million for a research project with the ASU Foundation for A New American University. The research is analyzing the impact of adaptive multipaddock grazing practices, which mimic the natural grazing patterns of wild ruminants, compared to continuously grazing across 10 ranches in southeastern U.S. This is helping us to identify what benefits the technique can have on the environment and farming communities, including its ability to sequester more carbon in the land.
- Regenerative agriculture for French wheat farms In early 2022, McDonald's France launched a new regenerative agriculture program, which aims to transform working practices, and to plant 230,000 trees and 150 km of hedges on French farms by the year 2030. Working with partner specialists, including the Earthworm Foundation, Agroof and Icosysteme, the project will measure the full impact of these changes in farming practices, particularly in terms of biodiversity and carbon reduction and capture. The pilot project involves 60 farms, cooperatives and suppliers, and will last at least three years, with insights to be replicated on other farms in the future.

Read more on our Responsible Sourcing and Nature, Forests & Water pages.

## Designing and Operating More Sustainable Restaurants

We are focused on designing and delivering as many resource-efficient restaurants as possible. This means minimizing our use of energy and water, and maximizing the use of renewable energy, wherever possible. Our Global Restaurant Building & Equipment Standards (GRBES) include minimum requirements and recommendations across areas such as lighting, refrigeration and the energy efficiency of heating, ventilation and air conditioning systems, as well as energy management.

To advance the overall sustainability of McDonald's restaurants in Europe, we also operate to Green Building Guidelines, which are part of our continuous efforts to reduce energy consumption by sharing best practice. The following examples show the progress we are making around the world.



#### **Meeting Sustainable Building Standards**

- The U.K. launched its Market Drayton restaurant as a testing ground for sustainable developments. It will be the first restaurant built to the UK Green Building Council (UKGBC) Net Zero Standard in the U.K., covering operational energy and as well embodied carbon construction. The learnings here will serve as a blueprint for future new-build restaurants in the country as part of McDonald's UK's ambition to achieve net zero emissions for all restaurants and offices in the market by 2040.
- After two years in operation, our Chicago Flagship restaurant was the first McDonald's to receive LEED (Leadership in Energy and Environmental Design) Platinum<sup>®</sup> certification. The restaurant serves as a learning hub to test sustainable solutions for future locations to meet sustainability targets through thoughtful design, construction and operation.
- McDonald's China developed an action plan to promote green restaurants. Through this, 1,800 new restaurants are expected to open by the end of 2022, meeting LEED certification standards for "Interior Design and Construction." In 2021, McDonald's China opened a state-of-the-art headquarters and flagship in Shanghai. This incorporates energy-saving and more sustainable design features and has also now received LEED Platinum certification. In its existing restaurants, McDonald's China has been continuously updating and optimizing energy-management systems, including using more efficient air conditioning, demand-based ventilation and freezer heat recovery.



#### **Sustainable Restaurant Innovation**

- In 2020, McDonald's unveiled a first-of-its-kind net zero energy-designed restaurant at Walt
  Disney World Resort in Orlando, Florida. This flagship restaurant is designed to create enough
  renewable energy on-site to cover 100% of its annual energy needs and is serving as a learning
  hub to test solutions for reducing energy and water use. Read more about <u>our net zero energy-designed restaurant</u>.
- In 2020, McDonald's Australia launched its 1,000th restaurant as the market's first sustainability flagship and hub for testing industry-leading sustainability innovations. It features 25 core initiatives to reduce its environmental impact, from energy efficiency and water conservation to recycling, and operates with 100% renewable energy and elements like carbon-neutral McDelivery.
- McDonald's new flagship restaurant in Colombia, which opened in 2021, features various
  sustainability initiatives, including energy- and water-saving measures such as solar water
  heaters, rainwater recovery units and premium efficiency air conditioning. Arcos Dorados has
  implemented a sustainable restaurant construction policy for McDonald's restaurants in Latin
  America. This includes 25 technologies and designs for energy and water efficiency, recycled
  materials and the ability to recycle the waste generated.
- Green & Good is an initiative by McDonald's in the Philippines that aims to find sustainable
  restaurant solutions through green-building and utility-efficient solutions. The latest <u>Green & Good store</u> in the Philippines features parts of the restaurant built using innovative recycled
  materials like reclaimed wood, eco-pavers and eco-bricks. The site is also equipped with solar
  lampposts, eco-friendly air conditioning units and rainwater harvesting tanks.

The Green Concept Store in Switzerland is a sustainably built and managed restaurant. The
instore design features a green wall made of plants. Windows have a thermal coating with
optimum air diffusion and building ventilating management. Solar panels are fitted on the roof
and the building uses 100% green energy, with a geothermal heating and cooling system.

• McDonald's Glasgow has been remodeled with sustainability in mind. Materials for the renovation were sourced from U.K. suppliers. The booth benches inside the restaurant are manufactured in the U.K. from sustainably sourced plywood and are free from laminate. The vinyls are manufactured from recycled plastic bottles. The ceiling, floor and wall tiles are all Cradle to Cradle Certified®, and the ceiling tiles are returned to the manufacturer at end-of-life and made into a new product.

## **Installing Electric Vehicle Charging Points**

We take a holistic approach to sustainability and that means exploring ways to help our customers reduce their own environmental impact. To help our customers embrace more sustainable technologies, several markets around the world offer electric vehicle (EV) charging points at restaurant locations.

We are rolling out EV stations in countries around the world, including some locations in the U.K., Germany, Italy, Austria and more. For example, through a collaboration with electricity producer Vattenfall, every Drive-Thru in the Netherlands will have two fast-charging points installed, while McDonald's Sweden has worked with Recharge (formerly Fortum) and E.ON to establish fast chargers for electric cars. Additionally, McDonald's Spain has signed an agreement to install more than 150 electric vehicle chargers in restaurants by 2021.



### **Engaging Restaurant Crew to Take Action**

Several markets have found ways to tap into the enthusiasm of restaurant staff and engage them in initiatives to lower the environmental impact of restaurants. McDonald's France has developed a digital environmental management system called EcoProgress, which helps restaurant teams manage their environmental impact and includes a platform that provides training, tools and examples of best practice. It also involves a countrywide annual challenge that rewards the McDonald's restaurants with the highest performance.

Other markets run internal sustainability campaigns to engage crew around the importance of taking action on climate. So far, the campaigns have included activities such as competitions and quizzes, with ongoing encouragement for crew members to share best practice examples from their restaurants.

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#### **Footnotes**

<sup>1</sup>Information updated as of August 15, 2022.

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