

AFi case study

# McDonald's

Building Deforestation- and Conversion- Free Supply Chains for a Global Business

*7-minute read*



Accountability  
Framework



Delivering on  
ethical supply chain  
commitments

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Back cover  
Cattle (Angus/Nelore cross) in grass.  
Photo courtesy of McDonald's  
Corporation and Caio Penido.

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This case study was produced by the Accountability Framework initiative (AFi) and Sofia Perez ([www.sofia-perez.com](http://www.sofia-perez.com)).

**ABOUT THE AFI:** The Accountability Framework initiative (AFi) is a collaborative effort to build and scale up ethical supply chains for agricultural and forestry products. Led by a diverse global coalition of environmental and human rights organizations, the AFi works to create a “new normal” where commodity production and trade are fully protective of forests, other natural ecosystems, and human rights. To pursue this goal, the coalition supports companies and other stakeholders in setting strong supply chain goals, taking effective action, and tracking progress to create clear accountability and incentivize rapid improvement.

**ABOUT THE AFI CASE STUDIES:** The AFi case study series features examples of companies and industry groups that have adopted policies and practices for ethical supply chains in alignment with the Accountability Framework. The cases illustrate some of the ways that organizations can apply the Framework to achieve or support ethical supply chains. While the case studies highlight specific policies and practices of interest, **they do not imply an endorsement of the organizations featured in the case studies, nor their products or services, by the AFi or its coalition members.**

The case studies make reference to norms and guidelines for ethical supply chains contained in the Accountability Framework, which was created through a consultative process following applicable good practices for multi-stakeholder initiatives and which represents the consensus of the AFi Steering Group members that participated in its development.

**DISCLAIMER:** This work product is intended to be informational only and is not intended to serve as a legal opinion or legal advice on the matters treated. The reader is encouraged to engage counsel to the extent required.

**SEE WHO'S INVOLVED:**

For more information on the AFi's governance and a full list of partners, please visit [www.accountability-framework.org/who-is-involved](http://www.accountability-framework.org/who-is-involved).

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The AFi is funded by:

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# Summary

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McDonald's is one of the world's biggest buyers of beef and other commodities for its vast global network of restaurants. Since establishing its Commitment on Forests in 2015, the company has been working to build deforestation- and conversion-free beef supply chains. It has applied the Accountability Framework to evaluate and update company goals, engage suppliers, report on progress, and participate in collaborative efforts to protect natural ecosystems.

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<b>Company:</b>	McDonald's
<b>Commodity:</b>	Beef
<b>Geography:</b>	Global, with priority sourcing regions in Latin America and Australia
<b>Scope:</b>	McDonald's deforestation- and conversion-free beef procurement policy applies for all of the beef the company sources globally. The company's initial focus has been on managing direct suppliers.
<b>Challenge:</b>	Set commitments that are aligned with global norms; assess risk; engage with suppliers and verify compliance; report on progress; collaborate to address sustainability issues in key landscapes and jurisdictions.
<b>Solution:</b>	Use the Accountability Framework to review and improve commitments; guide its approach to sustainability risk assessment; communicate expectations to suppliers; enhance procedures to manage for compliance; and effectively report on progress.

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## Accountability Framework sections applied:

- [Core Principles](#) 1 2 3 4 5 6 10 11 12
- [Self-assessment tool](#) for company goals
- [Definitions](#)
- [Operational Guidance](#) on numerous topics including:  
Applying the Definitions, Cutoff Dates, and Supply Chain Management

# Challenge

From geographic reach to annual earnings, McDonald's operates on a massive scale. The fast-food retailer generates US\$21 billion in yearly revenue from its more than 38,000 restaurants, which are located in over 100 countries across six continents. Globally, McDonald's restaurants serve approximately 70 million people a day.

To meet this customer demand, the company sources a huge volume of agricultural and forestry commodities, such as beef, coffee, and packaging materials, from suppliers and producers around the world.

These figures represent both the opportunity and the challenge of promoting ethical production and trade within the company's extensive network of suppliers. While McDonald's has the ability to catalyze positive environmental, social, and economic impacts, the job of managing its global supply chains is extremely complex.

How does a corporation of this size set meaningful commitments that are both consistent with global norms and achievable across a wide range of commodity sectors, regions, and ecosystems? How does it assess environmental and social risk? What's the best way to communicate its responsible sourcing expectations to all suppliers, ensure their compliance, and accurately measure and report on progress? And beyond its own supply chains, is there a way for McDonald's to reduce risk by collaborating with other stakeholders to improve conditions across a landscape or jurisdiction?

# Solution

As part of the company's sustainability initiatives, McDonald's instituted a range of responsible sourcing policies designed to drive industry transformation at scale, including its 2015 Commitment on Forests, in which it pledged to eliminate deforestation from its global supply chains by 2030.

Next, the company worked with the World Wildlife Fund (WWF)—a member of the [NGO coalition](#) behind the Accountability Framework initiative (AFi)—to take an inventory of the main commodities it buys, assess the degree to which each one poses risks for deforestation, and use this information to guide its ethical supply chain journey.

Ultimately, McDonald's determined that it could have the greatest positive impact on forests by prioritizing five key commodities by 2020—beef, chicken (including soy used in feed), coffee, palm oil, and fibre (used in guest packaging)—on the way to fully supporting deforestation-free commodity supply chains. This case example focuses on the company's efforts to develop policies and implementation systems for its beef supply chains, and looks at how it used the Accountability Framework to help guide this process.

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Director Global Sustainability,  
McDonald's Corporation

## Scoping and setting commitments

In addition to its [Commitment on Forests](#), McDonald's decided to create a deforestation-free beef procurement policy in 2017, using early drafts of the Accountability Framework to align its goals with the Framework's consensus-based guidance and the global norms on which it is built. “The Framework is a great place to start,” says Rachael Sherman, McDonald's director of global sustainability\*, “because it really outlines for companies the expectations—the steps you take to develop a roadmap. It is broken down in a very clear way and aligns with the reporting requests we receive from NGOs, investors, and other stakeholders.”

McDonald's developed the beef policy in conjunction with [Arcos Dorados](#) (its largest franchisee, which covers Latin America and the Caribbean); its beef suppliers; [Agrotools](#) (a Brazilian agricultural technology firm); and [Proforest](#) (a member of the AFi coalition that supports responsible production and sourcing). Subsequently, McDonald's used the Framework's [Core Principles](#) 1-3 to help flesh out key elements of the beef commitment, such as forest definitions and policy details.

\* Rachael Sherman is the former director of global sustainability for McDonald's, a role she held at the time of this case study's development.

For example, when McDonald's had to decide whether the goal in Brazil's Cerrado region should be zero conversion or zero deforestation, and what cutoff dates might be appropriate, it used the Framework's guidance to determine which technical aspects and definitions were the best to include in the policy. "When reviewing and updating our strategy and policies," says Sherman, "we have been able to use the definitions and guidance to ensure that we are integrating the input of NGOs and others alongside industry best practices."

## Taking Action

### Assessing and Managing Risk

To implement its beef commitment, McDonald's began by assessing the risk associated with its beef sourcing from specific regions, municipalities, and farms. The company partnered with Proforest and Agrottools to develop a risk assessment methodology that is aligned with the Accountability Framework.

First, the methodology considers the origin and volume of the raw material and the deforestation rates in each area, and focuses on priority regions, such as the Brazilian Cerrado and Amazon, and the Paraguayan Chaco. In each sourcing region, it then identifies areas that face particular risks or challenges (e.g., indigenous lands, protected areas, land-use conflicts, etc.) and applies a scoring system, dividing wider territories into smaller geographic units to come up with a more granular risk assessment. This multi-step approach follows the Accountability Framework's [Core Principle 5](#) on supply chain assessment and traceability, as well as the AFi's [Operational Guidance on Supply Chain Management](#).

Based on the data, the company scores the level of risk associated with each sourcing area and classifies its direct suppliers (i.e., meatpackers and slaughterhouses) according to the volume of cattle they source from high-, medium-, or low-risk origins. Those that source beef from regions that are at high risk of deforestation are requested to provide data on each cattle farm that supplies directly to the slaughterhouse. In Brazil and Argentina, Agrottools then analyzes satellite imagery to assess whether each direct cattle supplier complies with McDonald's policy. If a farm fails to comply, the slaughterhouse suspends it from McDonald's supply chain until a corrective action plan has been put in place.

In these ways, the company is better able to identify risk, prioritize its efforts, and guide slaughterhouses to take action where direct-supplying farms do not comply with the company's policy.

### Related Core Principle



5

Supply chain assessment and traceability

[Learn More >](#)

### Implementation and operational systems

To facilitate implementation of its beef-related targets, McDonald's chose to integrate its beef procurement policy into existing supply chain management systems. The result reflects the joint inputs of the company's sustainability, supply chain, and quality management teams. This integration helped to ensure that compliance could be effectively managed through McDonald's Global Quality Systems department, which oversees the specifications for the products and raw materials it purchases. These specifications include requirements related to social and environmental aspects, as well as the minimum requirements for any food that enters the company's supply chain. Furthermore, the new policy also makes it easier for the Commercial and Global Quality Systems teams to communicate procurement expectations—both internally, to McDonald's teams, and externally, to suppliers.

Building on this work to date, McDonald's has identified areas for further progress that respond to the particular challenges of the multi-layered beef supply chain. For instance, while many slaughterhouses are able to identify and manage for compliance of their direct-supplying farms, there remains very limited traceability to the indirect-supplying farms that birth or raise cattle before selling them to slaughterhouses' direct suppliers. The Accountability Framework provides guidelines for traceability, management, and verification of these “upstream” suppliers, which will require collaboration across the value chain to fully implement.

### Collaborating on sectoral and landscape approaches

Beyond working with its direct suppliers in high-risk regions, McDonald's is also applying the Framework's [Core Principle 10](#), which encourages companies to use their influence to support broader long-term solutions to deforestation by contributing to landscape, jurisdictional, and/or sectoral initiatives. “We know that in order to achieve our goal of eliminating deforestation from our global supply chains by 2030,” says Sherman, “we must work in partnership with others—suppliers, governments, NGOs, and other key stakeholders.”

McDonald's has been collaborating with stakeholders to address deforestation in the Brazilian state of Mato Grosso through the Produce, Conserve, and Include (PCI) strategy, which looks to boost the productivity of existing agricultural lands and prevent the conversion of natural ecosystems to establish new grazing areas. One example is McDonald's supplier [Caio Penido](#), a Brazilian beef producer who heads a [multi-stakeholder forum](#) that is working to promote sustainable beef production in the Amazon and Cerrado regions. Penido has set aside 38% of his farmland as protected reserve and practices rotational grazing on the rest, improving pasture growth and efficiency.

#### Related Core Principle



10

Collaboration for landscape and sectoral sustainability

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McDonald's also sources a portion of its beef from cattle farms managed by PECSA, a Brazilian B-corporation that is part of the PCI initiative. Farms in the PECSA program work to restore degraded pastureland in the Amazon and improve animal management to increase production without the need to encroach into the region's biodiverse ecosystems.

## Reporting on progress

Progress reporting is an important way for McDonald's to show leadership in transparency but can be challenging for a company with such a far-reaching supply chain. The Accountability Framework has served as a useful reference to help McDonald's understand what is most essential to report and how it can best apply existing assessment tools to measure improvements.

McDonald's reports annually to [CDP](#), a global environmental disclosure system for documenting risks, policies, actions, and performance related to commodity supply chains and deforestation that is now fully aligned with the Framework. "We've made a shift to targets that drive measurable, data-driven outcomes," says Sherman.

When a company's reporting processes are directly linked to its commitments and implementation plans, one step flows into the next, providing greater clarity and

consistency for each stage of the ethical supply chain journey. According to Sherman, "Companies want a level playing field—an apples-to-apples comparison—so that we can see how we stack up."

As reporting and assessment systems—such as CDP, Supply Change, and Forest 500—become more fully aligned with the Framework, company application of the latter will make it easier to monitor and demonstrate progress to the investors, NGOs, and other stakeholders that rely on these assessment systems. "We know that it will take ambition and collaboration across the industry to help us collectively meet our goals to eliminate deforestation. Having an aligned set of guidance, definitions, and reporting frameworks is critical," says Sherman. "This is the value we see in the AFI and the coalition's work with its [Supporting Partners](#)."

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# Insights

As the product of consensus among numerous environmental and social NGOs, the Framework enables companies like McDonald's to address the perspectives and priorities of different stakeholders without having to seek them out individually.

“Using the Accountability Framework is like consulting with the entire coalition of stakeholders behind the AFi,” notes Sherman. “It is really helpful to have this single source of information to guide our company's activities.”

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This alignment is especially useful for companies that have to manage many different commodities and regions at once. It allows them to use a common language, create coherence across their entire business, and keep moving steadily toward their long-term goals. “Supporting a company like McDonald's that uses its scale and reach to promote real transformational change, both within and beyond its supply chains, has been a challenging yet inspiring experience,” says Marcelo Posonski, Proforest's deputy director, who has been working closely with the company. “The Accountability Framework has been very useful to make sure we are on the right track.”

Building ethical supply chains can require persistence, but it is an attainable goal, particularly when the various stakeholders work together and engage in a process of continuous improvement. For McDonald's beef policy, implementation via slaughterhouses and their direct-supplying farms is an important milestone and provides a foundation for further work to improve traceability and management of indirect suppliers that currently pose the greatest risk for deforestation and conversion. “Companies need to be ambitious,” says Sherman, “and that means that they can fall short, but an 80% achievement should still be celebrated. And we should always keep pushing for more progress to make sure that change really occurs.”



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