



September 2, 2014
McDonald's China Media Update

1. Over the past 6 weeks, we have completed 3rd party audits on all meat and produce suppliers to confirm their safe assured supply to our restaurants, and we are now on 2nd Phase of 3rd party audits for the rest of our food suppliers. We have also reinforced with suppliers on compliance with China regulatory requirements and McDonald's standards on food safety and quality supervision.

Meat Suppliers

- Since late August, McDonald's China has resumed our meat supply to all restaurants across China. Today, we have five meat suppliers and they are existing suppliers who have stepped up their production capacity to cater to our restaurant needs. McDonald's is in the process of completing full due diligence including unannounced 3rd party audits on their increased capacity. The list of these suppliers includes McKey, Cargill, Hormel, Trident and Sunner. The details of these suppliers are as attached. The details of these suppliers are as attached.

Our New Produce Suppliers

- We have confirmed the Creative Food Group – a new supplier for our produce production. We are also in the process of qualifying Golden State Food (GSF) as a new produce supplier. In addition, for a short period of time, we will be importing lettuce from GSF Australia. It took us a longer time to supply produce to the restaurants because all new suppliers and their facilities have to go through full due diligence processes. Starting early September, some restaurants will resume produce supply and full supply will resume across China starting from 3rd week of September onwards.

How do we assess new suppliers?

- For new suppliers, we have a full due diligence inspection process. This is a farm-to-fork process to ensure that they meet the China food safety regulations and McDonald's standards.
- Produce suppliers: There is a full range of control points including McDonald's Global Good Agricultural Practices that cover quality, safety and social responsibility. The control points cover risk and land use assessments; irrigation and water management; fertilizer, soil additives and pesticide use; personnel hygiene, field sanitation and working conditions; field foreign material control etc. That's all part of the reason why it is a lengthy process to certify suppliers not just in China but anywhere in the world.



- **All new suppliers:** Outside Global Good Agricultural Practices, any new suppliers must also pass a checklist of 29 areas, including code of conduct, HACCP system, crisis management, air, gas, water quality management, chemical control, food allergies and sensitivities, McDonald's product specification, traceability and sourcing sustainability, etc.
- 2. McDonald's China, together on a joint-task force with the company's global and regional experts, and its food suppliers, has conducted a review of its food safety and quality system. McDonald's China and its food suppliers also put in three points on the food safety and quality supervision enhancement plan.**
- a) Enhancing McDonald's food safety and quality supervision processes:**
- With immediate effect, we have increased the frequency of audits of food suppliers' production sites. Over half will be unannounced audits conducted by 3rd party auditors and McDonald's qualified management teams; the other half audits will be conducted by our suppliers' corporate auditors.
 - All meat suppliers have existing CCTV video monitoring facilities in their production sites and they are committed to increasing the number of cameras at critical points of the production. Critical points include raw material storage and any point where McDonald's products are being handled.
 - Video footage will be reviewed by supplier corporate auditors, 3rd party auditors and McDonald's. The video footages can be viewed by all parties upon demand.
 - As an immediate action, McDonald's is also deploying additional Quality Control Specialists to be stationed at all protein production facilities to ensure that all additional food safety and quality supervision measures are being executed.
- b) Adding a Food Safety Governance function to our organization:**
- A Food Safety Governance function has been created over and above our quality systems structure in the organization and this function reports directly to the CEO. This function, independent of the Supply Chain Management, is led by the Head of National Food Safety who has the authority to veto a food sourcing or production decision if there is any concern raised. We have appointed Cindy Jiang, an experienced leader from McDonald's global quality system to serve as our Head of National Food Safety during the interim period to oversee and build this function over the next few months.
- c) Communication anonymous hotlines for food suppliers and employees to report unethical and non-compliant food safety practices.**
- All food suppliers have already established corporate anonymous hotlines for their employees and these hotlines will also be audited.



- By Q4 2014, McDonald's China will launch a hotline as a safe way for our restaurant staff to report any non-compliant food safety practices in restaurants.
- The feedback received from the McDonald's food safety hotline will be directly managed by the Head National Food Safety.

McDonald's expects all staff and suppliers to carry out these added measures to enhance their food safety and quality systems. We have zero tolerance to non-compliance and fully expect everyone in our System to share our commitment to the programs that are in place to safeguard food safety.

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About McDonald's China

McDonald's opened its first restaurant in Shenzhen in 1990. Ever since it is committed to provide each and every customer with quality, service, cleanliness and value (QSC&V), each and every time. McDonald's has consistently brings new experience to Chinese consumers, including kiosk in 1994; the McCafé in 2001; 24-hour restaurant in 2005, Drive-thru in 2006, and McDelivery in 2008. By August 2014, McDonald's has over 2,000 restaurants in mainland China with 100,000 employees topping. In 2013 alone, McDonald's has served about 1.5 billion customers in China. For more information, please visit www.mcdonalds.com.cn or follow us on Weibo at www.weibo.com/mcdonaldsworlds or WeChat by searching "McDonaldsChina".

About McDonald's

McDonald's is the leading global foodservice retailer, with more than 35,000 local restaurants serving nearly 70 million people in 119 countries each day. For more information please visit www.aboutmcdonalds.com or www.mcdonalds.com.