

The W. Howard Chase Award — 2001

Organization Nominated: McDonald's Corporation

The Issue: McDonald's Animal Welfare Program (MAWP)

Description of the issue:

McDonald's cares about the treatment of animals so we are continuing to take a leadership role in improving conditions and operations at our suppliers' facilities. Although McDonald's does not typically own, raise or transport animals, we do recognize that our responsibility as a purchaser of food products includes working with our suppliers to ensure good animal handling practices. McDonald's believes that the humane treatment of animals is an integral part of our world class supplier system. Therefore, we buy all our beef, pork and poultry products from suppliers who maintain the highest standards and share McDonald's commitment to animal welfare.

McDonald's has implemented innovative animal welfare quality programs, including:

- 1. A comprehensive and tough objective audit system for good animal handling practices based on animal behavior science.*
- 2. An advisory Animal Welfare Council comprised of leading academic, industry and animal protection experts.*
- 3. A groundbreaking set of new animal welfare practices for laying hens (eggs) that provide 50% more housing space and eliminates the practice of restricting food for productivity gains.*

1. Why is the issue important to the organization?

McDonald's has the very highest standards for quality and food safety for all the food it procures, cooks and serves at McDonald's restaurants, including the 13,000 USA restaurants. Animal welfare is an integral part of McDonald's commitment to quality. Additionally, McDonald's recognizes that it is a major purchaser of meat, including beef, chicken and pork products. As part of its vision, McDonald's is a socially responsible leader in the communities where we do business: "The world should be a better place because of McDonald's." To take this responsibility upstream with our suppliers to implement real programs that are making a real impact with millions of animals is a visible manifestation of our ongoing commitment to social responsibility leadership.

2. At what levels do members of the organization participate in addressing the issue?

McDonald's has engaged a broad cross-functional team approach to addressing animal welfare leadership.

First, it established a leadership team representing either Directors or Officers from these functional areas to direct and monitor the issue: Supply Chain Management, Public and Community Affairs, Communications, Legal, Global Security, Customer Satisfaction. The Vice President of Public and Community Affairs oversees the team and is the internal champion, who reports to the Senior VP of Corporate Relations and to an Executive VP on the team's initiatives and progress.

Second, McDonald's Chairman and CEO has been directly engaged and has set the overall direction that McDonald's provide leadership on animal welfare.

And third, McDonald's created a supplier team with our direct meat suppliers to take on this program, to get educated on the issue, and to develop programs in partnership with McDonald's.

3. Which constituent groups are affected?

One of the primary benefits of McDonald's Animal Welfare Program is to appropriately balance the external stakeholder's viewpoints. Constituent groups include: animal rights organizations; animal protection groups; suppliers and their trade organizations; the 30 million customers McDonald's serves daily in the USA; government agencies (USDA); investors; animal scientists and other academics in the animal science arena; and, of course, the media.

4. How are constituent concerns considered and acted upon?

McDonald's created an Animal Welfare Council (AWC) to formalize a process that ensures our ongoing animal welfare commitment, and it is McDonald's best way to seek input and to balance the various constituent concerns. McDonald's recognizes the need to partner with the very best animal welfare scientists and experts to help determine priorities and action steps.

The AWC members are:

Dr. Temple Grandin, Colorado State University
Diane Halvorsen, Animal Welfare Institute
Dr. Jeff Armstrong, Purdue University
Dr. Joy Mench, University of California, Davis
Dr. Janice Swanson, Kansas State University
Dr. Ken Olson, American Farm Bureau

The McDonald's Animal Welfare Council assists McDonald's and its suppliers to address animal welfare issues and to meet the goals described in the attached "McDonald's Animal Welfare Guiding Principles." They provide information, advice, and expertise on germane issues. They have access to key management and suppliers within McDonald's system. The council makes recommendations to McDonald's and its suppliers.

5. What is the key objective of the issue management program?

McDonald's objectives with animal welfare are to provide leadership and innovation in order to create an industry-changing impact, and to provide transferability to others in the industry as well.

McDonald's animal welfare decisions are unprecedented in the retail industry. McDonald's is the first to factor animal welfare guidelines into our procurement process, addressing an issue that is complex and multi-dimensional, consisting of many stakeholders, and successfully engaging its suppliers, scientists, academics, non-profit organizations, and other stakeholders to forge very meaningful solutions. McDonald's used its purchasing power and influence with suppliers to address and eliminate certain animal welfare problems. McDonald's programs can be adopted by others, and likely will be over time. Thus, the impact goes beyond McDonald's and its own set of suppliers.

6. Does issue management make a direct contribution to the organization's profitability? If so, how?

As a whole, McDonald's believes in the management of issues in the emergence stage versus the crisis stage. This is the "anticipatory issues management" process that McDonald's has internally adopted, and is evolving in its corporate culture. There is much more time and money spent in the crisis mode than when issues are strategically addressed in the early stages. Animal welfare is an excellent model of that. McDonald's began to formalize its

program more than four years ago. The most comprehensive part of the animal welfare program is auditing all of its meat facilities. This program does not add cost, and the suppliers are very supportive of the program.

7. What are the results?

Here is a brief summary of McDonald's major animal welfare programs and progress.

- McDonald's recently introduced "Laying Hen Animal Welfare Guidelines" with its suppliers. These guidelines call for a 50% increase in the housing space for hens; the elimination of the practice of withdrawing food to induce molting; and the goal of eliminating beak trimming. This will impact the welfare of more than five million hens annually. Many experts, including such animal protection organizations as the Humane Society of the United States and the Animal Welfare Institute have praised these guidelines.
- McDonald's adopted animal welfare auditing guidelines developed by Dr. Temple Grandin and began auditing all of its meat processing facilities for beef, pork and broiler chickens in 1999. More than 100 plants are now audited annually. Animal welfare training is now a prerequisite with our suppliers. Numerous improvements in animal handling practices have been documented due to these audits.
- McDonald's established an Animal Welfare Council with six leading scientists, academics and animal protection leaders, with the goal to educate, inform and make recommendations to senior management. This type of stakeholder engagement on animal welfare is unprecedented and shows the level of long-term commitment McDonald's has to be leaders on animal welfare.

In addition to the actual programs and excellent results, McDonald's has established the vision and framework that is essential to achieve meaningful, sustainable animal welfare improvements.

For example, McDonald's Chairman and CEO, Jack Greenberg, has been vocal and visible in his call for animal welfare leadership in the company and with its suppliers. McDonald's supply chain management team has incorporated animal welfare as a part of doing business by making it an integral part of its quality assurance program. A global set of animal welfare guiding principles has been developed and disseminated worldwide.

From an external viewpoint, the following two quotes put in perspective the larger impact of the program:

"McDonald's has used their purchasing power very wisely to produce extraordinary animal welfare results, and I encourage others to do the same. I have been in this field for more than 25 years, and I have never seen such a transformation. It's extremely gratifying. The more companies that implement similar programs, the more improvements we'll see in animal welfare. "

--Dr. Temple Grandin, world-renowned animal welfare scientist and advocate.

"The longest march begins with a single step, and now McDonald's, to their great credit, has taken that first step. In the entire history of the intensive egg industry in the United States, no one else has had the courage to take even a single step. I was recently with a leader of an organization that is working for the rights of farm animals. He asked me what I thought of McDonald's moves, and I asked him my usual question: could he name a single positive move of greater significance for the living conditions of farm animals in the United States during the past 25 years? He admitted that he could not."

--Professor Peter Singer, Animal Rights International, author *Animal Liberation* .