



October 30, 2015
Julie Hjerl Hansen
Via Email (jh@danwatch.dk)

Dear Julie –

In response to your original inquiry and follow up questions, we have surveyed our suppliers and relevant certification organizations. They have advised us that, according to their due diligence, the conditions highlighted in your survey are not present in McDonald's supply chain.

We take your inquiry very seriously and will not knowingly serve coffee sourced from a farm where the government has found the farm guilty of using slave labor. We have zero tolerance for any such slave labor in our supply chain. If we determine that any coffee in our supply chain results from any such slave labor, we will take immediate action to ensure that this does not continue.

As mentioned before, McDonald's does have a Supplier Code of Conduct. We expect our suppliers, independent businesses in their own right, to hold their supply chains to the same standards outlined in the Code. This includes the expectation that they comply with applicable laws and regulations in the countries and jurisdictions in which they operate as stated on page six of the attached Code.

It should be noted again that McDonald's does not directly purchase coffee beans. We rely on our suppliers to purchase from roasters on our behalf. Coffee sustainability, however, is a priority focus area for the company as part of our broader sustainable sourcing strategy. Beyond the standards and processes we have in place as part of our Supplier Code of Conduct, we set a target to source 100% of our coffee from verified sustainable sources by 2020 in an effort to make positive impacts throughout the full coffee value chain. To achieve this target, we are working with suppliers, roasters and leading NGOs such as Conservation International to:

1. Increase purchases of coffee from certified farms, and
2. Develop a framework that outlines expectations for roasters to identify the farmers in our supply chain; to collaborate with the farms based on local needs assessments; and to measure and verify progress using 3rd-party scorecards over time.

We are currently on track to achieve our 2020 target, with an estimated 32% verified sustainable in 2014. 100% of our caffeinated coffee in Europe is already certified by Rainforest Alliance, Utz or Fairtrade. Of all the coffee sourced from Brazil by our roasters in 2014, the majority was certified by either Rainforest Alliance or Utz. We reached out to Rainforest Alliance and Utz and have included their responses below.

Both Nestle and Mother Parkers supply coffee to McDonald's. Nestle has supplied coffee to a few select McDonald's European markets between 2008 and 2015. Most recently in 2014, the last year for which we have complete annual data, none of this coffee came from Brazil, and all of the regular coffee was Rainforest Alliance certified.

We reached out to both Nestle and Mother Parkers to verify that the farms you've identified are not in our supply chain. Below are their responses, along with descriptions of the steps they take to uphold our values and Code of Conduct.

With regards to the other working conditions highlighted in the survey, McDonald's is focused on collaborating with our suppliers, credible certification organizations and NGOs to continuously improve what we call the three E's of sustainable sourcing – ethics, environmental responsibility and economic viability. In the coffee supply chain, this includes roasters working with technical assistance programs to help farmers enhance their yields and overall livelihoods, including the use of appropriate measures to enhance safe working conditions.

We welcome input from experts that can help us continuously improve processes and outcomes. As such, if your research has garnered best practice examples or company leaders from which we can learn, we would appreciate you sharing this information with us.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ignacio Blanco-Traba', with a stylized flourish at the end.

Ignacio Blanco-Traba
Senior Director, Global Sustainable Sourcing
McDonald's Corporation

Utz Response:

We take the questions raised by Danwatch extremely seriously and have carried out a full internal investigation, and we can assure our partners and Danwatch, that the farm in question Fazenda Samburá has passed all UTZ audits since they received certification in 2012. The audits carried out by independent third parties inspect both the conditions on the farm and can draw on external information such as public governmental reports and inspections etc.)

In addition, the alleged violation of slavery on Fazenda Samburá occurred prior to receiving UTZ Certification, and that the alleged allegations were dismissed by the Brazilian Federal Court in 2013, clearing the farm and the owner of any charges of coerced labor. Our UTZ representative in Brazil was in close contact with the farm owner during the court case and followed the proceedings.

Rainforest Alliance Response:

The Rainforest Alliance has worked with its local partner organisation IMAFLORA and the certification body IBD to follow up on the information provided to Danwatch. We are able to confirm that none of the farms listed by Danwatch are Rainforest Alliance Certified™. What is more, under the Sustainable Agriculture Standard, to which farms must comply in order to receive Rainforest Alliance certification,

compliance with Brazilian Legislation 149 is mandatory as is compliance with other legislation covering workers' rights, hours of work and PPE.

Companies sourcing coffee from Brazil that is Rainforest Alliance Certified™ can be confident they are not contributing to the allegations made Danwatch through the Rainforest Alliance Certified™ component of their supply.

One of the individuals named by Danwatch, Mr Donisete Geraldo Leite, is the subject of an ongoing court case concerning breaches under Legislation 149, for a farm he has an interest in, Samburá in São Roque de Minas-MG. This farm is not Rainforest Alliance Certified™. However, Mr Leite does have an interest in a farm called Fazenda Primavera. Fazenda Primavera is Rainforest Alliance Certified™. Our partner organisation, IMAFLORA, is monitoring the case against Mr Leite closely. Should he be found guilty of the offenses for which he is charged steps will be taken immediately to remove the certification from Fazenda Primavera due to its association with Mr Leite.

Mother Parkers Statement:

In response to the Danwatch inquiry, we have received a very thorough response from Cooxupe, a version of which has also been sent to Danwatch directly.

This response was definitive in its explanation of the controls in place. These controls assure that the coffee supplied to Mother Parkers and their customer McDonald's, from Cooxupe, is protected from sources either under suspicion or convicted of any activities deemed illegal under Brazilian law.

Mother Parkers has and continues to invest significant resources, including regular origin visits, to vet Cooxupe as a supply partner. Through this continual activity, we are very satisfied that the processes employed by Cooxupe and their very responsible and capable management team are reflected in their statement.

Further, in alignment to the McDonald's 2020 Sustainable supply goals, Mother Parkers is collaborating with Cooxupe to engage Technoserve in building a comprehensive third-party verification program in Minas Gerais in 2014. This builds on and utilizes Cooxupe's extensive technical assistance faculties to deliver meaningful programming tailored towards all farmers, in order to build robust compliancy for a better future for the people involved in coffee production, their communities and the environment.

Nestlé's Statement:

Concerns over labour conditions in Brazil's coffee supply chain

We source a significant amount of coffee from a large number of farmers and suppliers in Brazil and are committed to promoting and supporting the responsible farming, production, supply and consumption of coffee. We are very concerned by serious allegations regarding potential instances of forced labour and poor labour conditions in some of Brazil's coffee plantations. We do not tolerate violations of labour rights. Moreover, forced labour has no place in our supply chain.

Nestlé does not purchase coffee beans from "blacklisted" plantations but produce from these farms sold to sub-suppliers could form part of our supply chain. We are urgently working with our main suppliers,

verification partners and others stakeholders to assess the claims being made. We take these allegations very seriously and will take appropriate action when required, which may include reviewing and discontinuing our commercial relationships with suppliers that violate our internal code or fail to take corrective actions.

Tackling issues like human rights abuses, especially forced labour, is a vastly complex issue that requires concerted action. We thus welcome and support Brazil's multi-stakeholder initiative "National Pact for Eradication of Slave Labour" and are currently finalising the evaluation of our involvement to become a signatory.

Nestlé is strongly committed to ensuring that our suppliers comply with national laws and corporate principles. We require all our sourcing partners to comply with our Nestlé Business Principles and Supplier Code. In addition, we are working to continuously increase the amount of coffee we source in compliance to our Responsible Sourcing Guideline (RSG). In 2014, close to 90% of our supplies of Brazilian Arabica coffee were Common Code for Coffee Community verified (4-C), Rainforest Alliance certified or part of Nestlé's own sustainability programmes.

We are determined to ensure that these requirements are met throughout are met through our coffee supply chain and thus subject our suppliers to compliance audits by independent third parties.

We have not found evidence of coffee in our Supply Chains coming from these particular plantations. Coffee supplied from Brazil is either Rainforest Alliance-certified/4C-verified/responsibly sourced.