

Is McDonald's misleading shareholders about ESG initiatives?

For context, McDonald's claims its ESG initiatives are "fundamental to how we operate." Particularly, McDonald's says its very "ability to serve safe, quality food comes from animals that are cared for properly."

One specific initiative relates to gestation stalls in its pork supply.

These solitary confinement cages detain pigs so restrictively, they can't even turn around.

Here's how McDonald's former VP of CSR described this:

"I toured my first sow facility, astonished as I observed a few thousand sows all lined up in rows, each confined to what seemed like a little prison." The floors underneath, he wrote, "are slotted so that urine and feces slip through into vast cesspits" with the animals "immobilized above their own waste."

#### **McDonald's Pledge:**

McDonald's announced it wants to see "the end" of gestation stalls in its U.S. supply chain. One press release, titled "McDonald's USA Outlines 10-Year Plan for Ending Gestation Stall Use," committed to reaching that goal by 2022.

#### **McDonald's Reporting:**

In 2021, McDonald's claimed to be tracking "at around 50%" of its "target." McDonald's also included that claim when reporting for the Sustainability Accounting Standards Board Index 2020, which asks for the percentage of pork produced "without the use of" gestation stalls.

#### **Really?**

The proponent is confident that, rather than eliminating the practice, McDonald's is actually now just planning to \*reduce\* how long it lets suppliers lock gestating pigs in stalls. This is very different than its stated target of \*ending\* the confinement and would make McDonald's reporting deceptive.

#### **McDonald's Pledge:**

To help reach its target, McDonald's also pledged that by 2017, it would only source pork from producers "who share its commitment to phase out gestation stalls."

#### **McDonald's Reporting:**

"We achieved our 2017 milestone to source pork for our U.S. business only from producers who share our commitment to phase out gestation stalls," McDonald's claims.

#### **Really?**

The proponent is also confident that, actually, McDonald's suppliers have \*no\* commitment to \*ever\* phase out (i.e. end) their confinement of gestating pigs in individual stalls, which would make this claim deceptive too.

#### **How does this impact shareholders?**

McDonald's has said it "is committed to being a company that the public can trust." So, if McDonald's is failing to implement longstanding ESG promises – while misleading the public – shareholders deserve to know. Especially since it pertains to an issue McDonald's says speaks to its very "ability to serve safe, quality food."

**RESOLVED:** Shareholders request McDonald's confirm that the confinement of gestating pigs in individual stalls will be ended in its U.S. pork supply chain by 2022. If McDonald's cannot so confirm, shareholders request disclosure of: 1) the percentage of pork in its U.S. supply produced without locking gestating pigs in solitary confinement stalls, and 2) the risks McDonald's may face over the disparity between its gestation stall pledges/reporting and the reality within its supply chain. This should occur within three months of the 2022 annual meeting, at reasonable cost, and omit proprietary information.