

**T**HE HEALTH OF OUR GLOBAL FOOD SYSTEM exists in a mutual relationship with the health of the planet's natural ecosystems. Research by the Economist Intelligence Unit across countries representing 80% of the world's population found that nature loss is being increasingly recognized as a dual crisis alongside climate change, by investors, regulators, businesses and consumers—one cannot be solved without confronting the other.

But where to begin? Few in the private sector are as well placed as Jenny McColloch to speak about the potential path to progress. McColloch studied earth systems at Stanford, has spent her entire career focused on sustainability and biodiversity—including an early post teaching children about marine environments—and today she serves as Chief Sustainability Officer for McDonald's.

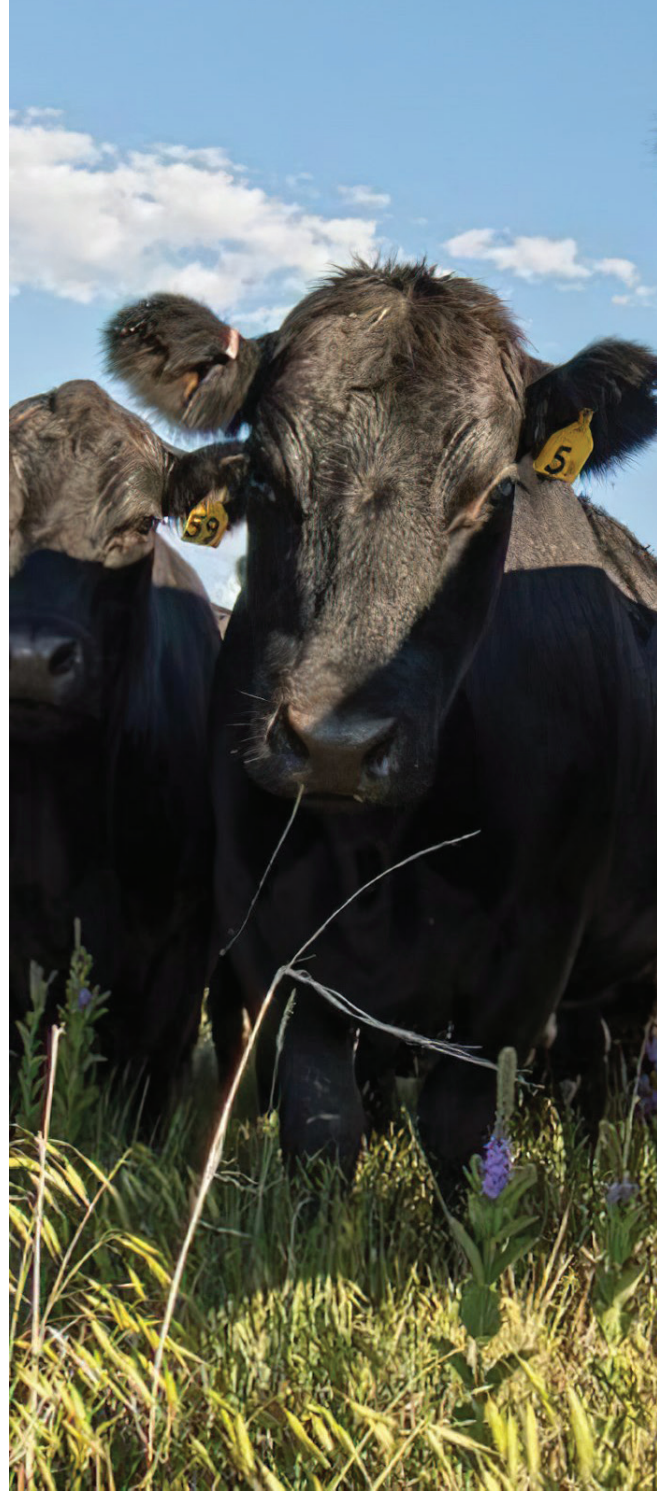
Her tenure—McColloch joined the company a decade ago—and role give her a unique view on how the conversation around nature has shifted. At a time when many companies have yet to set out meaningful targets related to nature—according to S&P Global research, four out of five S&P 500 companies haven't made a biodiversity pledge yet—McColloch and her team can share decades of lessons from the ground. The good news: making progress is possible.

**Biodiversity isn't an issue on every—or even a majority of—companies' radars. Why is it such a priority for McDonald's?**

We're in an interesting moment in time where there is an increasing focus from almost every sector of society on this issue as critical to our future—even

McDonald's is one of the largest restaurant chains in the world, operating in over 100 countries. Chief Sustainability Officer **JENNY MCCOLLOCH** discusses how a business of that scale is addressing biodiversity loss and the emerging global food crisis.

# TAKING ON NATURE LOSS AT SCALE







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though we're still figuring out what all the right answers are for the path forward. The experience of the pandemic caused a lot of people to think more about how resilient any of our systems are—the infrastructure or food systems or natural ecosystems that our lives depend on.

We are deeply tied to these conversations at McDonald's. We're a food business and our restaurants and supply chain have a significant presence in communities and landscapes around the world. Together with franchisees and suppliers, our businesses depend on nature and ecosystems, as well as the people who manage those resources. And

**Based on latest public disclosures in 2020 and 2021, McDonald's was able to report that almost all of its beef, soy, palm oil, coffee, and fiber supported deforestation-free supply chains.**

consequently our brand depends on those people, and those systems. If we weren't focused on managing the risks where they are, and managing and working toward the opportunities where they exist, then we wouldn't be managing the McDonald's brand and our System's growth strategy properly.

Fundamentally, we have to manage our way forward here because McDonald's is a global food and restaurant company. This conversation is also heightened for us because McDonald's is a brand often in the spotlight, and a lot of different people around the world have strong opinions about what we need to do in this arena.



**How did you land on “supporting deforestation-free supply chains” as your ambition? It seems like carefully chosen language. Does it come from a lack of confidence about simply committing to being deforestation-free?**

We considered it very carefully when we set out to communicate metrics progress against our Commitment on Forests. When you look across the variety of commodities that we source, and the variety of measurement and tracking systems that are out there, there's a very different measurement approach and traceability opportunity, depending on the product in question. It's hard to measure such a complex



landscape. And there can be a tendency to focus on a single metric, rather than the broader direction of travel and progress across all priority products.

As we learned from advisors in this area, what we found in setting a vision for eliminating deforestation—and then working toward it over the last eight years—is that how you go from a vision to actually measuring and monitoring specifics over time looks different depending on where you are and what you're sourcing.

So for us, “supporting deforestation-free production” can encompass the variety of measurement approaches that are out there while also embedding this notion of continuous improvement. It was our answer to: How do we move everybody in the right direction while holding ourselves accountable across our highest-priority commodities for tracking and reporting progress over time?

**Is that complexity increased by your scale?**

Yes. We have the privilege of scale within the system we operate with our partners. We have a footprint and exposure in nearly every geography around the world in some way, shape or form. We have an

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We're a restaurant company that operates nearly 40,000 restaurants in over 100 countries around the world. Approximately 93% of those restaurants are owned and operated by independent franchisees or developmental licensee partners. Together with those owners, we employ about 2 million people under the Arches. And we all collectively depend on an entirely third-party supply chain. All the farms, ranches, supplier facilities and transportation systems that deliver the food and packaging we serve to our customers—they're all managed by independent supplier partners.

So, when you look at sustainability at McDonald's, and particularly a conversation on nature, biodiversity and resiliency, you have to see it through what we call our McDonald's “system” lens. Or another frame for it is the three-legged stool of the franchisees, the company and our supplier network, which has many layers, all the way back to the producers who are actually the land managers.

**How do you make progress as a company when a lot of that progress depends on the collaboration and cooperation of such a vast network of suppliers, farmers and franchisees, spread out across the world?**

The goal-setting and strategies start within McDonald's: We must create the momentum here by embedding nature into our approach to sourcing. But how we do that is informed by and executed through partnerships and collaboration with our suppliers, with our producers, with our communities of farmers and ranchers, and with input from external advisors.

Along with that come pretty significant expectation-setting and standard-setting in terms of the criteria through which we hold ourselves and our supply-chain partners accountable. An important part of that involves working with our strategic sourcing teams to create a forward-looking and two-way learning journey that's inclusive and invites people to join us—rather than one that's merely transactional or punitive. This approach is especially important when producers and suppliers face so many different pressures and surface such important learnings on any given day, in any given geography.

**How have you approached driving change across a supply chain as large as yours?**

From the early 2010s through to 2020, we focused on driving commodity-specific strategies. As you'd expect for a burger company, those include beef,

## IDENTIFYING PRIORITIES

Working with NGOs, including the World Wildlife Fund, McDonald's identified the key commodities in its supply chain that have the greatest impact on the planet and/or human rights and prioritized those for action.



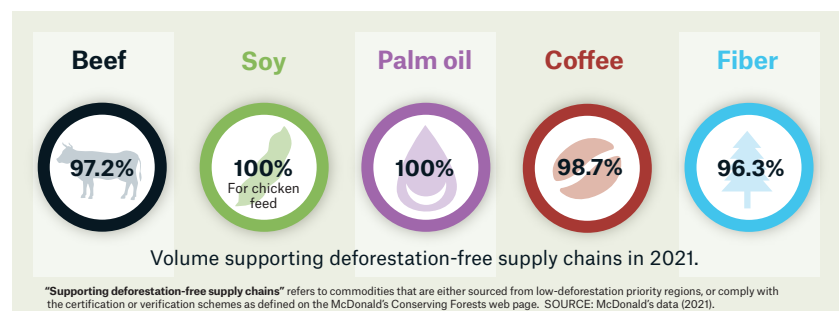
chicken and the soy-based feed for chickens. There's also the fish we serve in our Filet-O-Fish; the palm oil we source that's used as an ingredient in some baked goods; coffee; and the fiber for our packaging.

We worked with partners like the World Wildlife Fund, Conservation International, Environmental Defense Fund and other stakeholders and academic advisors with whom we identified impact areas and commodities that had the highest potential for us to drive impact for the planet and people—and prioritized where we should invest first.

We layered in more specific criteria related to supporting deforestation-free supply chains, reducing the emissions profile across that entire supply chain, promoting animal health and welfare, and supporting the communities of workers who produce the food. We set ourselves the goal of eliminating deforestation completely from our supply chain by 2030.

In some commodity chains, there were—and are—third-party criteria and coalitions that have defined standards for measuring and reporting against supporting deforestation-free supply chains that we could lean on. A variety of the mechanisms of the Roundtable for Sustainable Palm Oil allow us

In 2020 and 2021, McDonald's marked major milestones in its journey toward supporting deforestation-free supply chains: reporting near 100% compliance with third-party criteria for key commodities.



to verify that the palm oil we source is responsibly produced. The Rainforest Alliance offers a similar verification with coffee, particularly in areas of high deforestation risk, and supports robust tracking opportunities in the coffee-production chain. Such third-party certifications are not a perfect, be-all, end-all strategy on their own, but they really helped us get going.

And in 2020, when we were able to report nearly 100% compliance with those criteria on our priority commodities, it was a major milestone for us.

**So let's talk about beef, which is one of the key challenges for McDonald's. What have you been doing there?**

Beef production is different; there were no criteria or definitions around responsible, sustainable beef production when we began on this journey. That's why we became a founding member of the Global Roundtable for Sustainable Beef; we wanted to gather a sector-wide view and multi-stakeholder coalition to help define those terms and clarify standards. We then invested with third parties—including suppliers, NGOs like Proforest, and technology providers like Agrottools—in tracking and monitoring systems.

That allowed us to measure more consistently for the first time, to set baselines, to track where deforestation risk may be escalating in the beef farms and ranches, to set cut off dates, and then monitor how the progress is going. Those systems simply didn't exist when we set out on this journey. They're what allow you to see if things are moving in the right direction, and if they aren't, you can decide to either set a corrective action plan for suppliers and producers or move away from them.

**Some say beef production itself is the problem and needs to be stopped. What's your view?**

I take the philosophy, having worked within this system as long as I have, that simply moving away from something won't always deliver the desired outcome. I've had people tell me, for instance: "McDonald's should just move everybody away from beef; that'll solve a lot of environmental problems." But alongside offering delicious non-meat alternatives where customers want them—which we're also working on—we see our role as helping empower customers around the world who do eat beef to expect products that are produced through brands, suppliers and producers that prioritize responsible production, who have measures and programs in place to improve, and who protect our nature, ecosystems and communities in the process. I think that's a better outcome than customers purchasing a burger from a company that doesn't share that level of commitment.

Coming out of 2020, over 99% of our beef was sourced from regions supporting deforestation-free production. We're proud of that progress, but it's something we have to keep measuring and monitoring each year. The landscape's evolving, there are a lot of different pressures and incentives for producers to make decisions based on what the regulatory and market-demand environments ask of them. And there is always more to learn from our world's farmers and ranchers.

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**So where is the next level of progress coming from—because it's not all fixed yet? What are the opportunities to do more?**

When well-managed, farming can be regenerative and part of climate solutions. Farmers and ranchers are some of our best advocates in helping to protect and promote biodiversity. So it's important to be learning and thinking about both sides. How can we minimize environmental damage? Yes, that's critical. But we also need to be asking: How can food production enhance nature and ecosystems? How can protecting biodiversity go hand in hand with improving the livelihoods of farmers and communities?

We're partnering in a whole host of different projects and production contexts to help add more examples and data into this conversation. We have projects active or in the works in the US looking at different rotational grazing programs, and the soil health, biodiversity and carbon sequestration opportunities that different grazing practices can have in cattle ranching. We also have work under way in France, the UK, Ireland and the US around regenerative agriculture adoption to show how responsible production can be a positive, regenerative force for both the communities and producers.

So, it is important to acknowledge that responsible cattle grazing can be a real enhancer to a landscape, both in biodiversity and carbon sequestration opportunities, as well as resiliency to floods and droughts, the climate events that we're seeing. And it's also key to the viability and success of our rural communities.

**An emphasis of yours has been to help spark sector-wide initiatives; to encourage others to act. But outsiders might look at the work you're doing, see the nature problem getting worse on a global scale, and wonder, "what's the point?"**

No amount of individual action can substitute for the power of collective action. The commitments we make as McDonald's and our partnership network are not the entire global food economy. Nor do we have the ability to affect change alone. These systems are big; they are slow to change. In McDonald's, we have set commitments for our sourcing, our volumes, our brand and partnership approach and, at the same time, we have been deliberate all along to try to influence sector-wide conversations and advancement.

We also look at how we can collaborate on landscape scale initiatives that don't just seek to influence the volumes that we source or the suppliers we source from, but the wider landscape that they and we are involved in. For a few years now we've supported the Jaguar Conservation Fund in Brazil, for

instance. It looks at the environment in some specific areas where we source, and how that can be farmed in a way so that an apex predator like the jaguar—a sign of a healthy ecosystem—can thrive along with cattle production. That, as you can imagine, is a complicated issue for cattle farmers. But it's an example of how we can collaborate with others to affect change beyond our suppliers and on the specific landscapes that we source from.

**Few companies have got going on nature-based solutions as yet and are asking: How do we begin?**

What we can all do is motivate through our supply chains and partnerships to help move the system. All companies should be asking suppliers, “How are you managing climate risks? How are you safeguarding forests and biodiversity? How are you empowering farmers?” That's how to get started: learn more, understand the exposure and opportunities. It is down to the retail and consumer-facing brands at the front of these supply chains to ask those questions and hold themselves accountable.

**What's your response to the suggestion that one solution to make the global food system more sustainable is to make it more local?**

It's easy to talk about one food system when, really, there are many food systems globally. Except for a few geographies in the world, anyone who drinks coffee depends on a global food system and global trade; anybody who enjoys McDonald's fries around the world depends on global production, because there are very specific climatic and geographic ecosystem zones where we can grow certain crops that are consumed the world over.

Other food production systems can certainly be more local in nature. There are a lot of benefits to local food production where that's appropriate—we saw a lot of those benefits at the peak of the pandemic. Food culture is so variable around the world, and people enjoy eating different foods produced in different regions, which is a good thing. So it's important to consider the interconnectivity between the production for individual farmers and ranchers, the management context depending on how big or small their operations are, and then the wider regulatory and trade context in which they operate.

However much we produce and source locally, most people in the world will still always have connections to our “global food systems” realities.

**You've mentioned these issues vary by region, by commodity. That seems at odds with the push**

“Now we also have to look at how can food production support nature, ecosystems and biodiversity.”

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**to simplify and consolidate ESG reporting and frameworks into a single global standard.**

We're a member of the working group for the Science Based Targets initiative's Forest Land & Agriculture project, which is looking at the targets and practicalities of accounting in global supply chains—what can we measure and how can we reduce emissions? And we're collaborating with others through the Taskforce on Nature-related Financial Disclosures Forum to find common ways to assess and address our impacts and dependencies on nature.

This isn't easy. As you say, there are challenges to focusing on one metric at a time. If you only focus on carbon reduction, for instance, you can over-index on a conversation about carbon budgets and lose some of the local context and principles needed for supporting nature-enhancing decisions. With beef production specifically, it's easy to focus on the carbon emissions rather than the regenerative, biodiversity- and soil-health enhancing aspects of responsible cattle grazing and adaptive management.

We have to find ways to weave in regionalized, commodity-specific approaches. Some of the considerations around responsible beef production, for instance, are going to look different in Ireland than they do in Australia or Brazil or the US. At minimum, it would be great if we can work toward more explicit acknowledgment that nature and food are key parts of our global climate agenda. It's important, as we look at metrics and frameworks, to talk to companies and brands about how they're actually managing this in practice and driving action at scale. Because any single framework, methodology or metric isn't going to be enough.

**With the extent of forest being lost, the numbers of species facing extinction, the outlook is deeply alarming. Are you at all hopeful?**

It's very alarming. Just pick up the latest issue of *Nature* or *Science* and you'll find plenty that's deeply worrying. I recognize the challenge that we have; I've been in this line of work for a long time. We could get bogged down discussing the challenges forever. But we have to put our energy toward driving action. We have to ask: “How can we take responsibility collectively as a private sector, as individual companies, as individuals, for the ecosystems that we depend on and communities that depend on those ecosystems?”

I'm encouraged by the energy around the conversation right now. We have the world's attention. I try to be hopeful and optimistic because I feel we have to; we don't have a choice. We've got to work together to change the status quo, and we can. ♦