



McDonald's Switzerland

Position Statement on Due Diligence and Transparency regarding Child Labor in Supply Chains

Our Policies, Position and Alignment with International Frameworks

At McDonald's Corporation ("McDonald's"), we take our responsibility to respect and promote human rights seriously. We act with due diligence to avoid infringing on the human rights of others and address any impacts on human rights if they occur. McDonald's Corporation is committed to respecting human rights as set out in the Universal Declaration of Human Rights. Our [Human Rights Policy](#) ("Policy") is also guided by the United Nations Guiding Principles on Business and Human Rights (UNGPs), the International Bill of Human Rights, and the principles set out in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

Introduction

This Position Statement relates to the Swiss Due diligence and Reporting Obligations covering Child Labor and the Swiss Ordinance on Due Diligence and Transparency in relation to Child Labor¹. It outlines the approach McDonald's takes to prevent child labor in our business and supply chains associated with McDonald's Switzerland², a wholly owned subsidiary of McDonald's Corporation.

McDonald's Switzerland ("McDonald's Switzerland," "Company," or "we") is publishing its first position statement, for the business year 2023. We continue to build our knowledge of the risks of child labor and the areas of our business that could face some of these challenges. We work across our business and supply chain to put practices in place to help prevent and respond to any potential child labor (or modern slavery) related risks. Child labor is unacceptable within our business and supply chains. We believe that we have a responsibility to respect the rights of people who work for the Company, and to do business with franchisees, suppliers, and other businesses that respect the human rights of their employees. We recognize there is no single solution to human rights issues, which is why we believe it is critical that we engage with all stakeholders to build awareness and understanding.

Our positions and requirements on child labor, forced labor, compulsory labor and human trafficking are rooted in our [Human Rights Policy](#), [McDonald's Supplier Code of Conduct](#) and [Supplier Workplace Accountability \(SWA\) Program](#). These, in turn, reflect a framework that targets, among other goals, the elimination of forced, compulsory, and child labor. We adhere to the relevant ILO Conventions on the minimum age and worst forms of child labor (C138 and C182) and align our due diligence process with the United Nations Guiding Principles (UNGPs) on Business and Human Rights.

¹ Art. 964j-k of the Swiss Code of Obligations (CO) and the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor (DDTrO). The regulation requires companies to carry out due diligence on products or services where there is reasonable suspicion of child labor.

² McDonald's Switzerland includes the following group of companies: McDonald's Suisse Holding Sàrl, McDonald's Suisse Restaurants Sàrl, McDonald's Suisse Franchise Sàrl, and McDonald's Suisse Development Sàrl.

We do not practice or tolerate any form of child exploitation, and we do not provide employment to children before they have completed their compulsory education, and in any event, not before they reach the minimum working age according to national legislation (the age of 15). This applies to employment within Switzerland, and we expect the same from partners and suppliers with whom we work.

We are aware that the risk of child labor and forced labor remains a concern in global supply chains. As a restaurant business with strong links to agricultural and other supply chains through our sourcing activities, promoting respect for human rights and addressing child labor and forced labor risks is a particular focus for us.

Human Rights

In 2018, McDonald's published a global Human Rights Policy, which reinforces McDonald's commitment to respect and promote human rights. This Policy applies to McDonald's Corporation and its majority-owned subsidiaries around the world, including McDonald's Switzerland.

A commitment to respect human rights is also set out in McDonald's Standards of Business Conduct – Company employees are trained on the standards and are required to certify their understanding of and commitment to upholding them.

We continue to work with external stakeholders to actively review our approach to and global policies for protecting human rights, to give greater transparency and clarity on our commitments and ensure they remain aligned with internationally recognized standards.

Our Structure, Operations, and Supply Chain

Our structure and operations

McDonald's Switzerland is an unlisted Swiss public company³, and together with McDonald's Corporation we work across all three elements of our business – the Company, the franchisees, and our supplier partners – to have a positive impact for our communities, the environment, and our people. This same commitment underpins our approach to child labor and human rights.

At the heart of McDonald's Switzerland's business is a franchise model. With more than 90% of McDonald's restaurants in Switzerland are owned and operated by franchisees, local businessmen and women who are passionate about running a business which invests in local communities and local people. The remaining restaurants are owned and operated by the McDonald's Switzerland company, which is equally committed to the local communities we operate in.

Other parts of McDonald's Switzerland's business operations include construction, ownership and leasing of land, marketing, IT, and logistics.

³ Limited Liability Company, e.g., LCC, GmbH, Sàrl.

In 1976, McDonald's Switzerland opened its first restaurant in Geneva. Today there are 180 McDonald's restaurants nationwide Switzerland, collectively employing across restaurants and management offices more than 8,600 people of all ages and backgrounds.

McDonald's in Numbers



Our Supply Chains

McDonald's has a complex global supply chain with thousands of direct suppliers employing thousands of people in more than 100 countries. The success of the McDonald's System lies, in part, in our strong relationships with suppliers, all of which must meet our expectations of fundamental rights for all people.

In keeping with our commitment to ethical practices, human rights are a priority for McDonald's Switzerland. Through our approach to continuous improvement, we work with our food and farming partners to understand changes in the industry and ensure that our initiatives make a real difference, not only to the farmers that supply our menu, but the wider industry too.

Here in Switzerland, we are particularly committed to supporting Swiss producers and manufacturers: our preference is always to source products from within Switzerland whenever it is viable and appropriate to do so. We are very proud of the reputation we have earned as a key supporter of Swiss agriculture.

Assessing and Mitigating Risks in Our Supply Chain

Supplier Code of Conduct & Supplier Workplace Accountability (SWA) Program

The Supplier Code of Conduct ("Code") applies to all of McDonald's Switzerland's suppliers, both local and global. At a minimum, we require all suppliers and their facilities to meet the standards and promote the principles outlined in our Code. McDonald's also expects suppliers to hold their own supply chains (including subcontractors, agencies, etc.) to the same standards as outlined in our Code, and to create internal mechanisms and programs for handling reports of workplace grievances, including anonymous reporting. McDonald's provides a Supplier Workplace Standards and Guidance Document (SWSGD) to assist suppliers in meeting the standards.

McDonald's Supplier Code of Conduct includes standards on human rights, workplace environment, business integrity, and environmental management. For example, our Code contains standards that address:

- Non-discrimination
- Maximum working hours
- Underage labor, e.g., child labor⁴
- Freedom of association and the right to collective bargaining
- Corporal punishment/disciplinary practices
- Safe working conditions
- Forced labor

Fundamental to the Code is the expectation of ethical employment practices by suppliers and their supply chain, including subcontractors and third-party labor agencies. The code prohibits any form of slave, forced, bonded, indentured, or involuntary prison labor.

⁴ McDonald's Supplier Code of Conduct, Human Rights section, Underage Labor heading: *Suppliers shall ensure that no underage labor has been used in the production or distribution of their goods or services. A child is any person under the minimum employment age according to the laws of facility's country, or, in the absence of law, under the minimum age for completing required education. Suppliers shall not employ anyone younger than 14, regardless of the country's minimum working age.*

The Supplier Code of Conduct is the cornerstone of the global Supplier Workplace Accountability (SWA) Program which aims to help suppliers understand McDonald's expectations, verify compliance with our expectations and work toward continuous improvement. According to our most recent SWA Global Compliance report, we have more than 5,000 facilities globally in the SWA Program.

Whilst not all of these suppliers provide products or services for McDonald's Switzerland, as part of a global business and supply chain we expect the same high standards to be applied across all markets within the McDonald's System worldwide. The program audits many different types of facilities and products, such as food, packaging, uniforms, and Happy Meal toys.

For 2023, McDonald's Switzerland has purchased supplies from 132 suppliers through our logistics partner.

During onboarding, prospective suppliers must complete a verification process to show they meet our expectations and share our values. This includes completion of a rigorous annual self-assessment questionnaire to appraise their current systems and practices, which produces a report indicating areas for improvement.

The SWA Program also provides suppliers and the McDonald's Global Supply Chain team with optional training to better understand human rights issues and SWA Program requirements. Built on a model of continuous learning, our online training platform allows suppliers to access tools and resources that provide guidance on human rights issues.

Our global training modules focus on topics covered under the Supplier Code of Conduct, including Health and Safety, Involuntary Labor (including recruitment and fee reimbursement) and Underage Labor. To build capacity of suppliers across our industry, we also supplement our training modules with additional supplier trainings that we co-sponsor as members of AIM-Progress, a business initiative focused on responsible sourcing.

The SWA Program engages several social compliance auditing firms around the world that meet industry accreditation norms to conduct on-site audits of facilities, worker housing and cafeterias. These audits investigate such concerns as recruitment fees, discrimination, wrongful confiscation of personal documents, and other human rights considerations that McDonald's seeks to eliminate from its supply chain. Further, they scrutinize supplier compliance with each aspect of the Code, such as verifying that all workers are of legal age to work. If an underage person is hired, for example, suppliers must support remedial solutions that serves the child's best interests.

Modern slavery risks, including child labor, are addressed specifically as part of the audit, including a review of ethical recruitment practices to verify that workers are employed under voluntary conditions and have freedom of movement. This includes verification that: workers are not charged illegal fees as a condition of employment; worker contracts are in local language and signed by the worker; and suppliers do not retain workers' government-issued identification, passports, or work permits.

Understanding and Managing Risks – Strongly Anchored in the SWA Program

Since the SWA Program was launched 18 years ago, McDonald's Corporation has provided optional training and engaged with thousands of suppliers and facilities. Over time, suppliers have taken on increased ownership of compliance processes. Where a non-compliance is identified, suppliers work with a third-party audit firm to complete a corrective and preventive action plan to address the non-compliance. The plan must provide specific timeframes within which corrective action will be taken, root causes analyzed, and policies and procedures updated. In addition, the plan must be designed to avoid recurrence of non-compliance and establish specific accountability. In instances of significant non-compliance, suppliers are subject to a follow-up audit to ensure that the non-compliance has been properly addressed.

The SWA Program is designed to support suppliers in meeting our standards. However, there are circumstances under which we would remove a supplier from the supply chain to address instances of significant non-compliance with the Supplier Code of Conduct.

In addition to training, auditing, and other aspects of the SWA Program, we require that suppliers provide their own internal reporting mechanisms to ensure their employees have a confidential, safe, and timely way to report workplace concerns without the fear of retaliation. Our Supplier Code of Conduct stipulates that suppliers must create internal grievance mechanisms and programs for handling reports of workplace grievances, including anonymous reports⁵.

McDonald's Switzerland ensures it only works with partners who share the same values of business and social workplace accountability and comply with child labor regulation. We have chosen a risk-adapted and business-oriented approach for the first review of child labor due diligence in our supply chain, with a focus on food and paper supplies, including purchasing volume. In this category, we work with carefully selected and long-standing producers, mostly from Switzerland (up to 88%) or European countries. Based on our assessment (of the country of origin)⁶, we believe that the risk of child labor for these direct suppliers (Tier 1) is very low, and verification assures that deviations would be detected and corrected.

However, according to the "due diligence response" ratings given by UNICEF in its Children's Rights in the Workplace Index, there is a higher child labor risk in many Asian, Middle Eastern, African, and South American countries, where some McDonald's and/or McDonald's Switzerland suppliers operate. Global suppliers like those who supply Happy Meal toys, Add-Ons, uniforms, or packaging must therefore undergo the standard SWA Program and are audited for child labor risks to rule out reasonable suspicion of child labor, as noted previously.

Through our risk analysis, we recognize the potential for child labor among indirect suppliers further upstream (beyond Tier 1) to exist at source level in our raw materials. Commodities such as palm oil, fish, and coffee are therefore priority products where we assess with our suppliers compliance with child labor regulations. Assessments of the products at risk have been carried out with the respective suppliers in order to provide visibility on these products. Yearly monitoring is in place to analyze the situation, address

⁵ McDonald's Supplier Code of Conduct, Business Integrity section, Grievance Mechanism heading: *Suppliers shall create internal programs for handling reports of workplace grievances, including anonymous reports.*

⁶ The assessment has been conducted based on the UNICEF Children's Rights in the Workplace Index score dated June 2023. The Index measures the extent to which countries have eliminated child labor and provide decent work for young workers, parents, and caregivers.

potential non-compliance and implement any respective action. Ultimately, the goal is to adapt these sourcing streams to ensure compliance with our policies.

Grievance Mechanisms

McDonald's primary grievance mechanism is an anonymous global channel, the Business Integrity Line – staffed by a live operator from an independent company, 24 hours a day, 365 days a year. Anyone, including Company employees, can raise concerns via the Business Integrity Line. Regardless of who uses the Business Integrity Line to raise a complaint, all complaints received are reviewed by our Global Compliance team and complainants are protected from discrimination or retaliation by our Standards of Business Conduct and Global Statement of Principles Against Discrimination, Harassment, and Retaliation.

The Business Integrity Line is complemented by additional grievance channels across our markets, and we encourage honest communication with managers and human resources representatives. Each of our International Operated Markets (IOMs) has human resources staff that are responsible for handling concerns in an appropriate and timely manner. This process may include investigating complaints, interviewing witnesses, reviewing documentation, and determining next steps.

For 2023, we are not aware of any complaints about child labor in our operations or supply chain related to McDonald's Switzerland.

Looking Forward

We know that there is no single solution to the challenges of child and forced labor, and we must therefore continue to learn and understand the associated risks and warning signs. By working across all parts of our business and supply chain, we can continue to build our knowledge of these issues and take steps to improve our collective awareness.

For more information on McDonald's Switzerland ESG initiatives (Environmental Social Governance) we encourage you to consult the latest [Integrated Report on Economic and ESG Performance](#), where you can find information on various interventions to improve the lives of communities where we source and operate.

This statement has been prepared in accordance with the Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor, for the year 2023

McDonald's Switzerland, June 30, 2024.