



# **Food Folk Norway**

## **Norwegian Transparency Act**

### **Due Diligence Report**

2022

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If you have any questions regarding our work related to human rights and decent working conditions in our supply chain, or regarding a specific product or service, you are welcome to send us an e-mail at [kristina.johansen@no.mcd.com](mailto:kristina.johansen@no.mcd.com). We will revert to you as soon as possible and within the mandatory timeline from receiving the query.



## Executive summary

The Norwegian Transparency Act is intended to promote companies' respect for human rights and decent working conditions, as well as ensuring the public's access to information. It requires larger businesses domiciled in Norway, in addition to larger foreign businesses offering goods and services in Norway, to conduct human rights due diligence assessments in line with the OECD's guidelines for multinational companies. This means identifying, preventing, accounting for, and following up on how the business manages actual and potential negative human rights consequences of its business. Companies must investigate both their own operations, their supply chain, and business relations, to reveal salient<sup>1</sup> risks to human rights.

### Commitment to human rights and social sustainability

McDonald's has emphasized corporate social responsibility in its operations for many years, and its commitment to respecting human rights is deeply embedded in the governance structure. Our governance structure is inspired by internationally renowned human rights standards such as the UN Guiding Principles on Business and Human Rights, ILO Core Conventions and OECD's guidelines for Multinational Enterprises. This commitment is equally upheld by the Food Folk Group, which has managed the McDonald's brand in the Nordics since 2017. Hence, we welcome the Norwegian Transparency Act.

In line with the agreement and associated commitments entered into with McDonald's in 2017, Food Folk Norway has implemented multiple policies, procedures, and systems to uphold human rights and cultivate respectful workplaces. These are regularly reviewed and updated when necessary. They set clear obligations and guidelines on responsible business conduct for the whole value chain, including employees, suppliers, and business partners.

### Our employees

All employees, including franchises and corporate staff, must adhere to our Code of Business Conduct, which is in line with the McDonald's Standards for Business Conduct. It is read and signed annually within our digital e-learning system.

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<sup>1</sup> A company's salient human rights issues are those human rights that stand out because they are at risk of the most severe negative impact through the company's activities or business relationships.

Routines and systems have been set up to identify possible deviations from the McDonald's Code of Conduct compliance standards. Several reporting channels and a whistleblowing system have been implemented for employees to raise human rights issues and report potential or actual violations or other grievances. Subsequent remediation will follow thereafter.

## Our supply chain

To prevent and mitigate the potential salient human rights risks related to our supply chain, Food Folk Norway has a comprehensive on-boarding process for all new suppliers. All Food and packaging suppliers and their facilities are required to adhere to McDonald's Global Supplier Code of Conduct and several other standards, accountability programs, and regular audits. Non-compliance is tracked, and suitable follow-up measures to cease non-compliance or mitigate adverse impacts are identified and implemented when needed. In addition, McDonald's works with a diverse, global network of suppliers, and nongovernmental organizations to enhance our knowledge of human rights issues and identify opportunities where we can drive industry-wide progress.

In 2022, our robust supplier review system identified five cases as not in compliance with McDonald's Supplier Code of Conduct. For every issue identified, Corrective and Preventative Action Plans (CAPA) were developed in close dialogue with the relevant supplier. Thus, incidents of non-compliance are addressed and corrected. In all instances, Food Folk Norway has not directly caused or contributed to these issues but is linked to them through the business partner relationship. However, in line with our expectation that our suppliers conduct their business activities in a manner that respects human rights throughout our value chain, we use our leverage to mitigate and correct any impacts.

## Our commodities and salient human rights risks

The Norwegian Transparency Act calls for a risk-based approach and application of proportionality principles, prioritizing the order in which to address risks, based on their severity and likelihood. In 2022, Food Folk Norway engaged an external provider to conduct human rights due diligence assessment with a focus on our supply chain in Norway.

Furthermore, in 2018, McDonald's global engaged an external provider to conduct a Human Rights Impact Assessment at farm level to identify the commodities that present the greatest risk of exposure to human rights concerns. In addition to the assessment, a stakeholder consultation was conducted with key nongovernmental organizations (NGOs) to deepen insight into the risks associated with the production of these commodities, as well as how the risks can best be mitigated.

To mitigate human rights risks related to our highest risk commodities, McDonald's has established a combination of human rights management approaches, including sustainable sourcing strategies and policies for specific commodities, education of supply chain staff who procure products for the McDonald's system, and internationally recognized third-party certification schemes that respect human rights and communities alongside environmental standards. Certifications allow us to expand traceability and scrutiny and engage in related cross-industry initiatives.

## Responsible conduct is at the heart of our business.

The Norwegian Transparency Act entered into force on 1<sup>st</sup> July 2022 and represents an important step towards reinforcing the human rights obligations of corporations.

Anchored in international frameworks such as the UN Guiding Principles on Business and Human Rights (UNGPR) and the OECD Guidelines for multinational enterprises, the Act requires companies to assess both actual and potential impacts their operations, supply chains and business relations have on human rights.

As the leading global foodservice retailer, McDonald's is committed to fostering an environment where everyone feels supported, has equitable access to opportunity and feels empowered to realize their full potential through differentiated development opportunities and benefits. Corporate social responsibility is integrated into the heart of our business. We therefore welcome the Norwegian Transparency Act and share its ambition to protect fundamental human rights.

At the core of our business, we have a strong focus on long-term sustainability. We believe we have a responsibility, and we have a desire to uphold human rights and cultivate safe and respectful workplaces throughout our own operations and in our supply chain. Achieving our sustainability objectives is a process of continuous improvements in which we monitor our progress, evaluate and adjust existing practices, and establish new targets and initiatives to ensure our approaches and systems are effective and consistent, and up to date with regulations and best practice.

An important aspect of the Norwegian Transparency Act is the requirement to publicly account for due diligence. This document is Food Folk's first annual account of the due diligence performed as part of our commitment to upholding human rights and decent working conditions as referenced in our policies found under the McDonalds Global corporate website.

Ann Helen Våge

Managing Director

## General description of Food Folk Norway

### Food Folk Norway

McDonald's operations in the Nordics are managed by the Food Folk Group under a 20-year development license established in 2017. Food Folk Norway manages the McDonald's brand in the Norwegian market with 79 restaurants, 17 of which are wholly owned restaurants, and 62 are franchised restaurants.

Food Folk Norway's business operations are comprised of core components that enable us to operate successfully: local business strategy, procurement, franchising, marketing, people development and restaurant operations involving the daily management of restaurants. Some of our business operations follow requirements and procedures that have been set globally by McDonald's, while other business operations are managed locally.

The Food Folk system, which includes both restaurants operated by the group and restaurants operated by franchisees, had a total net sale of NOK 3,162 thousand in 2022, of which the sales in franchisee restaurants were NOK 2,278 thousand.



McDonald's in Norway had 79 restaurants by the end of 2022



# Embedding human rights and decent working conditions

## Our commitment

Food Folk Norway believes we have a responsibility to uphold human rights and decent working conditions. We are thus focused on ensuring that our business processes are aligned with our commitment to respect all human rights as set out in the Universal Declaration of Human Rights. As a result, Food Folk Norway has implemented policies to provide clear guidelines to employees, suppliers, and business partners on business conduct.

The following key policies and procedures guide our work:

- McDonald's Human Rights Policy.
- Global Statement of Principles Against Discriminations, Harassment and Retaliations.
- Global Statement of Principles on Workplace Violence Prevention
- Responsible and Ethical Recruitment Principles.
- Global Brand Standards.
- McDonald's Standards of Business Conduct.
- Safe & respectful Workplaces
- The Food Folk Group Code of Conduct.
- McDonald's Supplier Code of Conduct.
- McDonald's Supplier Workplace Accountability Program (SWA).
- McDonald's Supplier Workplace Standards and Guidance Document (SWSGD)
- McDonald's procedures for assessing and onboarding new suppliers.
- McDonald's Commitment on Forests addresses deforestation and the land rights of affected communities

Explanations of these policies can be found at our McDonald's Global corporate website: [Human Rights \(mcdonalds.com\)](https://www.mcdonalds.com)

At Food Folk Norway, we strive to follow best practices, and regularly review our internal documents and implement necessary updates. In this way, we can continue to improve outcomes by considering and managing possible new factors and identifying ongoing opportunities for improvement.

Food Folk Norway is committed to respecting human rights wherever we do business, in all our restaurants and operations, and throughout our supply chain. Our commitment is reflected in our

processes such as general strategy, operational guidelines, procurement processes, and supplier management.

Food Folk Norway's entire value chain is required to follow the same ethical guidelines and procedures described in our commitment.

## Governance

Human rights and decent working conditions are embedded into our governance practices. McDonald's has implemented KPI's, a system for reporting human rights issues, and a system for documentation and remediation. To ensure our governance structures are well embedded in our organization, Food Folk Norway conducted a review and updated our existing governance structures in 2022, further embedding a clear reporting process to senior management and to the board.

In 2018, McDonald's Global introduced a Human Rights Policy emphasizing the commitment to responsible business conduct. The policy is guided by the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the principles set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Food Folk Norway and all McDonald's restaurants in Norway adhere to this Policy.

In 2023, Food Folk Group Holdings hired a Nordic lead for social impact who has responsibility for the ongoing review of our human rights policies in the Nordics, reporting to our Chief Sustainability Officer, ensuring we the right focus on human rights within our business.

## Our employees

### Internal awareness building and training

Food Folk Norway prioritize actions that fully embed responsible business conduct in the company's operations. We manage and run our business in an ethical and reliable manner, and cultivate respectful workplaces built on dignity, diversity, inclusion, and respect.

The commitment is clearly communicated to all employees and all employees must sign the Food Folk Code of Conduct, which from 2023 will include a clear reference to the McDonald's Human Rights Policy. Food Folk ensures awareness of the commitment through our standardized training programs.

All restaurant leaders in our restaurants, including franchisees, and corporate offices, must adhere to our Code of Business Conduct. The Code of Conduct includes ethical and legal responsibilities, in addition to guidance and support for risk-based scenarios our employees might encounter, the document also refers to our Food Folk Anti Bribery and Corruption Policy which all employees are required to read and adhere to. All our restaurants and franchises are committed to following our internal guidelines and procedures, covering human rights and decent working conditions presented in our key policies.

### Grievances mechanisms for employees

Food Folk Norway has established several reporting channels where employees can effectively raise human rights issues and report potential or actual human rights violations or other grievances. The reporting system, Food Folk Integrity Line, is made available and known to all our employees. It includes guidelines for how to report confirmed or suspected events of fraud and misconduct.

Food Folk encourages open and honest communication among our employees and our business partners. All our employees are required to complete the "safe, respectful and inclusive workplace"-training within 90 days from the date of hire. Completion is tracked through our e-learning system *McLearning*.

All employees with knowledge of suspected violations of the Food Folk Code of Conduct or any breaches of the law are encouraged to report such incidents. We encourage employees to report such suspicions in accordance with Food Folk's standard reporting procedures. Our reporting system, Integrity Line, is supported by a Speak-Up policy that includes guidelines describing the methods for how reports of

confirmed or suspected incidents of fraud and misconduct should be handled. The policy applies to all employees of the Food Folk Group and business partners.

# Our supply chain

## General information about our supply chain

Our aim is to deliver responsible sourcing programs that drive lasting, meaningful outcomes on critical issues for people, animals, the environment and our business. Food and Packaging Suppliers are an integral part of our systems. One of the strengths of our supply chain is our shared commitment with our suppliers, to the Code of Conduct, and our alignment on what we expect from suppliers under the Code. We believe in working together with suppliers who share the same approach to our business, corporate values, and operating principles.

Food Folk Norway is part of a complex supply chain for Food and Packaging which today consists of 130 suppliers. All of our largest food and beverage suppliers by volume are Norwegian. Additional smaller food and beverage suppliers are European. Our packaging suppliers are predominantly European.

## McDonald's supplier workplace accountability program

McDonald's Supplier Workplace Accountability (SWA) Program plays a central role in ensuring fair and ethical workplace standards through engagement, training, and third-party verification. McDonald's uses a risk-based approach to determine where to conduct on-site SWA audits. All suppliers to Food Folk Norway are subject to McDonald's SWA program.

Food Folk Norway has a comprehensive onboarding process for all new suppliers during which we determine the level of monitoring required in SWA. The supplier receives an introduction to the program and the engagement process. All facilities are required to acknowledge the Supplier Code of Conduct, complete a self-assessment questionnaire (SAQ) and complete an onsite SWA audit. The self-assessment questionnaire must be completed annually for all registered and approved suppliers. e.g., Human Rights; Business Integrity; Workplace Environment; Environmental Management, and Management Systems/Grievance Mechanisms. The questionnaire is intended to help facilities assess their own risks and better understand our expectations and the requirements as listed in the McDonald's Supplier Code of Conduct. Suppliers are encouraged to respond truthfully and completely to the questionnaire to establish a baseline of sustainability practices and management systems, from which future performance improvements and impacts can be tracked and assessed. If any issues are identified as part of the SAQ process, a Corrective and Preventative Action Plan (CAPA) is established.

## Supplier management system

The success of the McDonald's System lies in our trusted relationships with suppliers. All suppliers must, regardless of the cultural, social and economic context, commit to upholding the standards contained in our McDonald's Supplier Code of Conduct. This includes meeting our human rights, workplace environment, business integrity and environmental management standards. Food Folk Norway also expects suppliers to implement their own management systems in these areas.

McDonald's Supplier Workplace Standards and Guidance Document (SWSGD) is shared with all food and packaging suppliers and provides detailed guidance on each aspect of the Code of Conduct and how suppliers and their supply chains must meet our expectations. In 2021, McDonald's updated the SWSGD and hosted training sessions with suppliers on the updated standards.

Suppliers must establish a management system to ensure compliance with all applicable laws and regulations, and with standards and requirements under the McDonald's Supplier Code of Conduct. The key elements of the required management system must include clear and updated policies with a designated person in senior management accountable for achieving the policy commitment, and procedures with instructions on how to implement the policy. All policies and procedures are to be communicated clearly to all staff. Subsequently, verifications must be made, such as a test or demonstration of procedures during audits, to ensure understanding and correct implementation.

## Supplier grievance mechanism

Food Folk Norway aims to ensure that all workers in the supply chain have access to effective complaints and grievance channels. As part of McDonald's Supplier Code of Conduct, we require suppliers to establish proper channels and programs for handling reports of workplace grievances. We also require our suppliers to hold their own suppliers to the same standards as outlined in our Code of Conduct, and to create internal mechanisms and programs for handling reports of workplace grievances, including anonymous reporting.

# Human rights due diligence process according to the Norwegian Transparency Act

The Norwegian Transparency Act requires all businesses covered by the Act to carry out due diligence assessments in relation to the activities that are directly related to the company's own business performance. In addition to this, companies must also assess the risk of violations of human rights in the operations of their subcontractors and business partners.

## Methodology

The Transparency Act requires enterprises to establish systematic work processes to secure human rights and decent working conditions. It requires mapping and assessing actual and potential adverse impacts on basic human rights linked to our business operations, supply chain, and relationships. Regarding due diligence, the act calls for a risk-based approach and application of proportionality principles.

## Risk-based approach and scoping

McDonald's has a global and complex value chain; therefore, we have established a specific process related to supply chain, in which we undertake in-depth materiality assessments of both potential and active suppliers to identify actual and potential impacts, in addition to carrying out inspections at production sites. We gather and analyze information from various sources in a management system and perform risk assessments based on external reports, self-assessment questionnaires, audits, action plans for improvements, and stakeholder engagements.

On-site audits, or a social compliance audit, is a physical inspection of the supplier and its facility. The audit also includes private interviews with workers and reviews of facility records and business practices. The audit sampling protocol for worker interviews and record reviews includes production or non-production workers (may include kitchen, housekeeping, security guards, etc.) who are directly or indirectly employed by the facility, all in-house subcontractors, and all labor agency employees working within the facility. These inspections are performed by a third party and assess the working conditions based on McDonald's ethical criteria outlined in McDonald's Supplier Code of Conduct, and McDonald's Supplier Workplace Standards and Guidance Document. Onsite audits are conducted at a minimum of

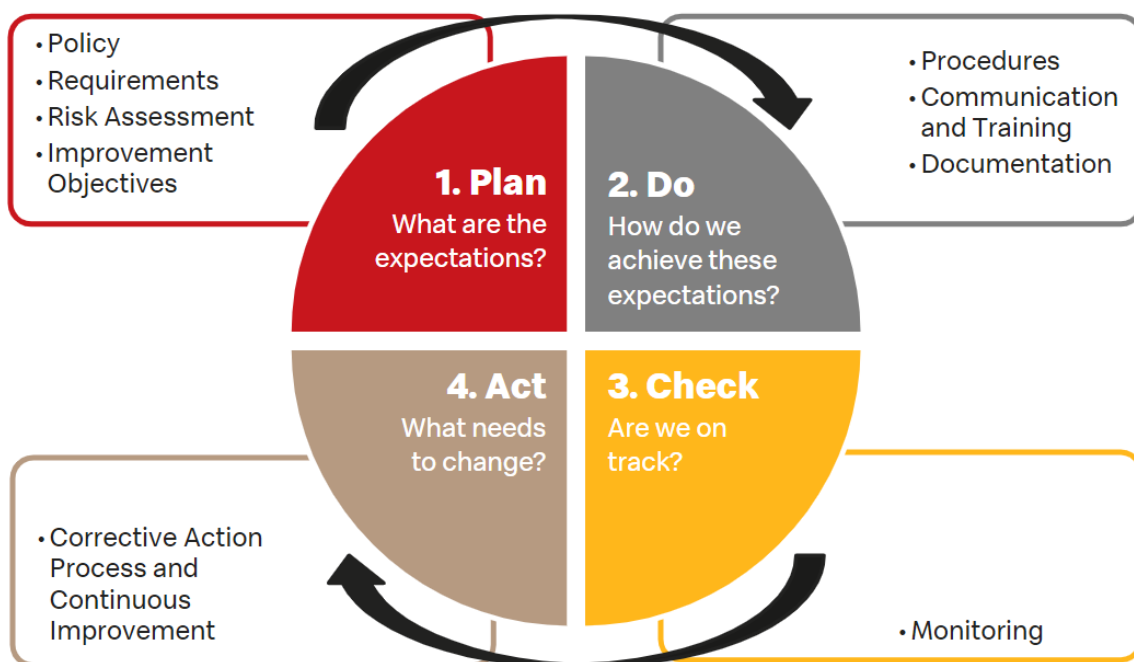
once every three years for all suppliers.

## Risk prioritization

Our risk-based approach prioritizes the order in which to address impacts, based on their severity and likelihood. McDonald's global has performed a prioritization of potential impacts based on our assessments and have identified actions to undertake in order to reduce potential human rights impacts identified. Food Folk Norway follow these requirements and regularly revises the prioritization of adverse impacts, as the context of our operations and external factors may shift, for example due to evolving geopolitical situations. Risks are consequently categorized and addressed according to severity.

## Plan-do-check-act management system model

McDonald's global, and by that Food Folk Norway, uses the Plan-Do-Check-Act Management System Model to enhance or internal and external processes for suppliers. It provides a simple and effective approach for implementing improvements.





The PDCA model leads companies, including suppliers, facilities, subcontractors, and agencies, through the process of

- Building a foundation of organizational commitments and objectives to avoid or manage certain risks (Plan).
- Establishing a structure of procedures and risk controls to meet these objectives (Do).
- Continually improving operations by monitoring (Check).
- Adjusting to close gaps that would allow issues to arise or recur (Act).

### Internal monitoring

Our internal monitoring procedure facilitated the identification of the salient risks described in the following chapter. We monitor our internal commitments, activities, and goals on due diligence by carrying out periodical business reviews to see how we fulfill our company requirements. The review covers several business areas, including our supply chain. The review is carried out at a Nordic level, but any deviations are handled nationally. We monitor and report on performance internally by communicating results at relevant levels, and carry out periodic assessments of business relationships, to verify that the risk mitigation measures are being pursued and to validate that the adverse impacts have been prevented or mitigated. This procedure can be further exemplified by how we handle commodity risks.

## Commodities and salient human rights risks

### Human rights impact and risk assessments

To uphold our high standards for respecting human rights, we need to better understand the human rights risk associated with the various commodities we source. In 2018, McDonald's engaged an external provider to conduct a Human Rights Impact Assessment (HRIA) at the farm level.

A key component of human rights due diligence is meaningful engagement with stakeholders. In addition to the farm-level commodity assessment, the HRIA, included a stakeholder consultation with key nongovernmental organizations (NGOs) to understand how industry experts view the human rights risks associated with the production of these commodities, as well as their observations on how the risks can best be mitigated.

Salient human rights risks were shown to be present in some of our commodities.

### Commodity risks

The assessment revealed that the greatest risk of exposure to human rights concerns stems from commodities, with occupational health and safety, migrant workers, and decent working time as the most salient risks. In this regard, Food Folk Norway sources certified commodities were feasible. To learn more about the certifications used for our individual high-priority commodities, please see our [Responsible Sourcing \(mcdonalds.com\)](https://www.mcdonalds.com/responsible-sourcing).

### Actual adverse impacts

Suppliers for onsite auditing in 2022 were selected on the basis of a thorough assessment and documentation review. These social audits were made in addition to the self-assessment questionnaire, dialogue meetings, and documentation reviews already in place. Thus, our third party auditing partner conducted onsite auditing for 25% of the active supplier base.

The following issues were identified as not in compliance with Food Folk Norway's Supplier Code of Conduct:

RELEVANT TOPIC <i>Relevant topic highlighted in the Code of Conduct</i>	DESCRIPTION OF ISSUE <i>Description of non-compliance according to Food Folk Code of Conduct</i>	PRODUCTION COUNTRY
Occupational Health and Safety	Safety hazards identified at production facility	Norway
Occupational Health and Safety	Safety hazards identified at production facility	Denmark
Occupational Health and Safety	Blocked emergency exit	Germany
Employment	Lack of recruitment documentation	United Kingdom
Employment	Employee training not in line with requirements	United Kingdom

Food Folk Norway are not causing or contributing to these issues but are being linked to them through our business partners, and we are therefore using our leverage to mitigate the impacts. For every issue identified, a corrective and preventive action plan has been developed in close dialogue with the supplier. The five incidences of non-compliances have been addressed and corrected, as explained in the next section.

## Sustainability initiatives and stakeholder engagement

McDonald's is committed to engaging with relevant internal and external stakeholders to continue to advance our approach to human rights. To help drive progress McDonald's and Food Folk Norway engage with the Business for Social Responsibility's Human Rights Working Group (HRWG), which supports businesses with the implementation of the UN Guiding Principles on Business and Human Rights in a shared-learning forum of more than 40 companies. To ensure our supplier program addresses emerging human rights issues and risks, McDonald's also participates in initiatives such as AIM-PROGRESS, a business initiative focused on responsible sourcing.

The SWA program is complemented by additional mechanisms to enable partnerships and collaboration on a risk-based approach toward high-risk sourcing regions or commodities. This includes sourcing our largest food and packaging volumes through internationally recognized third-party certification schemes that respect human rights and communities, alongside environmental standards in their certification process. McDonald's Global has strict sustainable sourcing policies in place that specify requirements to source via established schemes, such as the Roundtable on Sustainable Palm Oil (RSPO), Rainforest Alliance, Fairtrade International, Forest Stewardship Council® (FSC®), and the Program for the Endorsement of Forest Certification (PEFC).

McDonald's established the McCafé Sustainability Improvement Platform SIP in partnership with Conservation International and our coffee roasters. Through the platform, McDonald's engages and guides our coffee supply chain and invests in coffee growers, their communities, and long-term sustainable practices. All coffee used in McDonald's Norway comes from Rain Forrest Alliance-certified sources.

Again, to learn more about the certifications used for our individual high-priority commodities, please see our [Responsible Sourcing \(mcdonalds.com\)](https://mcdonalds.com/responsible-sourcing).

## Conclusion

Our commitment is set out in our Human Rights Policy, which is guided by the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights and the principles set out in the International Labour Organizations Declaration on Fundamental Principles and Rights at Work.

Food Folk Norway takes seriously the responsibility to respect human rights throughout our value chain, and we are committed to creating transparent and trusted supply chains. Using our scale and influence, we approach responsible sourcing holistically, considering our impact on the planet, the livelihoods of the people who produce our food, the communities in which they live, and the well-being of the animals we rely on. This is an ongoing management process in which we work to identify and understand the human rights issues most salient to our business. We work to maintain relevant policies and practices, and we aim to build long-term relationships with our suppliers and work closely together to uphold the highest standards around human rights.

Food Folk Norway recognizes that risks may change over time and it's crucial that we continue to engage with our stakeholders and that we continue to focus on salient human rights issues in our supply chain.

While this report is focused on supply chain management, in 2023 Food Folk Norway will extend our human rights due diligence process and report to all relevant aspects of our business activities.

Ann Helen Våge

Managing Director

26.06.2023