## 2019 Social Impact and Sustainable Development Report

### LATIN AMERICA AND THE CARIBBEAN



### **Arcos Dorados**



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## EXECUTIVE CHAIRMAN

We are proud to present our new Social Impact and Sustainable Development Report for Latin America and the Caribbean 2019, a document which sets out our commitments to the environment and the communities in which we operate.

Sustainability is in our DNA. This is reflected in the way we work and position our brand ensuring we act ethically and comply with our Mission, Vision and Values. To this end, we have developed our Recipe for the Future, which guides our work on social and environmental matters, leveraging our large scale for the benefit of the planet.

We have focused our priorities on the areas where we believe we have the opportunity to make the greatest difference and, thus, make a positive impact alongside our employees, sub-franchisees, and suppliers as well as the millions of guests we serve every day.

As a leading company in our region, we have the daily responsibility of driving changes in society's habits and promoting actions that impact, inspire and motivate the development of a better world. I am proud to see how, together, we are fulfilling our role and setting an example in Latin America and the Caribbean.

This report is designed to reflect not only the commitments we made, but also our progress in achieving these goals. I warmly invite you to explore these pages and learn about our social and environmental initiatives from 2019.

Woods Staton Executive Chairman Arcos Dorados



### MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER (CEO)

We have an ambitious vision for the social impact we are having and the sustainable development we are promoting in the communities we serve. Our pledge is to provide these annual updates on the steady progress we are making toward our short, medium, and long-term goals.

During 2019, we continued developing new projects to support our historic commitment to young people. As Latin Amperica's larger provider of formal employment to young people we focused our efforts on providing them with first-time employment opportunities while also broadening our scope of action through programs fostering social mobility through training, insertion into the formal labor market, and the development of professional values.

As a leader in the 20 countries and territories where we operate, we believe we have a responsibility to contribute to the communities we serve. Historically, this has included the development of local suppliers who then work together with us to continuously improve the quality and nutritional value of our food. In fact, we focus on our entire supply chain, working to meet our sustainable sourcing objectives. In 2019, we implemented numerous initiatives intended to significantly reduce the impact of our operations on the environment, including the generation of circular economy circuits, which contribute to greater reuse and recycling within our restaurants.

Publishing our Sixth Social Impact and Sustainable Development Report is a testament to our increasingly tangible goals and that, over the years, our commitment only grows stronger. After reading our latest report I hope you will agree that we have made tremendous progress, but the best is yet to come.

Marcelo Rabach Chief Executive Officer Arcos Dorados



## 1. WE ARE ARCOS DORADOS



### 1.1 OUR COMPANY

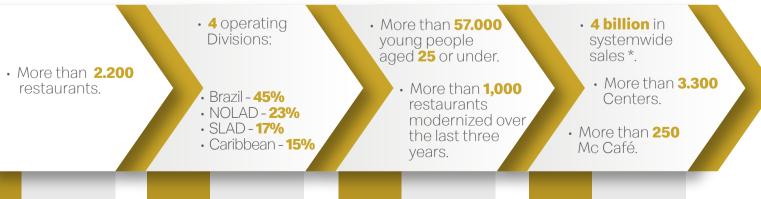
GRI 102-1, 102-2, 102-4, 102-5, 102-6, 102-7, 102-8

**Arcos Dorados Holdings, Inc.,** is the world's largest independent McDonald's franchisee, operating the largest quick service restaurant chain in Latin America and the Caribbean. It has the exclusive right to own, operate and grant McDonald's restaurant franchises in **Latin America and the Caribbean**.

We have a team composed of more than 80,000 people in our company-operated restaurants, through whom we seek to be faithful to our mission, values and principles, generating value for our stakeholders, through teamwork and commitment to our business, society and the environment.

In 2019, we were very pleased with the Company's performance.

#### ARCOS DORADOS IN FIGURES:



\* In billions of dollars. Data as of 12/31/201

#### 1.1 OUR COMPANY



- In 2019, the company was invited to present its "**Decent Jobs for Youth**" program at the **ILO**\* conference held in Rome. **Arcos Dorados** was the only company in its industry in Latin America invited to participate.
- Hamburger University Latin America was recognized with the GOLD award as "Best Corporate University" in the "business impact" category.
- For the 7th. year in a row, we were recognized by **Great Place to Work** as one of the **"Best places to work in Latin America"**, achieving **8th** place in the ranking.
- Merco, a ranking that measures corporate reputation, recognized McDonald's Colombia, Chile and Uruguay as Top 10 among **"100 companies with the best Corporate Responsibility and Governance".**



Operating in 20 countries and territories in Latin America and the Caribbean

In 2011, Arcos Dorados became a public company listed on the NYSE (New York Stock Exchange), with the ticker symbol ARCO.



### **1.2 RECIPE FOR THE FUTURE**



**Arcos Dorados'** pan-regional presence across **Latin American and the Caribbean** positions it as a leader in social commitment and sustainable development, given its meaningful impact on the triple bottom line (economic, social and environmental impact).

We work hard every day to positively impact the wellbeing of our employees and customers, offering personal development opportunities as well as contributing to local economies through our sustainable supply chain that strives to **minimize the environmental impact** of our operations.



Having a **sustainable operation** is a priority for the company. This is why in recent years we have consolidated our social and environmental impact strategy called **"Recipe for the Future"** with the aim of focusing each of the business processes on efforts relevant to the operation, leading to five main initiatives:

Youth	Climate Change	Commitment	Packaging and	Sustainable
Opportunity		to Families	Recycling	Sourcing
We are the largest, first formal job opportunity provider for youth in Latin America.	Minimize the environmental impact of our operation.	Ensure the wellbeing of the thousands of families that visit us every day.	We are reducing waste and increa- sing recycling.	We sourced our ingredients in a way that allows people, animals and the planet to thrive.

### #Agenda 2030

With the aim of aligning our efforts and working as a community according to a uniform agenda, **Arcos Dorados** referred to the **17 Sustainable Development Goals** defined by the United Nations at **COP21**, to develop its corporate commitments.

Thus, the "Recipe for the Future" brings together and organizes the Company's efforts to fulfill the specific goals related to its social and environmental commitments.

### **1.2 RECIPE FOR THE FUTURE**



#### **SDG 2 Zero Hunger:**

Commitment to families, development of local suppliers, beef, packaging and recycling and sustainable sourcing (chicken, fish, coffee, palm oil), sustainable packaging and recycling, climate change, animal health and welfare and forest conservation.

#### **SDG 8 Decent Work and Economic Growth:**

Youth employability, investment in people, local supplier development and diversity and inclusion program.

#### **SDG 12 Responsible Production and Consumption:**

Sustainable packaging and recycling, forest conservation, sustainable sourcing, integrated waste management.

#### **SDG 13 Climate Action:**

Sustainable beef, sustainable packaging and recycling, sustainable sourcing, forest conservation, Carbon Disclosure Project, smart restaurant design.

#### SDG 15 Earth Ecosystem Life:

Sustainable sourcing (chicken, fish, coffee, palm oil) and forest conservation.

### OUR COMMITMENTS

PILLARS	COMMITMENT			
Youth Opportunity	Reduce barriers to employment for more than 2,000,000 young people by 2025.			
Climate Change	Reduce greenhouse gas (GHG) emissions by 36% by all restaurants and offices by 2030.			
	Reduce supply chain GHG emissions by $31\%^1$ in collaboration and partnership with our suppliers by 2030.			
	100% of fiber-based packaging will come from recycled or certified sources where no deforestation occurs by 2020.			
Packaging and Recycling	100% of McDonald's guest packaging will come from recycled <sup>2</sup> sources by 2025.			
	100% of our packaging will come from renewable, recycled, or certified sources by 2025.			
	Brazil: procure beef that meets the Global Roundtable of Sustainable Beef (GRSB) principles and criteria for sustainable beef, by the end of 2020.			
	Brazil and Argentina: procure beef coming from suppliers who do not engage in deforestation by the end of 2020.			
	Coffee 100% sustainably sourced by the end of 2020.			
Sustainable Sourcing	100% Marine Stewardship Council (MSC) certified fish by the end of 2020.			
	100% of the palm oil used as an ingredient in our products will support sustainable production by the end of 2020.			
	Eliminate the use of antibiotics in chicken served in our restaurants by 2027.			
	Remove artificial flavors, added colors and artificial preservatives where feasible from the Happy Meal.			
Commitment to Families	Continue to be transparent with nutritional information by making it available in every market.			
	Continue responsible practices in marketing to children.			
	<sup>1</sup> Based on 2015 values. 2 We understand that recycling infrastructure varies from city to city and country to country, but we plan to be part of the solution and help influence powerful change.			

#### **1.3 CORPORATE GOVERNANCE**

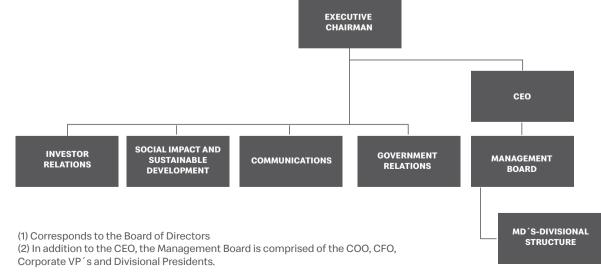


**Arcos Dorados'** governance policies are aligned with the ethical and responsible framework defined in our bylaws, which are regulated by the United States Securities and Exchange Commission (SEC).

The Board of Directors <sup>(1)</sup> and Management Team<sup>(2)</sup> of Arcos Dorados exercise the authority delegated by the Shareholders' meeting for carrying out the Company's management and direction.

	GENDER		AGE RAN	GE
	Female	Male	Between 30 and 50 years old	>50 years
Board of (1) Directors	25%	75%	0%	100%
Management Team <sup>(2)</sup>	6%	94%	44%	56%

The corporate governance body has a number of committees that support the Board of Directors management team and including the Audit Committee, the Corporate Ethics Committee, the Compensation and Nomination Committee and the Social Commitment and Sustainable Development Committee.



### **1.4 ETHICS AND INTEGRITY**

#### Material Issues: 1 SASB FB-RN-310a.3 GRI 102-16, 102-17, 205-2

"The basis for our entire business is that we are ethical, truthful and dependable. It takes time to build a reputation. We are not promoters. We are business people with a solid, permanent and constructive ethical program that will remain in style years from now even more than it is today." — **Ray Kroc, 1958.** 



Ethics and compliance underpin our Company's corporate values, representing the foundation of appropriate behavior that allows us to do business with ethics and integrity, while also governing our behavior to ensure we make good decisions across the organization. To this end, we follow the guidelines set forth in the **Code of Business Conduct** with the support of the Corporate Ethics Committee.

### #Our Values



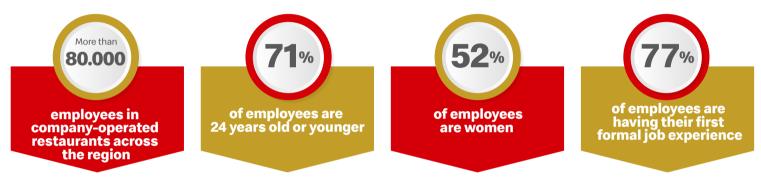
### #Ethics Line

www.resguarda.com, is a free tool available to the general public, managed by an independent provider, through which, anonymously, our employees, business partners and third parties can report concerns related to ethics, compliance, corruption, harassment, abuse and human rights violations, among others.

2. SOCIAL IMPACT

#### Material Issues 4, 6, 10, 14, 18, 19 SASB FB-RN-310a.1, 310a.2 GRI 102-8, 103-1, 103-2, 103-3, 401-2, 404-1, 404-3, 405-1, 406-1, 413-1

At **Arcos Dorados**, we believe in the potential of young people, that is why we are recognized as the **largest**, **first formal employer of young people in Latin America**, providing the opportunity for thousands of young people to have a first job experience that allows them to learn and develop both on a professional and personal level.



A culture of teamwork, respect, inclusion and equal opportunity is continuously promoted across the company. As a result, the vast majority of Arcos Dorados employees have expressed their pride in working for the company. **Making things easier for people** is one of our slogans.

Management Team and Staff: More than 1,600 employees

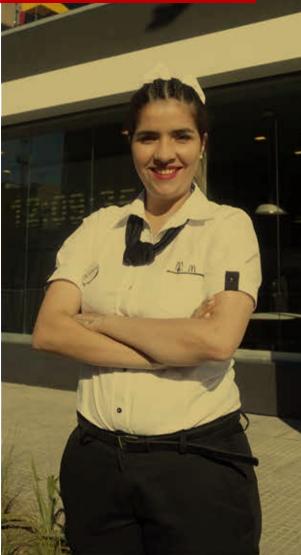
> Male: 53 % Female: 47 %

Operations -Business/Restaurant Manager and Management Team: Over 12,800

> Male: 47% Female: 53%

Operations – Crew: Over 66,400

> Male: 48 % Female: 52 %



# #Training and Development

At Arcos Dorados, we encourage and promote the continuous training of all our employees, not only in topics related to their work but also with is why we offer an extensive list of courses on our online learning, McCampus platform, in addition to a wide variety of in-person training courses to our

In fact, 400 of our leaders were trained through the courses offered in the Leadership and Business Schools. Together with the Social Commitment and Sustainable Development team, we provided financial education to more than 470 employees and another **530 people** (internal and external) graduated from our sustainable development course.

In 2019, we provided 479.000 hours of training (online and in-person courses).

> More than 4,000,000 hours of on-the-job training.

> > 11 new ONLINE courses.



## #Hamburger University (HU)

Located next to our corporate offices in the city of Alphaville in Brazil, Hamburger University (HU) is one of the located corporate universities in the region; offering education and talent development for Arcos Dorace and other statements of the region of the reg

In 2019, the HU in Latin America was recognized with the GOLD award in the "Business Impact" can spore as Corporate University" by the Global Council of Corporate Universities, the highest benchmark in business of

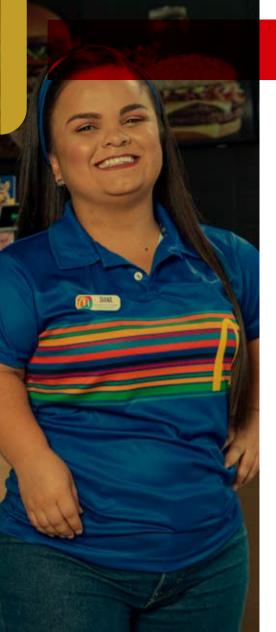
As a result of the digital transformation that began in 2016, we are increasingly connected and digital. Learning i even faster, easier and within everyone's reach through Agile Learning, interactive courses of on topics like Self-Deve pment, Customer Experience, Digital Transformation and Leadership.

More than 31,500 users accessed the 11 new courses available during the year in our McCampus training platform.

We launched the Sales Influencers Program for restaurants, reaching more than 16,000 collaborators.

Hamburger University (HU) Lecture Series: In 2019, we held two conferences bringing together more than 800 participants to learn about and discuss topics such as Customer 4.0 and Digital Revolution.





### **#Performance** Management Program

At **Arcos Dorados**, our employees play a leading role in their own development. We do not consider just their past performance, we also **identify opportunities for improvement** in the future. They are evaluated by their colleagues, internal customers and direct supervisors, reviewing both the quantitative achievement of objectives as well as the development of soft skills necessary for continued growth.

The process includes **several instances of discussio**n and feedback to ensure the employee understands and commits to achieving his/her jointly-developed objectives.

## **#Diversity & Inclusion**

In 2018, through **extensive individual interviews** and more than 7 thousand online surveys of employees from various levels and across our **20 markets**, we diagnosed the Company's attitude toward diversity.

Based on our findings we established gender, generational and sexual diversity as our strategic objectives and created a **Regional Commit**tee for Diversity and Inclusion, with more than 20 members from various markets, ages and positions within the organization.

Toward the end of 2019, we presented the Company's new LGBTQI Guide, as a first step in building the culture we want for Arcos Dorados.

### #Inclusive Employment

At Arcos Dorados, we want to be an open company, with an inclusive and diverse approach to gender, to strengthen our position as a best place to work in Latin America. We are committed to recognizing individuality as a core value for life and work.

52% of restaurant managers are women.

More than 1,900 employees have a disability.

We have formed alliances with varioust non-governmental organizations to promote the inclusion of people with disabilities in the workplace and thus promote their integration into society.





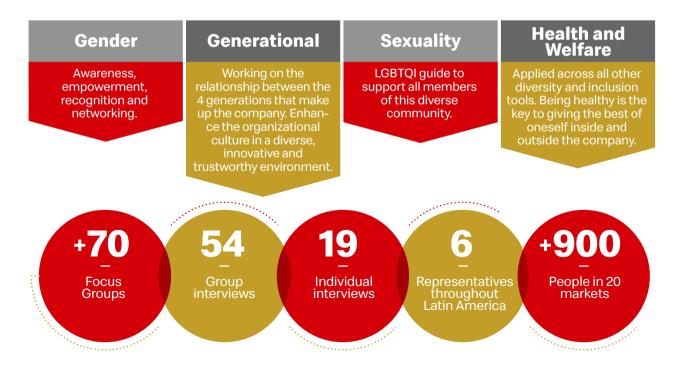
"Having an **inclusive compan**y is a competitive advantage for the business. It allows us to innovate, anticipate change, be more productive and create a better work climate" said **Ambassador Marlene Fernandez**, VP of Government Relations, Leader of the Diversity and Inclusion Committee and sponsor of the Women's Network.

### 2.1 OUR PEOPLE

## **#Diversity** and Inclusion Committee

In order to promote a more inclusive environment and equal opportunities within the company, we established the **Arcos Dorados Diversity and Inclusion Committee** for Latin America.

The committee's members have identified four main diversity and inclusion issues to address throughout the company:



## Gracias

## #Arcos Dorados Women's Network

The Women's Network, led by 16 women, spans all our Latin American markets. Its goal is to raise awareness, increase visibility and promote an increase in the number of women in leadership positions.





## #Work Climate

Participation rate

Providing a work environment where employees feel comfortable and are able to develop and achieve their full potential is one of the greatest challenges facing organizations in the 21st century, since in most cases, work is where people spend most of their waking hours. That is why, we want all who work at Arcos Dorados to feel their voices are heard and valued. allowing them to express their identity and develop personally and professionally.

We want Arcos Dorados to remain one of the best places to work in Latin America and the Caribbean. The most recent climate survey yielded strong results:

Satisfaction

rate

**Pride and** 

Value index



## #Ideathon

Arcos Dorados and Tech Trek, invited more than 50 people from the best companies in Argentina to challenge our climate survey process under an umbrella of agility. Among the guests were young students, Human Resources, Marketing, **Research and Development of Innovative Business** leaders from the main companies in the market.

### #Creathon

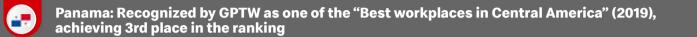
In 2018, we held a Creathon event in Argentina, where more than 300 young people met to discuss and co-create a vision for the future of the workplace. In 2019 we published a book with their findings: Creatones, leading players of the future experience.

We distributed the book **free of charge** to bookstores with the goal of **spreading best practices** and increasing the visibility of young role models from diverse backgrounds.

> 1.000 copies delivered

### **#Our Recognitions** and Awards

We are proud of the **recognition we have received from third parties**, for the outstanding effort and extensive work done by all the Company's teams across many markets, not only to make Arcos Dorados **one of the best places to work**, but also to support its commitment to communities and strengthen its **Sustainability and Corporate Governance initiatives.** 





Brazil: Recognized by GPTW among the best 40 companies to work for in their country (2019)



Top Companies awarded to McDonald´s México for its "Coolture of Service"



Merco, a ranking that measures corporate reputation, recognized McDonald's Colombia, Chile and Uruguay as Top 10 among "100 companies with the best Corporate Responsibility and Governance"

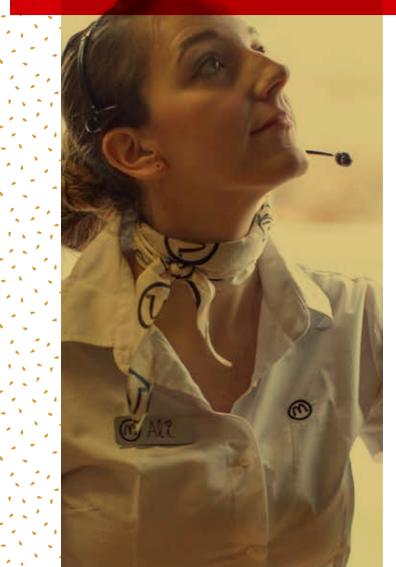


Hamburger University Latin America was recognized with the GOLD award in the "business impact" category as the "Best Corporate University"



Recognized by Great Place to Work as one of the "Best places to work in Latin America", achieving 8th place in the ranking

#### 2.2 YOUTH EMPLOYMENT



**Youth unemployment** along with the lack of opportunities for young people is **one of the biggest challenges in Latin America.** In 2019, nearly 20% of young people were affected by the lack of job opportunities, meaning that one out of five people between 19 - 25 years old who sought a job **did not find one.** Among those who did find a job, **60% did so in the informal sector.** 

Economic Commission for Latin America and the Caribbean (ECLAC).

### #We Believe In Youth

We believe in youth, their entrepreneurial spirit and their ability to generate feel-good moments when they welcome the millions of guests who visit us daily.

Our business is operated mostly by **young people between 16 - 24 years old** (79% of the total number of employees), who perform financial, operational and customer service tasks in a highly demanding environment, complying with policies and procedures that help them to meet **high operational standards**.

We are the gateway for thousands of young people to have their **first formal job**, allowing them to obtain experience and the basic skills necessary to continue **developing** professionally and personally. Likewise, we work on **building strategic alliances** with world-renowned NGOs to collaborate in education for employment, skills acquisition, transmission of values and development of **good citizens**.

### 2.2 YOUTH EMPLOYMENT



## **#Training** and Inclusion

At Arcos Dorados, we promote **inclusion and social mobility.** For this reason, one of the main pillars of our "Recipe for the Future" is to offer young people the opportunity to **have their first formal job experience** while training them in technical and socio-emotional skills. To achieve this, **we have established alliances with non-governmental organizations** through which we can reach thousands of young people between the ages of 16 and 24. Developing social-emotional skills is critical to navigating this increasingly globalized, technology-driven world.

We believe in the unlimited potential of youth and want to foster their ability to identify and take advantage of growth opportunities both within and outside the company.





### 2.3 COMMUNITY

We are part of the communities where we operate. That is why, we support various causes related to health and children's welfare while **encouraging entrepreneurial spirit, creativity and innovation** in young people from our communities.

We promote and enable actions that improve the quality of life of community members, our customers, collaborators and suppliers, achieving equity, diversity and inclusion.

## #Gran Día (Big Day)

As the main formal employment generator for young people, in addition to supporting the well-being of children and their families, **we support job training for Latin American youth.** 

**Gran Día** is the name given to our annual solidarity campaign, during which all proceeds from the day's Big Mac sales are donated to local institutions focused on training, skills development and **creating employment opportunities for young people as well as continuing our support of Ronald McDonald House Charities in our markets** 

In 2019, we donated US\$ 7 million to support non-governmental organizations dedicated to youth training and inclusion and to our Ronald McDonald House Charities.

### 2.3 COMMUNITY

### **#Ronald McDonald** House Charities

Our **commitment to children** who require long-term medical treatment, and their families, remains strong through support of the Ronald McDonald House Charities (RMHC) programs throughouth Latin America.

Having a presence in most countries, RMHC operates under three flagship programs: **Ronald McDonald Houses, Family Rooms and Pediatric Mobile Units.** 

RMHC's programs positively impacted more than 263,000 families and children in 2019 across the region.



### **#Reading** and Learning

Our **Happy Meal** offering provides children a delicious meal while also fostering creativity, **boosting imagination and promoting childhood reading.** 

With the **Book or Toy Program**, we seek to promote reading habits in children from an early age and in a way that is engaging and fun.

*In 2019, we distributed more than 3.4 million children's books with our Happy Meal.* 

+ 18 million books were distributed throughout the region since 2013, making us the largest distributor of children's books in Latin America and the Caribbean.



## **#Food** Safety

At Arcos Dorados, our mission is to serve quality food while generating delicious and accessible moments for everyone. To accomplish this, we must ensure that **we use the highest quality ingredients** from when they are sourced, prepared and finally served to our guests.

To achieve this, we have a comprehensive **Food Safety training program** that consists of online courses and continuous learning in the workplace. At each stage, we address topics related our meal menus, ingredient origins, food handling and preparation.

### The food safety and nutrition course is mandatory for 100% of our employees.

By 2019, the food safety course was taken by nearly 8,400 people.

Additionally, our suppliers must adhere to strict parameters in the production of our ingredients and we also ensure compliance with stringent protocols during the cooking and preparation of our food. Accordingly, every day before starting the work day, we conduct **product tests** to verify they comply with our industry-benchmark food safety standards and that our equipment is properly calibrated to prepare the food properly.

In order to always provide the best quality products, we have adopted **Gold Standards**, becoming a benchmark for the implementation of this type of practice in the region.

### **#Nutrition** Initiatives

At Arcos Dorados, we constantly monitor the **evolution of habits in society** and particularly those of our guests.

We provide our stakeholders with an **interactive tool** where, by providing the requested data, they can obtain the daily nutritional values suggested by the **World Health Organization.** 

With these recommendations, they will have the possibility of going through all the menus offered by McDonald's to know how many calories and nutrients each option provides and to what extent they cover their **daily nutritional needs.** 



Argentinian nutritional calculator. To see your local calculator, go to the corresponding McDonald's site.

## **#Be** Safe

In 2019, we launched a second stage of the "Be Safe" program through which we intend to holistically manage food safety and hygene practices that each of our employees must follow.

Under this program, we introduced the concept of invisible risks to raise awareness about the importance of potential food safety hazards.



#### Son invisibles los gérmenes que pueden afectar tu salud.

Lavarse ben tos manos durante más de 20 oegundos previene enfermedades.



## #Open Doors

Every day, we open the doors of our restaurants and invite guests to learn firsthand about our operation. This opportunity to interact with our guests allows us to showcase our team's daily commitment to **quality and safety in their service, food and sustainability practices.** 

We celebrate "International Open Doors Day" in September of every year.

#### + 3,500,000 kitchen tours in 2019

Since it was first introduced, more than 8 million people have participated in the Open Doors initiative throughout the region.



## #Happy Meal

For more than eight years, McDonald's has **evolved its children's menu**, offering more nutritious and balanced options, incorporating more fruits and vegetables and reducing fat, sodium and sugar content.

In this way, we seek that the Happy Meal options offered in all McDonald's restaurants in the region have an appropriate **nutritional value**, with less than 600 calories, alwais being mindful of children's recommended daily nutritional requirements.

In 2019, the menu evolved towards an even more nutritious meal, offering combinations that include: a new burger option with lettuce and tomato. - 100% apple puree, with no added sugar or artificial additives. - Fruit juices with no added sugar or artificial additives and high fruit content (between 52% and 75%), **developed exclusively for McDonald's.** 

These changes were endorsed by the following institutions:



### #Responsible Marketing

At Arcos Dorados, we adhere to the **McDonald's Global Marketing to Children Guideline,** which outlines our global commitments and expectations. Among other things, we are committed to

- Offer only healthy beverages with kids' meals such as milk, water or juice.
- Be transparent with Happy Meal Nutrition Information.
- Communications to children should include messages related to good nutrition and well-being.

In Argentina and Brazil, we are also audited by a third party that certifies we comply with ethical marketing standards.

In 2013, McDonald's partenered with the Clinton Foundation and Alliance for a Healthier Generation, as part of a global effort to **increase guests' consumption of fruits and vegetables,** low-fat dairy products and water options, while helping families make informed food choices.



## SUSTAINABLE DEVELOPMENT

McDonald's

3.

Mañana 6 de diciembre abrimos y te invitamos el desayuno.

Veni a conocernos y disfrutá de un café entre las 5.30 y las 8.30 am.

> (\*) Se entregará 1 calé + 1 me persona de manera presenc sin excepción.

GRI: 103-1, 103-2, 103-3 Material Issues: 8, 15, 17, 21 SASB FB-RN-430a.1, 430a.2, 430a GRI: 102-9, 102-10, 102-11, 102-12, 102-13, 103-1, 103-2, 103-3, 204-308-1, 412-13, 414-1



As much as possible, **Arcos Dorados** carefully identifies, controls and minimizes the environmental impact generated by its operation. Environmental management must permeate the entire supply chain, which is why we work with suppliers who have shared values, ensuring they comply with best practices, endorsed or recognized under international seals. At Arcos Dorados, we are aware of the impact that our supply chain has on the sustainability of our business. For this reason, we actively work to identify, together with our suppliers, the social and environmental impacts associated with our joint activity, in order to reduce the impacts and to guarantee the best practices in each stage of the varied processes.

Our suppliers must develop activities with high standards of quality and food safety comply with good labor practices, human rights, animal welfare, environmental management and business integrity. They undergo third party audits, to ensure their compliance.

In Latin America, we are members of the Global Food Safety Initiative (GFSI), on whose guidelines our **quality standards are based**.

Our more than 1,000 suppliers<sup>(3)</sup>are required to sign and certify the Supplier Code of Conduct.

(3) It includes approximately 733 input suppliers and 380 service providers.
(4) Domestic origin refers to the region in which Arcos Dorados operates.

**90%** of our raw material suppliers are of **domestic**<sup>(4)</sup> origin, allowing us to positively impact each of the countries where we operate, becoming a source of employment and growth for the communities.

In 2019, we approached the suppliers that represent 50% of the company's purchases, to understand their **environmental**, **social and corporate governance practices.** The objective was to identify programs that are aligned with our goals and, in the medium and long term, to allow us to jointly develop projects with a greater impact and scope.

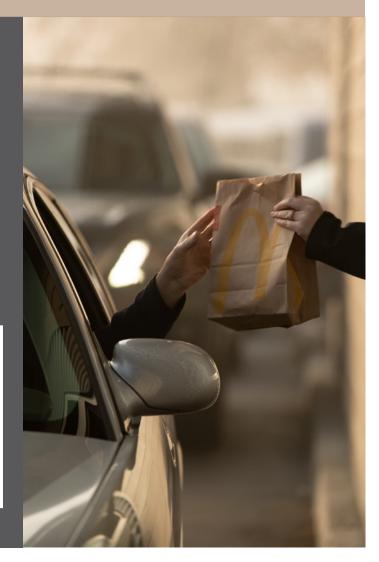
### #Quality in Restaurants

In order to guarantee the quality of the products that we receive in our restaurants, audits are conducted by a specialized auditing company.

Validation processes are constantly carried out in restaurants and distribution centers. In 2019, we were able to identify products that did not meet quality standard on 33 occasions.

67% of suppliers have external certifications (ISO14001, ISO 50001, Sedex Smeta, Organic Products, Cleaner Production Practices) that support their socio-environmental management.

100% of the premises were audited by an auditing firm to ensure compliance with food quality and safety standards.



### **#Supplier Evaluation**

In 2019, 100% of our suppliers were evaluated and all met the established criteria with regard to the following standards:

- Social Workplace Accountability (SWA): Food, packaging, distribution and refrigeration suppliers.
- Supplier Quality Management System (Supplier Quality Management System -SQMS): Proveedores de alimentos.
- Packaging Supplier Quality Management System Paper (PQMS): Packaging suppliers.

The performance of our suppliers in these audits allows us to track and reinforce not only their environmental, social and labor performance, but also the continuity of the commercial relationship. Therefore, we work year after year so that, with the support of Arcos Dorados, our suppliers grow and become stronger.



### #Hazard Analysis and Critical Control Points (HACCP)

The HACCP analysis system is an essential requirement to be a supplier of Arcos Dorados. Through this analysis, our suppliers identify specific hazards and take measures to control them in order to ensure food safety. It is an instrument that focuses on prevention and can be applied throughout the entire supply and food preparation chain, allowing us to ensure food safety and offer our customers excellent quality products.

In 2019, 100% of our input suppliers have been audited to verify that they have a validated HACCP program in place.

### #Animal Welfare

We have an audit program covering 100% of our animal protein suppliers, in order to guarantee not only good production practices, but also the treatment of each animal, the application of antibiotics and other practices in accordance with the Professional Animal Auditor Certification Organization (PAACO) guidelines.



In 2019, we audited the animal welfare practices of more than 100 suppliers of beef, pork, poultry meat and egg-laying hens.

In 2019, we purchased more than 90,000 eggs from cage-free hens for the Brazilian market.



### #Sustainable Livestock

We support and promote beef production that is environmentally safe, protects the health and welfare of animals, and rewards farmers and the community.

As one of the largest buyers of beef in the region, we are serious about our responsibility to help lead the industry toward more sustainable production practices. To this end, we lead roundtables in Brazil and Argentina to identify livestock production solutions to reduce the impact of beef production, such that the entire beef value chain is **environmentally sound, socially responsible and economically viable.** 

Both Roundtables are part of the **Global Round**table for Sustainable Beef (GRSB).



### #Latin American Sustainable Beef Vision Summit

Hamburger University hosted the **Latin American Sustainable Beef Vision Summit**, with the aim of creating a regional vision for sustainable livestock.

Topics such as **good environmental practices** for the reduction of greenhouse gas emissions, animal welfare, the use of antibiotics and deforestation, among others, were addressed.

In 2019, we quadrupled the purchase volume of deforestation-free beef.





### #Flagship Farmers Program

Since 2008, the program has identified 34 farms, crops and production fields worldwide that are developing outstanding agricultural practices and are passionate about sustainable development.

#### In Latin America, the first Flagship Farmer is located in Brazil, in the state of Mato Grosso.

While the certification process is underway, we expect the supplier to obtain the endorsement of the Agua Viva property by 2020. This property stands out for combining production with the preservation of local fauna and biodiversity. It will set a great example for all of Latin America of how to reconcile production with preservation.

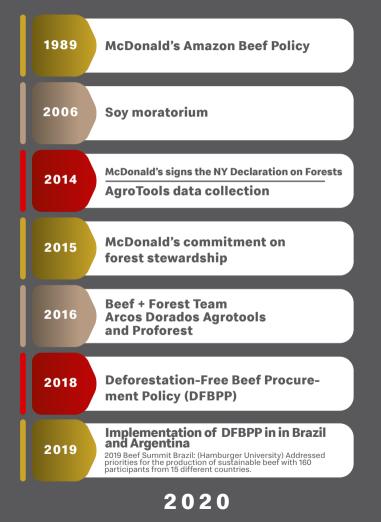
### #Deforestation

Deforestation is one of the greatest threats facing our environment today, with forests being vital for oxygen production, biodiversity conservation and the absorption of greenhouse gas (GHG) emissions.

To address this issue, we established a working group with **Proforest and AgroTools** to increase monitoring of our beef supply chain and help our suppliers take specific actions.

From 2016 to date, we have been working in Brazil to monitor the risk of deforestation for the Amazon and Cerrado biomes.

In 2019, we expanded the monitoring project to include the Gran Chaco biome, for beef supplied from Argentina.





#### 3.1 SUPPLY CHAIN

#### Beef + Forests Working Group

Established during the policy adaptation phase to guarantee the technical appropriateness of the process and the alignment of definitions, tools and local resources. **Arcos Dorados:** leads the working groups in Brazil and Argentina, including the adaptation and implementation of local policies.

**Beef suppliers:** provide support with supply chain data, and provide feedback for adaptation. They are committed to the Policy's implementation.

Beef suppliers

proforest

**Proforest:** supports McDonald's in strategies for adapting and implementing policies.

agrotools

**Agrotools:** manages and validates supplier data, evaluates deforestation and other social and environmental criteria (in accordance with the Policy), through geospatial technologies.

#### 3.1 SUPPLY CHAIN

#### #Responsible Production

In line with our external commitments, we are working to eliminate deforestation from our global supply chain by 2030. The effort is focused on raw materials that we buy and where we can have the greatest environmental impact such as beef, chicken (including soy in feed), palm oil, coffee and fiber used in customer packaging.

We are implementing the "McDonald's Deforestation-Free Beef Procurement Policy" since 2018 as the standard for purchasing beef in Brazil and other markets where we operate.

#### **#FSC** Packaging



90% of our paper (fiber) packaging comes from sustainable sources certified by the Forest Stewardship Council<sup>®</sup>(FSC<sup>®</sup>).The remaining 10% is certified by similar entities.

#### #Sustainable Coffee

## In 2019, 93% of our coffee came from certified sources.

In Argentina, Brazil, Chile, Uruguay, Costa Rica, Mexico and the French Islands, **100% of the coffee is Rainforest Alliance certified.** 



#### #Palm Oil

We do not use palm oil in our cooking processes. We work with our suppliers to guarantee that they use oil certified under the Roundtable on Sustainable Palm Oil (RSPO) standards.



#### #Sustainable Fishing

100% of the fish sold in Brazil, Costa Rica, Panama, Puerto Rico and the Virgin Islands US Virgin Islands is MSC (Marine Stewardship Council) certified.



SASB FB-RN-130a.1, 140a.1, 150a.1 GRI: 103-1, 103-2, 103-3, 301-1, 302-1, 302-4, 305-3, 306-2



Every year, the need to use natural resources responsibly gains visibility and at Arcos Dorados, we are constantly working to improve our management and consumption of these global assets.

Our training and awareness programs play a very important role in achieving consistently better water use rates in relation to our sales.

The use of electricity represents the largest item in our greenhouse gas emissions in restaurants and therefore, it continues to be a priority on which we are constantly working.

We seek to work systematically to:

- · Guarantee the best procedures for the use of electric energy.
- Achieve the best cost/benefit in electricity rates.
- Implement technological innovation in our equipment to reduce energy consumption.

### #Energy Efficiency

Working with energy efficiency is no longer an abstract goal, but a mandatory issue for any company that is committed to operating in a socially responsible manner.

With that, we need a reduction in energy consumption per sale item and we must change our energy matrix towards a renewable sources of energy.

Thanks to these initiatives, the increase in energy consumption has risen by only 2%, despite a 3% increase in the number of restaurants.

CONCEPT	2019	2018
ENERGY CONSUMPTION (MW/H)	578.710	565.151

We have a **4% supply of renewable energy,** mainly from photovoltaic sources which cover part of our energy matrix in the region.

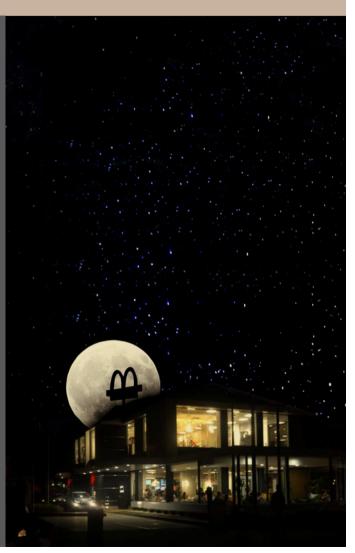
#### #Earth Hour





In 2019, Dorados joined the Earth Hour for the 11th consecutive year, a worldwide initiative of the World Wildlife Fund<sup>®</sup>–WWF<sup>®</sup>, to raise the global population's awareness and participation in environmental conservation and climate change prevention.

It has been 11 years since we came together to support Earth Hour. All our restaurants and offices turn their external lights off for 60 minutes on this day.



#Carbon Footprint



For the fourth consecutive year, we are part of the **Carbon Disclosure Project (CDP) Supply Chain Program,** as well as the CDP corporate report as Arcos Dorados in Latin America and the Caribbean.

Arcos Dorados plays a leading role among the members of CDP Latin America, achieving the best rates of commitment from its suppliers to in answering the Program's questionnaires.

In 2019, we achieved the participation of 245 suppliers in the CDP Supply Chain Program.

In 2019, Arcos Dorados was recognized for the highest response rate achieved by a member of Latin America in the CDP Supply Chain Program in topics such as Climate, Water and Forests.

Our suppliers have had a total emission reduction in the last year of close to 3 million TonCO2eq, which is equivalent to taking 640,000 cars off the road for one year.

#### **#Sustainable Restaurants**

We continue to move forward with the process of continuous improvement in the construction of our restaurants, seeking the responsible use and recycling of natural resources, promoting waste sorting and separation and the use of efficient air conditioning systems use.

## SUSTAINABLE DEVELOPMENT | DEVELOPMENT PLAN 2020

#### MALLSTORES FREESTANDINGS INSTORES FOODCOURT LED liahtina. ILED lighting. LED lighting. High efficiency air conditioning High efficiency air conditioning High efficiency air conditioning system and environmentallysystem and environmentallysystem and environmentallyfriendly gases. friendly gases. friendly gases. Taps with flow restrictors. Taps with flow restrictors. Rainwater recovery. Condensation water recovery. Trash Bins in lobby with waste Trash Bins lobby with separation. separation. Trash Bins in lobby with waste Trash Dumpster suitable for Trash Dumpster suitable for separate storage of materials. separation. separate storage of materials. Trash Dumpster suitable for separate storage of materials. Bicycle racks. Electric chargers for cars. **NEWSTORES**

#### #Sustainable Development Program

The Arcos Dorados Sustainable Development program continues to add restaurants in its second year of implementation. In 2019, more than 330 restaurants participated in the program throughout Latin America and the Caribbean.

The implementation of this program includes the concepts of conscentious consumption of water and energy, waste separation and education for sustainable development for both our employees and guests.

We want to transform our restaurants into educational centers for sustainable development for the community.

Our goal is to implement the Sustainable Development Program in 100% of our restaurants by 2025.



#### **#Plastic Reduction**

In line with our global goal to source 100% of our packaging from renewable, recycled or certified sources by 2025, we are working to minimize the use of plastics in our packaging.

The "Straws Upon Request" program, initiated in 2018, ended in the complete elimination of plastic straws. We added other initiatives: modification of breakfast packaging, redesign of McFlurry dessert spoons, and change of plastic salad bowls for 100% biodegradable cardboard alternatives.

In Argentina, Mexico and Colombia the company has stopped providing plastic lids on hot and cold beverages served in restaurants and does so only upon request in other markets.

Over the last 2 years, we have successfully reduced the production and consumption of more than 1,300 tons of single-use plastic.

#### #Used Vegetable Oil Recycling

The proper disposal of waste in our restaurants is one of our priorities. Used vegetable oil is appropriately discarded and converted into biodiesel in a number of our markets.

In 2019, we recycled more than 6,880,000 liters of used vegetable oil, guaranteeing its proper disposal or use.

#### #Composting

In our corporate offices, we convert organic waste into compost, which is used in our gardens and given to employees to use in their homes.

## + **48** tons of compost generated in 1 year.



#### #Waste

We are aware that the correct separation of waste facilitates recycling and reduces the volume of waste in landfills.

In 2019, we started a Circular Economy pilot project in Brazil where plastic waste is separated in a recycling cooperative and, after processing, returns to restaurants as trays made of recycled plastic.

Through the PDS, our restaurant employees receive training on existing procedures for waste separation at the source to improve waste handling and management.

As part of our commitment, we replaced single-use cups with reusable coffee mugs in all with our offices, allowing us to substantially reduce the generation of paper waste.

Similarly, we replaced traditional paper with ecological paper made from 100% sugarcane fiber and chlorine free bleaching.

## 4. ABOUT THIS REPORT

#### 4. ABOUT THIS REPORT

#### GRI Contents: 102-45, 102-46, 102-47, 102- 48 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56

Arcos Dorados' 2019 Social Impact and Sustainable Development Report has been prepared in accordance with the GRI Standards (Global Reporting Initiative), "Essential" option and the Sustainability Accounting Standards Board (SASB). It is published annually and it covers the period between January 1 and December 31, 2019. The information contained in this document does not include the data of the operations of our franchises and has not been externally verified. There have been no significant changes and modifications during the period covered, in terms of the size, structure and ownership of the organization, as well as significant effects on the reformulation of information regarding previous years. The last report issued was the document on "2018 Social and Environmental Impact Results".

Similarly, issues raised in external evaluations conducted by independent organizations such as Sustainalytics and Morgan Stanley Capital Investment (MSCI) were considered, in which a **comprehensive evaluation of the company** was conducted on topics related to social and environmental management, as well as corporate governance.



GRI Contents: 102-21, 102-40, 102-41, 102-42, 102-43, 102-44



An essential part for **sustainable management** and accountability process is the **definition of stakeholder groups and the identification of material issues.** 

Based on the Accountability'AA1000SES series of standards, and through an analysis that covers certain dimensions (for responsibility, influence, proximity, dependence and representation), we have defined Arcos Dorados stakeholders "map".

AA1000SES is a standard developed by the Accountability Institute applied globally. Provides support to organizations for the evaluation, design, implementation and communication of the comprehensive approach to the articulation and commitment of Stakeholders.

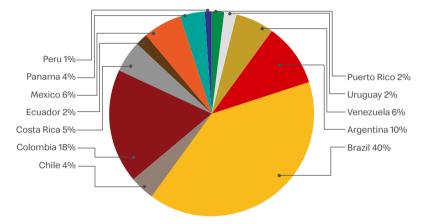
STAKEHOLDERS	COMMITMENT ASSUMED	MEDIA/DIALOGUE
Shareholders, comercial partners, sub-franchisees, financial entities.	Act with total transparency in the best interests of our sharehol- ders and business partners.	Shareholders' Meeting Financial Statements Form. 20-F Quarterly reports Investor Outreach Social Impact and Sustainable Development Report www.arcosdorados.com
Governments and regulatory bodies	Compliance with all applicable laws and regulations, including legislation on Human Rights, workplace safety, compensation and employee treatment.	Financial Statements Form. 20-F Social Impact and Sustainable Development Report www.arcosdorados.com
Employees (staff and restaurant crew)	Support and promote working with passion and innovation on a daily basis and in search of continuous improvement.	Social Climate surveys Arcos Dorados Digital AD Review Corporate social network Yammer AD Talks Open Doors Social Impact and Sustainable Development Report www.arcosdorados.com
Suppliers and distributors	Develop strong relationships with our suppliers and distributors, who share our values.	Supplier meeting Supplier Portal Open Doors Social Impact and Sustainable Development Report Tell us how we did www.arcosdorados.com
<b>Guests</b> Offer an exceptional experience, with a commitment to serving quality food, providing the best service and ensuring cleanliness.		Open Doors Social Impact and Sustainable Development Report www.arcosdorados.com
Local communities	<b>Local communities</b> Develop an active role in the welfare of our neighbors and our community.	



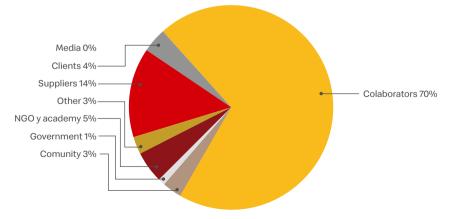
# **#Content** definition

The **Global Reporting Initiative (GRI)** makes available to organizations a series of principles designed to be used in combination, in order to define the **content of the report.** To identify the potential issues that will be included in the report, we have taken into consideration the impacts, **risks and opportunities** observed by different experts and companies in the sector.

In 2018, based on the process of identifying material issues, a process of prioritization was conducted with **more than 400 stakeholder groups** in order to identify the most relevant issues to be included in the sustainability report. In 2019, no materiality study was performed, which means that the previous year's study is still in effect. Materiality survey results by Country.







#	Issue	Coverage	Chapter/Section
1	Ethics and integrity	External	We are Arcos Dorados
2	Water	Internal	Sustainable Development
3	Waste	Internal	Sustainable Development
4	Nondiscrimination	Internal	Social Impact
5	Materials and supplies used	Internal	Sustainable Development
6	Health and Safety at Work	Internal	Social Impact
7	Nutritional quality of the products	Internal	Social Impact
8	Responsible sourcing	External	Sustainable Development
9	Energy	Internal	Sustainable Development
10	Diversity and equal opportunities	Internal	Social Impact
11	Education	External	Social Impact
12	Youth Employment	External	Social Impact
13	Inclusive employment	External	Social Impact
14	Training and education	Internal	Social Impact
15	Supplier environmental evaluation	External	Sustainable Development
16	Promotion of healthy lifestyle habits	External	Social Impact
17	Animal welfare and health	Internal	Sustainable Development
18	Employment	Internal	Social Impact
19	Human Rights Evaluation	Internal	Social Impact
20	Local communities	External	Social Impact

\*Where the main impacts of material issues occur, inside (internal) or outside (external) the organization.

# Thank you



### **Arcos Dorados**

