

2014 Progress Report

**McDonald's-Alliance for a Healthier Generation Partnership:
Clinton Global Initiative Commitment to Action**

PREPARED FOR:

McDonald's Corporation
Alliance for a Healthier Generation

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Keybridge is a boutique economic and public policy consulting firm. Keybridge provides technical analysis and strategic advice to a diverse clientele that includes leading non-profit organizations, global financial institutions, multinational corporations, premier trade associations, and federal government agencies. Our principals serve as economists, policy experts, and strategic advisers on issues that reside at the forefront of public policy economics.

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Keybridge would like to acknowledge the contributions of various organizations and individuals to this verification effort. This analysis required significant cooperation from McDonald's, which provided detailed data demonstrating its activities related to this commitment. McDonald's made all key staff from its corporate and market offices available for discussions and they provided all requested data. Staff from McDonald's and the Alliance for a Healthier Generation, as well as Penny Kris-Etherton, Ph.D., RDN, Distinguished Professor of Nutrition at Pennsylvania State University and a member of McDonald's Global Advisory Council, provided detailed feedback on both the methodology and the presentation of results, helping to ensure that our findings are accurate, transparent, and clear. Additionally, we would like to recognize The Nielsen Group, OMD, and HAVI Global Solutions. These organizations contributed information that was used to corroborate data reported by McDonald's.

Keybridge values the input received during this inaugural year. Drawing on these contributions, we have made every effort to develop an accurate and complete report. Any errors are the responsibility of the authors.

Finally, Keybridge was selected to complete this analysis through a competitive bidding process. The work was funded by McDonald's Corporation.

EXECUTIVE SUMMARY

In September 2013, McDonald's partnered with the Alliance for a Healthier Generation ("Alliance") in a global effort to increase customers' access to fruits, vegetables, water, and low-fat dairy products and to help families make more informed food choices. McDonald's and the Alliance announced their partnership on a Commitment to Action at the Clinton Global Initiative ("CGI") Annual Meeting in September 2013. This Commitment to Action includes five specific commitments related to McDonald's menu offerings, menu boards, packaging, and advertising. McDonald's pledged to implement these actions in 20 major markets, which represent more than 85% of the company's global sales. The commitment includes interim goals for market-level compliance in 2016 and 2018 and final goal of fulfilling all commitments in all 20 markets by 2020.

McDonald's also committed to participate in an independent process to measure and verify the progress of its efforts. This document represents the first annual report on the company's progress towards fulfilling this Commitment to Action. It includes results from verification efforts that were piloted in the United States and Italy during the initial implementation period from September 2013 through December 2014.

Neither market was expected to have fulfilled all five commitments during this initial year. Instead, the markets were expected to see progress towards fulfilling aspects of the commitment in a set number of markets before the end of 2016. Subsequent reports will include additional markets and assess McDonald's progress towards its 2016, 2018, and 2020 goals.

McDonald's-Alliance Partnership on CGI Commitment to Action*

Commitment 1: Feature only water, milk and juice as the beverage in Happy Meals on menu boards and in-store and external advertising directed to children; For Happy Meals, remove all soda logos and images of cups with soda from the Happy Meal section of menu boards (where it exists) and all in-store and external advertising directed to children, and phase out the listing of soda on the Happy Meal section of the menu board. Soda will be available as a beverage option, but it will not be listed on the Happy Meal section of the menu board.

Commitment 2: Offer side salad, fruit, or vegetable as a substitute for fries in value meals.

Commitment 3: Utilize Happy Meal and other packaging innovations and designs to generate excitement for fruit, vegetable, low/reduced fat dairy, or water options for kids; or offer new fruit, vegetable, low/reduced fat dairy or water option in the Happy Meal.

Commitment 4: Dedicate one Happy Meal box or bag panel to communicate a fun nutrition or children's well-being message (four times annually).

Commitment 5: 100% of advertising directed to children to include a fun nutrition or children's well-being message.

* See Appendix B for a glossary of key terms.

This report finds that progress was made in both markets on a number of the commitments. To summarize:

- McDonald's USA fulfilled Commitments 1, 3, 4, and 5 in 2014. While some of the commitments were met prior to 2014, two new initiatives taken during this inaugural year included removing sodas from the Happy Meal section of menu boards and introducing new fruit and low-fat dairy side items in Happy Meals. Although the United States did not fulfill Commitment 2 in 2014, progress was made in early 2015.
- McDonald's Italy fulfilled Commitments 2, 3, 4, and 5 in 2014. As for Commitment 1, Italy excluded sodas from in-store or external ads in 2014, as in years prior, and it removed soda logos from the Happy Meal section of menu boards at the end of 2014. Additional steps need to be taken to phase out the listing of juice with added sugar from the Happy Meal section of menu boards in order to fulfill this commitment.

McDonald's-Alliance Partnership: CGI Commitment to Action		
1. Water, Milk, and Juice Were the Only Happy Meal Beverages on Menu Boards & Child-Directed Ads	<input checked="" type="radio"/>	<input type="radio"/>
2. Side Salad, Fruit, or Vegetable Option Offered in Value Meals	<input type="radio"/>	<input checked="" type="radio"/>
3. New Happy Meal Packaging Designs Utilized or New Happy Meal Fruit, Vegetable, or Low-Fat Dairy Side Offered	<input checked="" type="radio"/>	<input checked="" type="radio"/>
4. At Least Four Happy Meal Boxes or Bags Dedicated a Panel to a Nutrition or Children's Well-Being Message	<input checked="" type="radio"/>	<input checked="" type="radio"/>
5. Nutrition or Children's Well-being Messages Included on Child-Directed Ads	<input checked="" type="radio"/>	<input checked="" type="radio"/>

Criteria Fulfilled
 Progress Made but Not Fulfilled
 Not Fulfilled

These conclusions are based on data collected from both McDonald's and external sources. McDonald's provided sales data, images of menu boards, and video files of television advertisements, among other data. Keybridge collected data from external sources to corroborate that the information reported by McDonald's accurately reflected the reality in restaurants and external communications. Keybridge analyzed all of the data to determine whether each market satisfied the five commitments.

Additional details about each market's efforts to fulfill each commitment and the data used to verify those efforts are included in the body of the report.

McDONALD'S-ALLIANCE PARTNERSHIP: CGI COMMITMENT TO ACTION

Progress on 2020 Commitment: United States

2014 SUMMARY OF PROGRESS BY COMMITMENT

1. Water, Milk, and Juice Were the Only Happy Meal Beverages on Menu Boards & Child-Directed Ads	●
2. Side Salad, Fruit, or Vegetable Option Offered in Value Meals	○
3. New Happy Meal Packaging Designs Utilized or New Happy Meal Fruit, Vegetable, or Low-Fat Dairy Side Offered	●
4. At Least Four Happy Meal Boxes or Bags Dedicated a Panel to a Nutrition or Children's Well-Being Message	●
5. Nutrition or Children's Well-being Messages Included on Child-Directed Ads	●

● Fulfilled ● Progress Made but Not Fulfilled ○ Not Fulfilled

KEY STATISTICS BY COMMITMENT

1. Beverages Featured in Restaurants & External Ads

Nielsen Survey Data; TV Ad Data

100% of restaurants sampled did not picture or list sodas on the Happy Meal section of menu boards.

100% of restaurants sampled did not picture or list sodas on child-directed in-store ads.

99.9% of child-directed TV ads did not mention or show images of sodas.*

2. Value Meals: Side Salad, Fruit & Vegetable Offerings

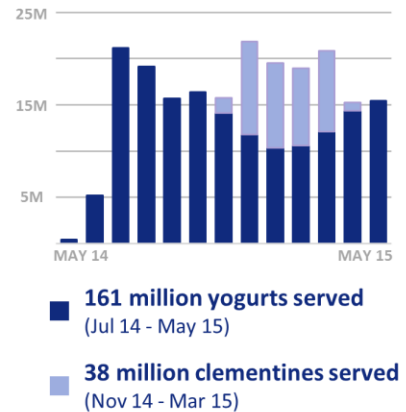
Sales Data

McDonald's reported that 2% of restaurants offered side salads in value meals in 2014; Nielsen found that 83% offered them in early 2015.



3. New Happy Meal Sides Introduced in 2014

Sales Data (Includes a la carte sales)



4. Happy Meal Boxes & Bags with Qualifying Messages

Images of Happy Meal Boxes/Bags

14 boxes/bags out of 18 dedicated a panel to a nutrition or children's well-being message, ten more than required.



5. Child-Directed Ads with Qualifying Message

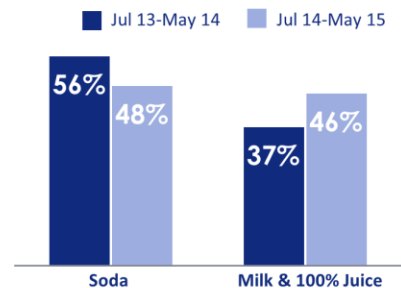
TV Ad Data



99.9% of McDonald's TV ads on programs directed to children included a fun nutrition or children's well-being message.*

IMPACT: Beverage Selections as a Percentage of Happy Meals

Sales Data



21 million

Additional milk jugs & juice boxes served in Happy Meals and a la carte from Jul 2014 - May 2015 compared to the prior year.

* The remaining ads shown during child-directed programs represent programming errors or unexpectedly high viewership among children.

McDONALD'S-ALLIANCE PARTNERSHIP: CGI COMMITMENT TO ACTION

Progress on 2020 Commitment: Italy

2014 SUMMARY OF PROGRESS BY COMMITMENT

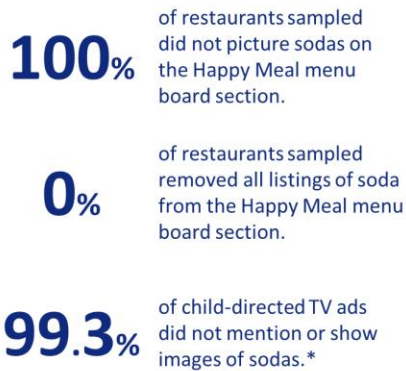
1. Water, Milk, and Juice Were the Only Happy Meal Beverages on Menu Boards & Child-Directed Ads	●
2. Side Salad, Fruit, or Vegetable Option Offered in Value Meals	●
3. New Happy Meal Packaging Designs Utilized or New Happy Meal Fruit, Vegetable, or Low-Fat Dairy Side Offered	●
4. At Least Four Happy Meal Boxes or Bags Dedicated a Panel to a Nutrition or Children's Well-Being Message	●
5. Nutrition or Children's Well-being Messages Included on Child-Directed Ads	●

● Fulfilled ● Progress Made but Not Fulfilled ○ Not Fulfilled

KEY STATISTICS BY COMMITMENT

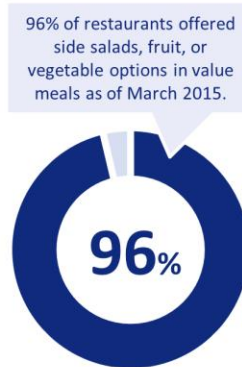
1. Beverages Featured in Restaurants & External Ads

Nielsen Survey Data; TV Ad Data



2. Value Meals: Side Salad, Fruit & Vegetable Offerings

Nielsen Survey Data



3. Qualifying Happy Meal Packaging Designs

Qualitative Data



4. Happy Meal Boxes With Qualifying Message

Images of Happy Meal Box Designs

7 boxes out of 13 dedicated a panel to a nutrition or children's well-being message, three more than required.



5. Child-Directed Ads with Qualifying Message

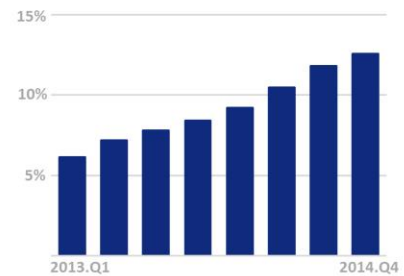
TV Ad Data



99.3% of McDonald's TV ads on programs directed to children included a fun nutrition or children's well-being message.*

IMPACT: Take Rates for Happy Meal Fruit Sides, 2013-14

Sales Data



49% Increase in average take rates of fruit sides in Happy Meals from 2013 to 2014.

* The remaining ads shown during child-directed programs represent programming errors or unexpectedly high viewership among children.

SECTION 1

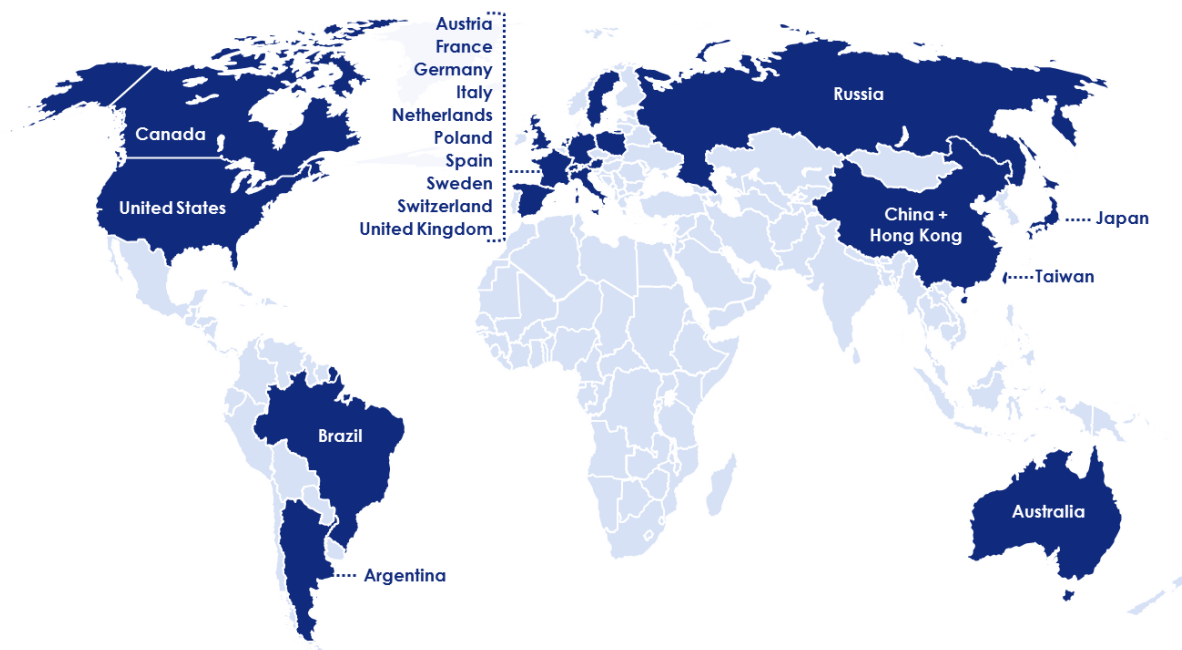
BACKGROUND

In partnership with the Alliance for a Healthier Generation (“Alliance”), McDonald’s announced a set of five global commitments as part of its Clinton Global Initiative (“CGI”) Commitment to Action. These commitments affect McDonald’s menu offerings and marketing practices to children. Specifically, they aim to increase customers’ access to fruits, vegetables, low-fat dairy, and water options and help families make informed choices in keeping with balanced lifestyles.

1.1 Market Participation

Beginning in September 2013, McDonald’s set out to achieve these commitments in 20 major markets. Together, these markets represent more than 85% of McDonald’s global sales (Figure 1).

Figure 1:
Participating Markets in McDonald’s-Alliance Partnership



1.2 Implementation Goals

McDonald’s pledged to achieve each commitment in a set number of markets by the end of 2016, 2018, and 2020. As shown in Figure 2, it agreed to:

- Fulfill Commitment 1, Commitment 2, and Commitment 4 in 10 markets by 2016 and in all markets by 2018;
- Fulfill Commitment 3 in six markets by 2016 and in 10 markets by 2018; and
- Fulfill Commitment 5 in six markets by 2016 and in 12 markets by 2018.

By 2020, all five commitments should be met in all 20 markets. Given the structure and timeline of the commitment, McDonald's, the Alliance, and Keybridge agreed to focus the first reporting year on establishing a verification methodology and reporting procedures that would be pilot tested in the United States and Italy and employed across additional markets in future years to enable verification of each interim goal.

Figure 2:
Commitment Language & Implementation Schedule

McDonald's-Alliance Partnership: CGI Commitment to Action		Number of Markets		
		2016	2018	2020
1.	Feature only water, milk and juice as the beverage in Happy Meals on menu boards and in-store and external advertising directed to children; For Happy Meals, remove all soda logos and images of cups with soda from Happy Meal section of menu boards (where it exists) and all in-store and external advertising directed to children and phase out the listing of soda on the Happy Meal section of the Menu Board. Soda will be available as a beverage option but it will not be listed on the Happy Meal section of the menu board.	10	20	20
2.	Offer side salad, fruit, or vegetable as a substitute for fries in value meals.*	10	20	20
3.	Utilize Happy Meal and other packaging innovations and designs to generate excitement for fruit, vegetable, low/reduced fat dairy or water options for kids; or offer new fruit, vegetable, low/reduced fat dairy or water option in the Happy Meal.	6	10	20
4.	Dedicate one Happy Meal box or bag panel to communicate a fun nutrition or children's well-being message (four times annually).	10	20	20
5.	100% of advertising directed to children to include a fun nutrition or children's well-being message.	6	12	20

* Only where value meals are offered.

1.3 Previous Commitments

The McDonald's-Alliance Partnership included scaling a number of best practices from one market to others. As such, McDonald's made progress towards some of the commitments in several markets by implementing agreements it made prior to September 2013, including:

- **Children's Food and Beverage Advertising Initiative ("CFBAI"):** In 2006, McDonald's USA was a charter member of the Council of Better Business Bureau's CFBAI, an industry pledge to improve the nutrition content of foods and beverages shown in advertisements directed to children. As part of this initiative, McDonald's USA committed to not feature sodas in its external advertising, which aligns with the external advertising component of CGI

Commitment 1. According to the CFBAI 2013 progress report, McDonald's USA was in compliance with this pledge.¹

- **EU Pledge:** In January 2012, McDonald's Europe began implementing the EU Pledge. Similar to the CFBAI pledge, the EU Pledge committed McDonald's European markets to only advertise to children food and beverage products that fulfill certain nutritional criteria. As part of this pledge, McDonald's Europe committed to not feature sodas in its external advertising. The 2014 monitoring report for the EU Pledge indicated widespread compliance across the 21 participating food and beverage companies, including McDonald's.²
- **Commitments to Offer Improved Nutrition Choices:** In 2011, McDonald's USA agreed to promote nutrition or active lifestyle messages in all of its national communications to children. According to the 2013 McDonald's USA Nutrition Progress Report, all of McDonald's national advertisements directed to children have included a fun nutrition or children's well-being message since January 2013.³ This component of McDonald's USA's "Commitments to Offer Improved Nutrition Choices" aligns closely with CGI Commitment 5.

¹ Elaine Kolish, Maureen Enright, and Brittany Oberdorff, "The Children's Food & Beverage Advertising Initiative in Action: A Report on Compliance and Progress During 2013," *Council of Better Business Bureaus*, December 2014. <http://www.bbb.org/globalassets/local-bbbs/council-113/media/cfbai/cfbai-2013-progress-report-dec-2014.pdf>.

² "EU Pledge 2014 Monitoring Report," *EU Pledge*, February 2014. http://www.eu-pledge.eu/sites/eu-pledge.eu/files/reports/EU_Pledge_2014_Monitoring_Report.pdf.

³ "McDonald's USA Nutrition Journey: 2013 Progress Report", *McDonald's USA*, September 2013. <http://news.mcdonalds.com/getattachment/06344ba3-94c0-4171-90ad-35f304142151>.

SECTION 2

METHODOLOGY SUMMARY

Keybridge developed a data collection and verification strategy to measure, monitor, and report progress on the McDonald's-Alliance Partnership. This strategy was pilot tested in the United States and Italy in order to help McDonald's, the Alliance, and Keybridge to understand and develop the procedures and data collection infrastructure needed to monitor progress in all 20 markets in future years. Two key features of the approach used for this inaugural verification effort include: (1) triangulation, or the strategy of collecting data from multiple sources to corroborate findings, and (2) procedures for systematically reviewing each component of the commitment.

Keybridge collected data from McDonald's and external sources to develop a comprehensive view of progress. McDonald's-reported data enabled the documentation of the exact changes taking place in restaurants and in external advertisements. For example, sales information demonstrated the introduction of particular menu items and changes in customer selections. Images and video files of menu boards, Happy Meal packaging, and in-store and external advertisements provided preliminary evidence of beverages featured, side items offered, and messages communicated.

To corroborate McDonald's-reported data, Keybridge retained The Nielsen Group ("Nielsen") to conduct observational surveys. These surveys were conducted at nationally representative, random samples of McDonald's restaurants in both markets, and McDonald's did not receive prior notification about which restaurants would be visited. Surveyors visited 100 restaurants in the United States and 81 restaurants in Italy and answered questions about menu boards, in-store advertisements, Happy Meal packaging, and the availability of certain menu items. Additionally, to verify external advertisements, Keybridge relied on reports produced by a media firm that purchases advertisements for McDonald's. These reports indicated which advertisements were shown on television programs and websites directed to children.

Keybridge employed a systematic process for reviewing the data to determine whether or not markets met each element of the commitment. Keybridge began this process by deconstructing the five commitments into a set of 12 measurable criteria, as shown in the summary results table on the following page. The next step was to develop an inventory of qualifying and non-qualifying actions based on a Glossary of Key Terms created by McDonald's in collaboration with the Alliance (See Appendix B). Keybridge then reviewed the data collected to determine if they reflect actions that satisfy particular criteria. Finally, Keybridge verified progress across criteria to determine whether the markets fulfilled the five commitments.

In some instances, the data collected showed less than 100% compliance. In such cases, a judgement was required to determine whether there was sufficient evidence to suggest that the criteria were fulfilled. To ensure transparency and enable readers to form their own opinions, the report includes all of the evidence Keybridge reviewed to assess compliance.

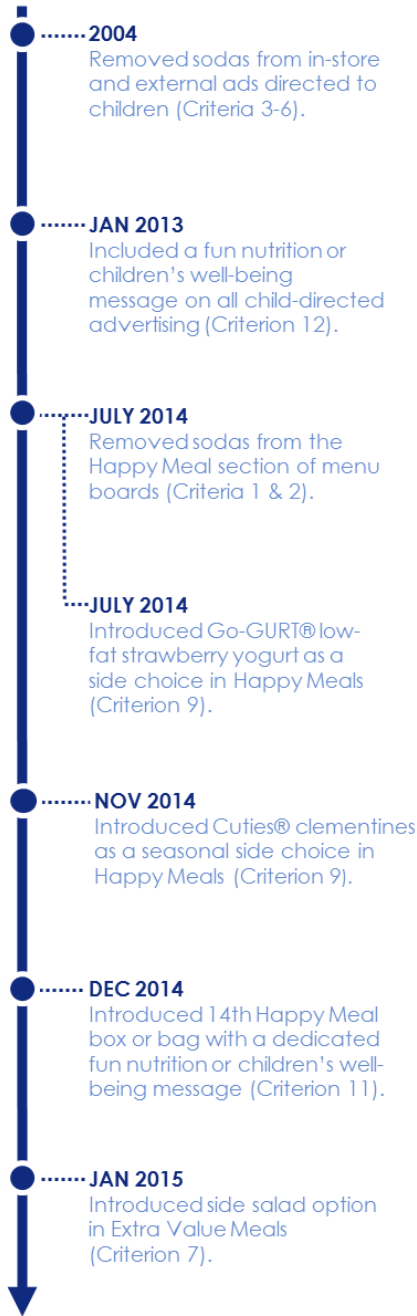
Appendix A includes a detailed explanation of Keybridge's verification strategy and the underlying data.

SECTION 3

U.S. RESULTS

TIMELINE OF ACTIONS

Description of Initiatives



2014 SUMMARY OF PROGRESS

Progress by Criteria

2014 Criteria Fulfillment in United States		
1.	Criterion 1: Happy Meal section of menu boards features only water, milk, and/or juice.	●
	Criterion 2: Happy Meal section of menu boards does not list sodas or picture soda logos or cups with soda.	●
	Criterion 3: In-store ads directed to children that display a beverage only feature water, milk, and/or juice.	●
	Criterion 4: In-store ads directed to children do not list sodas or picture soda logos or cups with soda.	●
	Criterion 5: External ads directed to children that display a beverage only feature water, milk, and/or juice.	●
	Criterion 6: External ads directed to children do not list sodas or picture soda logos or cups with soda.	●
2.	Criterion 7: A salad, fruit, or vegetable side option is offered as a substitute for fries in value meals.	○
3.	Criterion 8: Packaging innovations and designs are used to generate excitement for fruit, vegetable, low-fat dairy, or water options for children.*	
	Criterion 9: New fruit, vegetable, low-fat dairy, or water options are offered as part of the Happy Meal bundle.*	●
	Criterion 10: Fruit, vegetable, or low/reduced fat dairy sampling program or similar promotion was expanded or initiated.*	
4.	Criterion 11: Four Happy Meal boxes/bags annually dedicate a panel to a fun nutrition or children's well-being message.	●
5.	Criterion 12: All external ads directed to children include a fun nutrition or children's well-being message.	●

● Criteria Fulfilled ● Progress Made but Not Fulfilled ○ Not Fulfilled

* Need to fulfill criteria 8, 9, or 10 to comply with Commitment 3

Commitment 1: Feature only water, milk and juice as the beverage in Happy Meals on menu boards and in-store and external advertising directed to children; For Happy Meals, remove all soda logos and images of cups with soda from Happy Meal section of menu boards (where it exists) and all in-store and external advertising directed to children and phase out the listing of soda on the Happy Meal section of the menu board. Soda will be available as a beverage option but it will not be listed on the Happy Meal section of the menu board.

To achieve Commitment 1, markets must fulfill Criteria 1-6. Prior to 2014, McDonald's USA was already in compliance with Criteria 3-6 by featuring only low-fat and fat-free milk and 100% juice on in-store and external advertisements directed to children. To comply with Criteria 1 and 2, McDonald's removed sodas from the list of beverage options on the Happy Meal section of menu boards in July 2014.

1.1 McDONALD'S-REPORTED DATA

Menu Boards: McDonald's provided Keybridge with all images of the Happy Meal section of in-store and drive-thru menu boards used in restaurants during 2014. Keybridge reviewed these images, including those presented in Figure 3, and confirmed that sodas were listed on the menu boards in use prior to July 2014. However, no sodas appeared on the menu boards in use in July 2014 and after. These images featured only low-fat white milk, fat-free chocolate milk, and 100% apple juice.

In-Store Point-of-Purchase Advertisements: McDonald's reported 55 images of posters, toy display inserts, and other in-store point-of-purchase ("POP") ads directed to children. According to McDonald's, these images represent all in-store POP directed to children that were used in 2014. None of the images listed soda or featured soda logos or images of cups with soda. Meanwhile, 20 of them featured low-fat white milk, one image featured fat-free chocolate milk, and 34 images did not include a beverage.

Television Advertisements: McDonald's USA indicated that it only advertises to children through television and digital media (i.e., it does not advertise through radio programs, magazines, or other external media directed to children). McDonald's reported video files representing all television ads intended for child audiences in 2014. Keybridge reviewed these video files and

Figure 3
Sample Happy Meal Menu Board Section



found that none of them featured soda logos or images of cups with soda. All of the television ads featured low-fat white milk, fat-free chocolate milk, 100% apple juice, or some combination of these beverages.

Digital Advertisements: McDonald's USA also provided image files for all banner ads and screenshots of the landing pages for happymeal.com and the McPlay app. These images were organized by Happy Meal promotion (e.g., Spiderman, Hot Wheels/Barbie, etc.). Across the 15 promotions that ran in 2014, none of the banner ads on third-party sites or landing pages on company-owned sites and mobile apps showed soda logos or images of cups with soda. All of the banner ads, most of the happymeal.com landing page screenshots, and one of the McPlay app landing pages featured low-fat white milk, fat-free chocolate milk, or 100% apple juice. The remaining landing pages did not feature any beverage.

1.2 EXTERNAL VERIFICATION DATA

Menu Boards: The Nielsen survey confirmed the removal of sodas from the Happy Meal section of menu boards. None of the 100 restaurants surveyed in February 2015 listed soda or featured soda logos or images of cups with soda on the Happy Meal section of menu boards. The survey results also showed that menu boards in 98 of the restaurants listed only low-fat white milk, fat-free chocolate milk, and 100% apple juice as the beverage options available in Happy Meals and the remaining two restaurants did not list any beverages available with Happy Meals. Together these results confirm that McDonald's USA satisfied Criteria 1 and 2.

In-Store Point-of-Purchase Advertisements: According to the Nielsen survey, 83 of the 100 stores had toy displays, Happy Meal posters, or both. None of the toy displays or posters listed sodas or featured images of soda logos or images of cups with soda. Almost half (45%) of the merchandisers and one-third (30%) of Happy Meal posters featured low-fat or fat-free milk or 100% juice, while the remaining displays and posters did not feature any beverages.

Television Advertisements: To verify that external ads directed to children featured only water, milk, and juice, Keybridge relied on reports provided by OMD, a global media communications agency that purchases advertisements for McDonald's. The television report lists all McDonald's ads that were shown during programs with an audience of 30% or more of children under age 12.⁴ According to this report, the television ads reported by McDonald's represented more than 99.9% of all McDonald's ads shown during programs directed to children in 2014. None of these advertisements mentioned sodas or featured images of sodas. The remaining advertisements that were shown during programs directed to children represent either programming errors (e.g.,

⁴ For the U.S., the definition of "directed to children" comes from the U.S. Food Pledge. It includes television programs with an expected audience of 30% or more of children under the age of 12 years, which is more stringent than the 35% threshold included in the definition for this commitment. See definition 1H in the Appendix B for more information.

the network mistakenly showed the wrong advertisement) or unexpected high viewership among children. Those ads, therefore, may have featured sodas.⁵

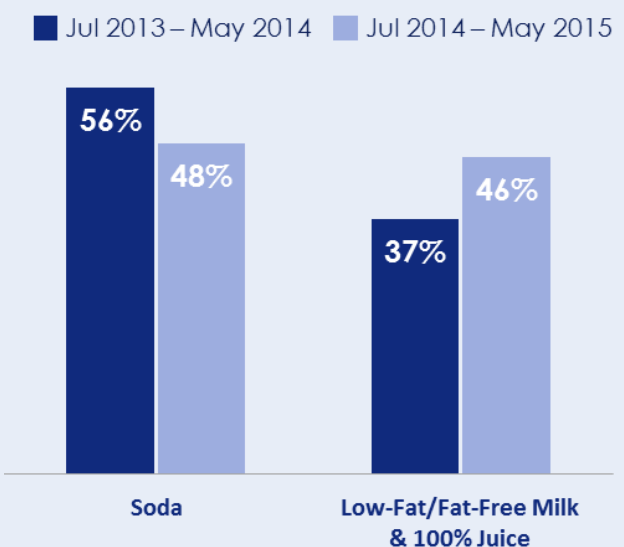
Digital Advertisements: Keybridge reviewed a similar report that lists the McDonald's ads present on third-party children's web-sites (e.g., nick.com, cartoonnetwork.com) and identifies the number of impressions (i.e., times that an advertisement was displayed on a website) associated with each promotion. This report listed the same 15 digital Happy Meal promotions that were reported by McDonald's. None of those digital advertisements included sodas, while 34% featured juice and 66% featured low-fat or fat-free milk.

The Impact of Menu Board Changes in Beverage Selections

Sales data reported by McDonald's USA sheds light on potential impacts of the McDonald's-Alliance Partnership. Data on monthly "take rates", or the frequency with which a specific product is selected as part of the Happy Meal, show that when McDonald's removed sodas from the list of Happy Meal beverage options shown on menu boards, there was an increase in the percentage of customers who selected either milk or juice with their Happy Meals. Specifically, take rates for low-fat white milk, fat-free chocolate milk, and 100% apple juice increased nine percentage points from 37% to 46% in the first 11 months following the change in menu boards (July 2014 – May 2015). Meanwhile, the take rates for sodas fell from 56% to 48%. This shift in take rates contributed to a 21 million unit increase in the total number of milks and juices served in Happy Meals and a la carte.

By switching from an extra small size (12 ounce) soda to low-fat white milk or fat-free chocolate milk, children get an additional 30% of the daily recommended amount of calcium and 10% of their recommended vitamin A. By switching to a carton of 100% apple juice, children receive 100% of the recommended daily intake for Vitamin C and 10% of the daily recommended amount of calcium.

Take Rates for Milk, Juice, Soda % of Happy Meals



⁵ In response to these results, McDonald's indicated that it works with their media consultants and the networks to identify the reasons for every advertisement that mistakenly appears on programming directed to children. McDonald's then implements strategies to reduce such occurrences in the future.

Commitment 2: Offer side salad, fruit, or vegetable as a substitute for fries in value meals.

In 2014, most McDonald's USA restaurants did not offer a side salad, fruit, or vegetable option as part of the Extra Value Meal ("EVM") bundle, and it therefore did not fulfill Commitment 2 in that year. In January 2015, however, McDonald's USA began offering side salads as an alternative to fries in EVMs.

2.1 McDONALD'S-REPORTED DATA

Menu Boards: McDonald's provided Keybridge with images of the EVM section of in-store and drive-thru menu boards. The designs showed fries as the only side option available in the EVM bundle. In contrast, the EVM menu board images that McDonald's reported using in January 2015 offered customers a choice between side salads and fries in the EVM bundle.

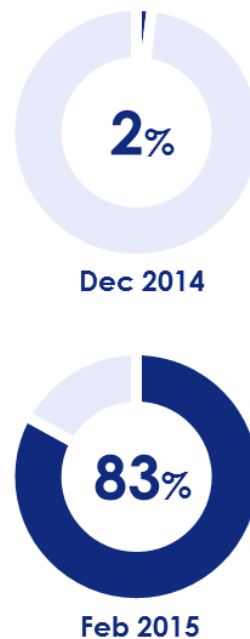
Sales Data: Additionally, McDonald's supplied Keybridge with sales data that were used to estimate the number of restaurants offering side salads as part of the EVM in 2014. Based on this data, Keybridge estimates that less than two percent of McDonald's restaurants in the United States offered side salads in 2014 (Figure 4).

2.2 EXTERNAL VERIFICATION DATA

As of mid-February 2015, the Nielsen survey results showed that 83 of 100 restaurants included side salads, vegetables, or fruit as a potential substitute for fries on the EVM section of menu boards. Seventy-three of these restaurants offered side salads only, one offered a vegetable option only, and nine offered multiple side salad, fruit, or vegetable options. In the remaining 17 restaurants, fries were the only side option available.

The survey also asked whether the EVMs with a side salad, fruit, or vegetable cost more than an EVM with fries. While this price parity was not required by the commitment, the survey found that only four of the 83 restaurants that offered a side salad, fruit, or vegetable charged more for this substitution.

Figure 4
Side Salads in Value Meals
% of Restaurants



Commitment 3: Utilize Happy Meal and other packaging innovations and designs to generate excitement for fruit, vegetable, low/ reduced fat dairy or water options for kids or offer new fruit, vegetable, low/ reduced fat dairy, or water option in the Happy Meal.

To fulfill Commitment 3, markets must satisfy Criteria 8, 9, or 10. McDonald's USA satisfied Criterion 9 by offering new fruit and low-fat dairy side options in Happy Meals: Go-GURT® low-fat strawberry yogurt and Cuties® clementines. McDonald's USA also met Criterion 8 through its use of a Happy Meal packaging innovation to generate excitement for fruits and vegetables.

3.1 McDONALD'S-REPORTED DATA

In 2014, McDonald's USA reported the introduction of new low-fat dairy and fruit side options in Happy Meals. In the United States, the Happy Meal bundle consists of an entrée, a beverage, a "kid size" portion of fries, and a fourth item. Since 2012, this fourth item had been apple slices. In 2014, restaurants introduced Go-GURT® low-fat strawberry yogurt, which contains 25% less sugar than the retail version, and Cuties® clementines as additional alternatives.⁶ Yogurt was introduced in July 2014 and remains a side option for Happy Meals, while clementines were offered while they were in season from November 2014 through March 2015.

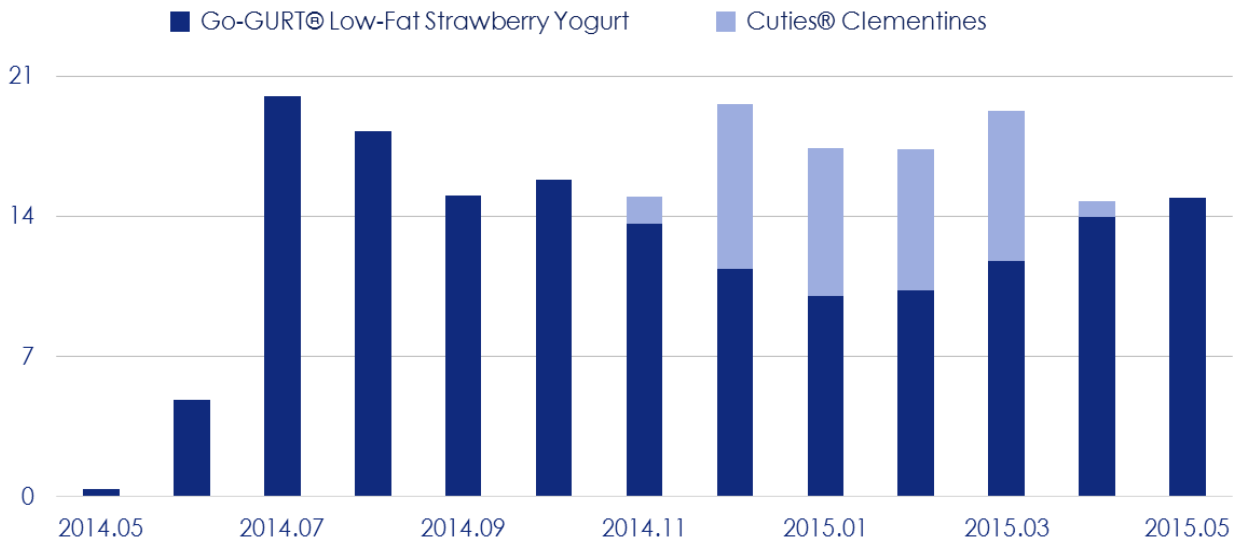
Television Advertisements: McDonald's USA reported video files that represented all the television ads intended for child audiences in 2014. Keybridge reviewed these advertisements and found that nearly half featured yogurt or clementines, while the remaining advertisements featured apple slices.

Menu Boards: McDonald's USA provided Keybridge with images of the Happy Meal section of in-store and drive-thru menu boards used in restaurants during 2014. These images revealed that all of the menu boards scheduled for use between July and October 2014 listed yogurt and apple slices as side options. The menu boards scheduled for use in November and December 2014 listed clementines as a third side option.

Sales Data: McDonald's USA reported monthly data on the total units of Happy Meal side items served in 2014. The data confirmed the introduction of yogurt and clementines as side options in Happy Meals in July 2014 and November 2014, respectively. Across all McDonald's USA restaurants, 161 million yogurts were served from July 2014 to May 2015 and 38 million clementines were served while they were in season from November 2014 to March 2015, including both Happy Meal and a la carte sales (Figure 5).

⁶ The Go-GURT® low-fat strawberry yogurt available at McDonald's has 6g of sugar per 2.25 oz., while the leading children's yogurt has 9g of sugar per 2.25 oz.

Figure 5
New Happy Meal Side Item Served
In Millions (Includes a la carte sales)



Happy Meal Packaging & Digital Interaction Data: McDonald's also provided data to illustrate its fulfillment of Criterion 8. Images of the Happy Meal packaging used in March 2014 showed a Quick Response (QR) code that customers could use to access a game featuring the Mr. Peabody & Sherman characters interacting with fruits and vegetables. Screenshots of the game illustrated that the game's objective was to collect fruits and vegetables in a basket, an activity intended to promote fruit and vegetable consumption. Furthermore, usage statistics show that the McPlay app – the mobile app through which all McDonald's USA games intended for children are accessed – was downloaded almost 25% more frequently during the Mr. Peabody & Sherman promotion than it was during other Happy Meal promotions.

3.2 EXTERNAL VERIFICATION DATA

Restaurant Surveys: The Nielsen survey results confirmed the availability of yogurt and clementines in two ways. First, surveyors listed the side items shown on the Happy Meal section of menu boards and asked a restaurant employee if there were any side items not listed but available with Happy Meals. Of the 100 restaurants surveyed, 97 offered yogurt and 98 offered clementines. All 100 restaurants offered apple slices. Second, the surveyors purchased Happy Meals with different sides and confirmed the availability of these new side options.

Digital Media Data: Keybridge reviewed online videos posted by customers demonstrating how to play the Mr. Peabody & Sherman game. Furthermore, press releases announcing the Mr. Peabody & Sherman promotion and online discussions of the game were posted in March 2014, the period when the game was first available on the McPlay app. Since Keybridge began work in May 2014, this after-the-fact review of online evidence of the digital game's presence in the market was a temporary solution. In future years, Keybridge will directly track each market's use of digital strategies that satisfy Criterion 8.

Commitment 4: Dedicate one Happy Meal box or bag panel to communicate a fun nutrition or children's well-being message (four times annually).

In 2014, McDonald's USA introduced 11 Happy Meal boxes and three Happy Meal bags that dedicated a panel to a fun nutrition or children's well-being message, exceeding the four box requirement to fulfill this commitment.

4.1 McDONALD'S-REPORTED DATA

McDonald's USA reported that it began including fun nutrition and children's well-being messages on all Happy Meal boxes and bags in early 2013. To demonstrate progress, McDonald's provided images of all 18 Happy Meal containers in circulation during 2014, including 14 boxes, three bags, and one Halloween pail. Of these images, Keybridge found that 11 boxes included a panel dedicated to communicating a nutrition message, such as: "Fruits are filled with nutrients that can help you be at the top of your game" and "Be strong like a hero, choose milk". The remaining three boxes included nutrition messages, but these messages were not prominently featured on the panel. In addition to the boxes, McDonald's introduced three Happy Meal bags in 2014, which were used when boxes ran out. The three bags included front or back panels with qualifying messages.

4.2 EXTERNAL VERIFICATION DATA

Validating each qualifying Happy Meal box or bag while it was in circulation would have required conducting restaurant surveys throughout the year. As a more efficient alternative, Keybridge used a one-time survey to validate McDonald's implementation schedule for introducing boxes and bags in restaurants. The Nielsen survey results show that the Happy Meal box reported to be in use was, in fact, the box used by most McDonald's restaurants. Nielsen surveyors ordered Happy Meals and compared the box or bag received to the designs provided by McDonald's. Ninety-two of the 100 restaurants surveyed delivered the Happy Meal in the box intended for use during that period. Four restaurants utilized the box intended for use during the previous month and four stores utilized other boxes or bags. While this survey approach could not directly verify the use of all qualifying Happy Meal boxes and bags, it verified that the implementation schedule reported by McDonald's was followed by most restaurants.

Commitment 5: 100% of advertising directed to children to include a fun nutrition or children's well-being message.

In 2014, more than 99.9% of McDonald's USA's television advertisements and 100% of its digital advertisements directed to children included a fun nutrition or children's well-being message, thereby fulfilling Commitment 5 in 2014.

5.1 McDONALD'S-REPORTED DATA

McDonald's indicated that it only advertises to children through television and digital media in the United States. All advertisements on these media have included a fun nutrition or children's well-being message since January 2013.⁷ Although this claim is already monitored as part of a previous pledge, Keybridge collected and reviewed materials to confirm the claim for 2014.

Television Advertisements: McDonald's provided video files of all 2014 television advertisements that were intended for child audiences. Keybridge reviewed these advertisements and found that more than 90% included a specific fun nutrition or children's well-being message. The remaining advertisements showed Happy or a licensed character engaging in a fun way with fruit, vegetables, or dairy, which also fulfills Commitment 5.

Digital Advertisements: McDonald's USA also provided image files for all banner ads and screenshots of the landing pages for happymeal.com and the McPlay app. Across the 15 digital promotions that McDonald's reported running, Keybridge found that every banner ad for third-party sites and all of the landing pages for both happymeal.com and the McPlay app included either a fun nutrition or children's well-being message.

5.2 EXTERNAL VERIFICATION DATA

Television Advertisements: To verify Commitment 5, Keybridge relied on reports prepared by OMD, a global media communications agency. The television reports provided by OMD list all McDonald's USA ads that were "directed to children". The company-reported ads described above represented more than 99.9% of all McDonald's ads shown during programs directed to children (Figure 6). All of these advertisements included a fun nutrition or children's well-being message. The remaining advertisements that were inadvertently shown during programs directed to children may not have included a nutrition or children's well-being message. As was explained for Commitment 1, the showing of these advertisements represents either programming errors (e.g., the network mistakenly showed the wrong advertisement) or unexpectedly high viewership among children.

⁷ "McDonald's USA Nutrition Journey: 2013 Progress Report", *McDonald's USA*, September 2013. <http://news.mcdonalds.com/getattachment/06344ba3-94c0-4171-90ad-35f304142151>.

Digital Advertisements: To verify the messaging included on digital ads directed to children, Keybridge reviewed a similar report listing McDonald's digital promotions that were viewed on third-party websites directed to children. The report also identifies the number of impressions associated with each promotion on those websites. This report confirmed that the advertisements shown on those sites were the same 15 digital promotions reported by McDonald's, all of which included a fun nutrition or children's well-being message.

Figure 6
External Ads Directed to Children
% of McDonald's Advertisements



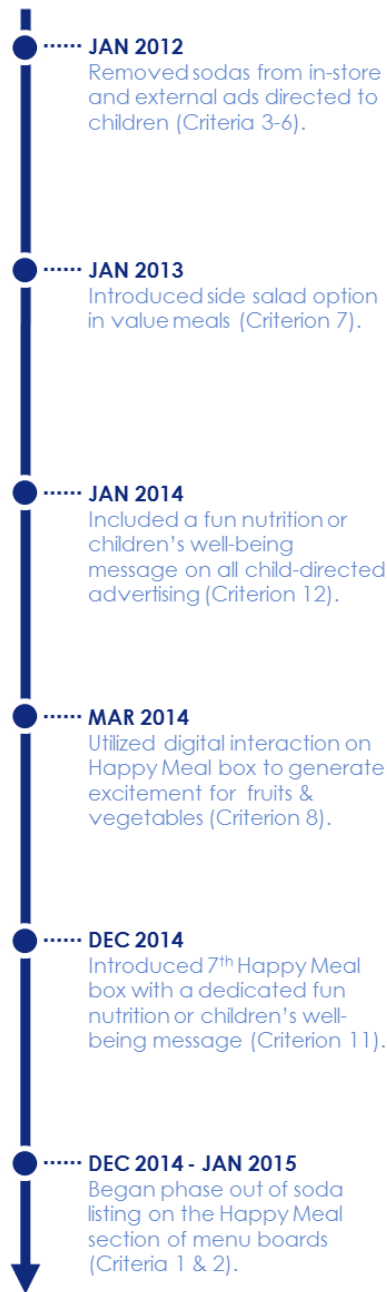
* The remaining 0.1% of ads that were shown during child-directed programs represent programming errors or unexpectedly high viewership among children.

SECTION 4

ITALY RESULTS

TIMELINE OF ACTIONS

Description of Initiatives



2014 SUMMARY OF PROGRESS

Progress by Criteria

2014 Criteria Fulfillment in Italy		
1.	Criterion 1: Happy Meal section of menu boards features only water, milk, and/or juice.	○
	Criterion 2: Happy Meal section of menu boards does not list sodas or picture soda logos or cups with soda.	○
	Criterion 3: In-store ads directed to children that display a beverage only feature water, milk, and/or juice.	●
	Criterion 4: In-store ads directed to children do not list sodas or picture soda logos or cups with soda.	●
	Criterion 5: External ads directed to children that display a beverage only feature water, milk, and/or juice.	●
	Criterion 6: External ads directed to children do not list sodas or picture soda logos or cups with soda.	●
2.	Criterion 7: A salad, fruit, or vegetable side option is offered as a substitute for fries in value meals.	●
	Criterion 8: Packaging innovations and designs are used to generate excitement for fruit, vegetable, low-fat dairy, or water options for children.*	
3.	Criterion 9: New fruit, vegetable, low-fat dairy, or water options are offered as part of the Happy Meal bundle.*	●
	Criterion 10: Fruit, vegetable, or low/reduced fat dairy sampling program or similar promotion was expanded or initiated.*	
4.	Criterion 11: Four Happy Meal boxes/bags annually dedicate a panel to a fun nutrition or children's well-being message.	●
5.	Criterion 12: All external ads directed to children include a fun nutrition or children's well-being message.	●

● Criteria Fulfilled ○ Progress Made but Not Fulfilled ○ Not Fulfilled

* Need to fulfill criteria 8, 9, or 10 to comply with Commitment 3

Commitment 1: Feature only water, milk and juice as the beverage in Happy Meals on menu boards and in-store and external advertising directed to children; For Happy Meals, remove all soda logos and images of cups with soda from Happy Meal section of menu boards (where it exists) and all in-store and external advertising directed to children and phase out the listing of soda on the Happy Meal section of the menu board. Soda will be available as a beverage option but it will not be listed on the Happy Meal section of the menu board.

To fulfill Commitment 1, markets must satisfy Criteria 1-6. In 2014, McDonald's Italy met Criteria 3-6 by not featuring sodas on in-store and external ads directed to children. McDonald's Italy also made progress toward meeting Criteria 1-2 at the end of 2014 when it removed soda logos from the Happy Meal section of menu boards. However, in this initial phase out, it did not remove the listing of juice with added sugar on those menu boards and therefore Criteria 1 and 2 have not been satisfied.

1.1 McDONALD'S-REPORTED DATA

Menu Boards: McDonald's Italy provided Keybridge with images of the Happy Meal section of in-store and drive-thru menu boards used in 2014. These menu boards listed peach juice and showed logos of the following beverages: Coca-Cola, Coca-Cola Zero, Fanta, Sprite, Lipton Iced Tea, and Lilia bottled water. McDonald's also provided images of menu boards planned for use in its restaurants beginning December 31, 2014. As shown in Figure 7, the new Happy meal menu board section does not include beverage logos and lists the following options: water, peach juice, and "beverage of choice." The change that was introduced at the end of December 2014 represents progress. Additional effort is needed to complete the phase out of sodas in order to fulfill Commitment 1, including the removal of two listings: (1) peach juice, which includes added sugar and (2) the term "beverage of choice", which can be interpreted as referencing soda.

In-Store Point-of-Purchase Advertisements:

McDonald's Italy reported 48 images of Happy Meal posters and toy display inserts. According to McDonald's, these images represent all in-store POP directed to children in use during 2014. Forty-seven of these images do not picture a beverage, and one image shows a reusable cup with a beverage that appeared to be water.

Figure 7
Sample Happy Meal Menu Board Section



Television Advertisements: McDonald's Italy reported that television is the primary media through which it advertises to children. McDonald's reported all video files of television ads intended for child audiences in 2014. Keybridge reviewed these video files and found that none featured soda logos or images of cups with soda and one commercial showed a cup with a beverage that appeared to be water.

Digital Advertisements: According to McDonald's Italy, the only other type of external advertising directed to children occurred through the Happy Studio website and mobile app. McDonald's reported that this company-owned website and app did not feature any food or beverage products.

1.2 EXTERNAL VERIFICATION DATA

Menu Boards: To independently corroborate the reported changes to menu boards, Keybridge commissioned Nielsen to conduct a restaurant survey in March 2015. Surveyors were asked whether the Happy Meal section of menu boards pictured or listed sodas. The surveys completed at 21 of the 81 restaurants indicated that sodas were listed on the menu board. As a follow-up to this general question, surveyors were asked to indicate which beverages were listed on the Happy Meal section of menu boards: (1) peach juice, (2) water, (3) sodas (e.g., Coca-Cola, Coca-Cola Zero, Sprite, and Fanta), and (4) "beverage of choice". The surveys from 14 of the 21 restaurants that indicated sodas were listed on the menu boards in response to the first question did not select the soda option in response to the second question. Follow-up interviews with the Nielsen survey team about these conflicting results indicated that the Italian term for "beverage of choice" can be interpreted as referencing soda, which likely explains the conflicting results.

In-Store Point-of-Purchase Advertisements: According to the Nielsen survey, 72 of the 81 restaurants had a toy display, Happy Meal posters, or both. Of those 72 restaurants, 70 did not feature any beverages on the toy display and Happy Meal posters. At the remaining two restaurants, the survey results showed that Happy Meal posters featured a beverage and that in one case the beverage was a soda. If this survey result is correct, the restaurant would not meet the criteria. This finding, however, is an outlier that represents either an error by the surveyor or restaurant management.⁸ Based on the findings from the other 71 restaurants, Keybridge determined that McDonald's Italy satisfied Criteria 3 and 4.

Television Advertisements: To verify the television ads, Keybridge worked with OMD, a global media communications agency. OMD sent Keybridge a list of all McDonald's television ads shown during Q4 of 2014.⁹ Keybridge identified all of those advertisements that were "directed to children" (i.e., all advertisements shown during programs with an audience of 35% or more of

⁸ Similarly anomalous findings in the U.S. led Keybridge to conduct follow-up restaurant visits. After the follow-up, surveyors indicated that their initial responses were likely incorrect and that neither the Happy Meal posters nor toy merchandisers featured sodas. The same may have been true at this Italy restaurant. Section 5 of this report outlines a revised survey strategy that will be implemented next year to help reduce surveyor error.

⁹ The data for Q4 is a sample that is representative of 2014. Keybridge selected Q4 in order to streamline the data collection procedure with the verification effort for the EU Pledge.

children under age 12). Keybridge then reviewed this list and found that 93% of child-directed McDonald's ads over this time period were Happy Meal ads that did not feature sodas. Of the remaining 7%, many of these advertisements ran between 9pm and 6am, when children are less likely to watch television. Most of the others ran on programs where the audience was too small to provide reliable audience composition data. Limiting the set of advertisements to only those that aired between 6am and 9pm and during programs where there was reliable audience data, Keybridge found that 99.3% were Happy Meal ads.¹⁰

Digital Advertisements: OMD also confirmed that McDonald's Italy does not advertise to children through media other than television and McDonald's-owned websites and mobile apps. Keybridge reviewed the Happy Studio website and app to ensure that sodas and other beverages with added sugar are not featured on those websites. Monthly audits of this website and app beginning in January 2015 confirmed that no food or beverages are featured.

¹⁰ Keybridge used a threshold of one Gross Rating Point ("GRP"). A program with a GRP of less than one is watched by less than 1% of the population ages 5-11. Given the small population, the data on these programs is considered unreliable. Keybridge used this threshold to align with the methodology used to verify compliance with the EU Pledge.

Commitment 2: Offer side salad, fruit, or vegetable as a substitute for fries in value meals.

McDonald's Italy fulfilled Commitment 2 in 2014 by offering side salad, fruit, or vegetable options as alternatives to fries in value meals (i.e., McMENU® and McMENU® CLASSIC). Side salads were the most commonly offered among those options.

2.1 McDONALD'S-REPORTED DATA

McDonald's Italy provided Keybridge with three versions of the value meal sections of in-store and drive-thru menu boards. These three versions were used at different times of the year and together represent all designs used in 2014. Each version offered customers a choice between a side salad and fries as a side option in the value meal (Figure 8).

Figure 8
Sample Value Meal Menu Board Section



2.2 EXTERNAL VERIFICATION DATA

Of the 81 McDonald's restaurants surveyed in Italy, 78 listed side salads, a fruit option, or a vegetable option as a potential substitute for fries on the value meal section of menu boards. Of those restaurants, 68 offered a side salad only, three offered different vegetable or fruit side options only, and seven offered a side salad and one or more other fruit or vegetable options. In the remaining three restaurants, fries were the only side option available in value meals. With 96% of sampled restaurants offering at least one salad, fruit, or vegetable side option in value meals, Keybridge determined that Commitment 2 had been fulfilled in Italy.

Commitment 3: Utilize Happy Meal and other packaging innovations and designs to generate excitement for fruit, vegetable, low/ reduced fat dairy or water options for kids; or offer new fruit, vegetable, low/ reduced fat dairy, or water option in the Happy Meal.

To fulfill Commitment 3, markets must satisfy Criteria 8, 9, or 10. McDonald's Italy met Criterion 8 by using three packaging innovations to promote fruit and vegetables, although only one such innovation was required.

3.1 McDONALD'S REPORTED DATA

McDonald's Italy reported that it used Happy Meal packaging innovations to generate excitement for fruits and vegetables in 2014. These innovations were implemented during two Happy Meal promotions: Mr. Peabody & Sherman (March-April 2014) and Cut-the-Rope (June-July 2014). For both promotions, McDonald's utilized Quick Response (QR) codes on Happy Meal boxes to direct customers to the digital games. These games featured popular characters interacting with fruits and vegetables.¹¹ The third qualifying action was the use of Happy Meal premiums (i.e., often referred to as the toy) as part of the Cut-the-Rope promotion. Each Happy Meal bundle included a utensil, such as a banana slicer and juicer, that encouraged fruit and vegetable consumption.

McDonald's provided Keybridge with images of the two qualifying Happy Meal boxes and images of the eight Cut-the-Rope fruit utensils. It also provided digital app usage data showing average weekly downloads of the Happy Studio app for the year, as well as during the Cut-the-Rope and Mr. Peabody and Sherman promotions specifically.

3.2 EXTERNAL VERIFICATION DATA

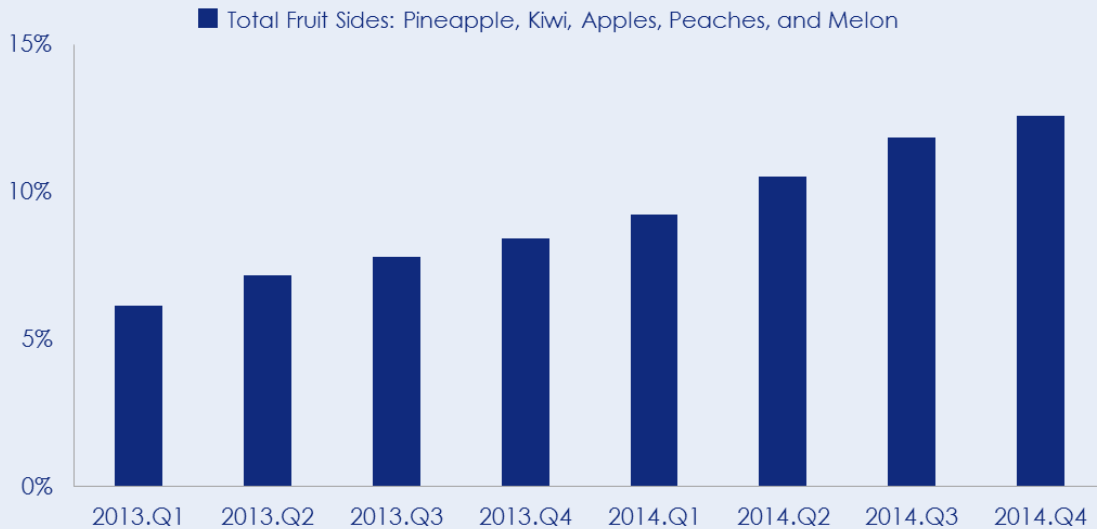
Keybridge reviewed online videos posted by game users of the Mr. Peabody & Sherman and Cut-the-Rope digital games. Additionally, press releases from McDonald's and Zeptolab, the creator of Cut-the-Rope, further confirmed the presence of these games and the fruit utensil premiums in Italy during the reported time periods. This retrospective review of web evidence to independently verify the existence of these packaging innovations was needed because the qualifying promotions occurred just before and soon after Keybridge was retained to conduct this evaluation (i.e., before the development of monitoring procedures). Keybridge has since begun independently tracking each market's use of digital strategies that qualify with Criterion 8 through regular reviews of all child-directed McDonald's websites and apps.

¹¹ The original Cut-the-Rope game features a character "Om Nom" who catches and eats candy. The McDonald's version of Cut-the-Rope features Om Nom eating fruits and vegetables instead of candy. For details about the Mr. Peabody & Sherman game, see the U.S. results section.

Increase in Fruit Selections in Happy Meals

Orders of fruit sides at McDonald's restaurants in Italy have increased steadily over the last two years. McDonald's Italy reported monthly data on the total units of Happy Meal side and dessert items, including seasonal fruit options, cheese, and low-fat yogurt. Although these options were introduced prior to September 2013, and therefore do not count towards Criterion 9, data on take rates of Happy Meal side items shed light on potential impacts of recent efforts by McDonald's Italy to promote fruit. The data show that low-fat yogurt is the most popular dessert item, followed by cheese, and then fresh fruit. The data also show that fruit is steadily gaining in popularity. Between 2013 and 2014, take rates for fruit served as part of a Happy Meal increased by nearly 50 percent (49.3%). This growth could be a sign that McDonald's efforts to encourage fruit consumption are succeeding, though take rates for fruit are still lower than take rates for yogurt and cheese. As more data become available in future years – through the collection of data over longer time horizons and from additional markets – Keybridge may be able to form more definitive conclusions about the impacts of this commitment on fruit and vegetable purchases.

Take Rates for Happy Meal Fruit Sides in Italy *% of Happy Meals*



Commitment 4: Dedicate one Happy Meal box or bag panel to communicate a fun nutrition or children's well-being message (four times annually).

In 2014, McDonald's Italy exceeded the required effort for Commitment 4 by introducing seven Happy Meal boxes with a panel dedicated to a fun nutrition or children's well-being message.

4.1 McDONALD'S-REPORTED DATA

McDonald's Italy provided images of boxes related to each of the 12 Happy Meal promotions in 2014. Seven of these promotions used Happy Meal boxes that included a panel dedicated to a children's well-being message. The messages on all seven boxes promoted the "joy of reading" by directing children to free digital books on the Happy Studio website. For example, Figure 9 offers an illustration of how McDonald's promoted interactive digital books on the Happy Meal box. In addition to the promotion-specific Happy Meal boxes, McDonald's reported using a generic Happy Meal box, which restaurants use as a back-up. The generic Happy Meal box developed for 2014 did not include a qualifying message.

Figure 9
Sample Happy Meal Box



4.2 EXTERNAL VERIFICATION DATA

Keybridge used the restaurant survey to validate McDonald's implementation schedule for introducing Happy Meal boxes in restaurants. According to the Nielsen survey, 75 out of 81 restaurants used the Happy Meal box design intended for that period. Five restaurants delivered the Happy Meal in a generic box and one used a box from another period. This annual survey approach could not directly verify whether all seven qualifying Happy Meal boxes were used. However, this survey served as a check on the implementation schedule reported by McDonald's for utilizing the Happy Meal box designs.

Commitment 5: 100% of advertising directed to children to include a fun nutrition or children's well-being message.

McDonald's Italy fulfilled Commitment 5 by including a fun nutrition or children's well-being message in all external ads directed to children. More than 99.3% of child-directed television ads included qualifying messages, while the Happy Studio website and mobile app featured activities that promoted child well-being.

5.1 McDONALD'S-REPORTED DATA

Television Advertisements: McDonald's provided Keybridge with video files of all television ads introduced in 2014 and intended for child audiences in Italy. Keybridge reviewed these advertisements and found that all of them included fun nutrition or children's well-being messages. Specifically, two-thirds of them encouraged the consumption of fruits and vegetables and the other third promoted the "joy of reading."

Digital Advertisements: McDonald's Italy reported that it does not advertise on third-party websites and that the only digital media through which it communicates with children are the Happy Studio website and app. It also provided a document that explains how the games and activities available on the site are designed to promote children's development. Keybridge reviewed this document during Keybridge's independent assessment of the website.

5.2 EXTERNAL VERIFICATION DATA

Television Advertisements: To verify that McDonald's television ads included qualifying messages, Keybridge analyzed a list of all McDonald's television advertisements shown during Q4 of 2014. Keybridge first identified all advertisements that were "directed to children" (i.e., ads shown during programs with an audience of 35% or more of children under age 12). As discussed in the review of Commitment 1, Keybridge only reviewed ads that were shown between 6am and 9pm and on programs with reliable audience composition data. With these parameters, Keybridge found that the Happy Meal ads reported by McDonald's, all of which included a fun nutrition or children's well-being message, represented more than 99.3% of the advertisements directed to children in 2014.

Digital Advertisements: For digital ads, OMD confirmed that McDonald's Italy did not purchase any advertisements on third-party websites directed to children. Given this confirmation, Keybridge only reviewed company-owned digital media directed to children, which includes the Happy Studio website and app. The site and app did not, apart from a few games like the Cut-the-Rope game discussed above, feature any foods, beverages, or nutrition messages. It did, however, feature books, games, and other activities that promote child well-being. The site also included a parent's portal that summarizes the child's activity on the website and the skill areas promoted by those activities (e.g., literacy, math, etc.). Finally, every page on the website featured a link to free eBooks. Keybridge reviewed the website and worked with staff from the Alliance to confirm that the content featured on Happy Studio promoted children's well-being and fulfilled the intent of Commitment 5.

SECTION 5

LEARNINGS FROM INITIAL VERIFICATION EFFORT

Keybridge viewed the 2014 verification effort as a year for designing, testing, and refining. Since May 2014, Keybridge has worked to construct an approach that can be deployed across all twenty markets participating in the McDonald's-Alliance Partnership. After identifying sources of data to verify compliance, Keybridge selected the most promising approach and then pilot tested it in the United States and Italy. In the course of completing this inaugural analysis and report, a number of key insights were identified. Specifically, there are three areas where the learnings from this year will influence the design of the verification strategy in future years.

- (1) Collecting Independent Data on Digital Advertisements:** In this first year, Keybridge relied on company-reported data to verify some aspects of Commitment 1 and Commitment 5. McDonald's provided Keybridge with screenshots and other data related to digital ads directed to children on company-owned websites and mobile apps, including happymeal.com and the McPlay app. Keybridge viewed this data collection effort procedure as a temporary solution. Beginning in 2015, Keybridge has a system in place to independently track and capture changes to McDonald's-owned websites and mobile apps directed to children.
- (2) Implementing Internal Checks to Ensure Consistency Across Surveyors:** Initial results from the restaurant survey conducted by Nielsen revealed the need to build in additional checks to ensure consistent interpretation of survey questions across surveyors. A strategy utilized this year included asking redundant questions. Keybridge also considered having surveyors take pictures of menu boards and in-store ads that do not meet certain specifications (e.g., the listing of sodas on the Happy Meal section of menu boards), but decided against such an approach in order to minimize intrusiveness at restaurants. The results of the first surveys demonstrated differences in how surveyors interpreted and responded to questions, and led to the need for Nielsen to follow up with individual surveyors and revisit some restaurants. Taking photos during future surveys will greatly enhance our ability to ensure consistency among the surveyors' responses without the need to revisit restaurants or follow up with individual surveyors.
- (3) Measuring Broader Impacts:** Keybridge's primary objective is to measure and verify implementation of the commitment. Another area of interest for Keybridge, the Alliance, and McDonald's is examining the potential impact of the commitment on broader trends, such as consumer behavior. In this first year, Keybridge collected sales data to measure changes in beverage take rates before and after sodas were removed from the Happy Meal section of menu boards. The data illustrate how the menu board change corresponded closely with shifts in take rates for different beverages. As McDonald's continues to implement the commitments in additional markets, Keybridge intends to continue exploring broader impacts of these actions.

APPENDIX A

DETAILED METHODOLOGY

For the 2014 progress report, Keybridge developed an analytical approach to measure, monitor, and report progress on the McDonald's-Alliance Partnership. This strategy was pilot tested in the United States and Italy, two markets selected based on their relative size and location. Testing the data collection procedures in two markets during the first year enabled Keybridge to refine the methodology and data collection infrastructure to efficiently and effectively monitor progress in all 20 markets in future years.

I. ANALYTICAL APPROACH

Keybridge's analytical approach for measuring and validating McDonald's progress towards fulfilling the commitments consisted of two key features: (1) collecting data from multiple sources and (2) deconstructing the commitments into a set of observable and measurable criteria.

1.1 Measure Progress from Multiple Vantage Points

Keybridge's approach to verifying progress utilizes a strategy of triangulation – that is, the practice of collecting data from multiple vantage points to corroborate results. Triangulation is particularly important in the absence of a definitive, public data source to indicate progress. Keybridge collected and reviewed data provided by McDonald's and external entities to develop a comprehensive view of progress towards each commitment. Figure A1 outlines the types of data collected to verify each of the 12 criteria across the five commitments. Data from McDonald's provides a comprehensive review of efforts related to the partnership with the Alliance, while data from external entities allow for independent confirmation of the company-reported data. Relying on multiple data sources helps to mitigate limitations associated with any one dataset and maximizes confidence that the findings accurately reflect reality.

1.2 Measure All Aspects of Each Commitment

Keybridge created a process for systematically reviewing each dataset and determining overall compliance with each commitment. Commitment 1 and Commitment 3 contain multiple related but distinct components, each of which require a dedicated assessment. To evaluate each component, Keybridge deconstructed the five commitments into 12 criteria, as shown in Figure A1. These narrowly defined criteria enable verification of the evidence through a binary assessment: Was Criterion X achieved? "Yes" or "No". In most cases, determining whether a particular action or observation meets a criterion is obvious, but some criteria require additional guidance. McDonald's, in collaboration with the Alliance, developed a glossary for the commitments in order to define key terms, identify characteristics of compliant actions, and provide examples (See Appendix B). With this information, Keybridge developed a detailed inventory of actions to systematically and objectively assess the fulfillment of each criterion.

Figure A1: Summary of Criteria by Commitment & Data Source

McDonald's-Alliance Partnership: CGI Commitment to Action		McDonald's-Reported Data	External Data
1	Criterion 1: Happy Meal section of menu boards features only water, milk, and/or juice.	<ul style="list-style-type: none"> • JPEG Images of Menu Boards • Sales Data 	<ul style="list-style-type: none"> • Observational Restaurant Survey
	Criterion 2: Happy Meal section of menu boards does not list sodas or picture soda logos or cups with soda.	<ul style="list-style-type: none"> • JPEG Images of Menu Boards • Sales Data 	<ul style="list-style-type: none"> • Observational Restaurant Survey
	Criterion 3: In-store ads directed to children that display a beverage only feature water, milk, and/or juice.	<ul style="list-style-type: none"> • JPEG Images of In-Store POP 	<ul style="list-style-type: none"> • Observational Restaurant Survey
	Criterion 4: In-store ads directed to children do not list sodas or picture soda logos or cups with soda.	<ul style="list-style-type: none"> • JPEG Images of In-Store POP 	<ul style="list-style-type: none"> • Observational Restaurant Survey
	Criterion 5: External ads directed to children that display a beverage only feature water, milk, and/or juice.	<ul style="list-style-type: none"> • Video Files of Television Ads • Images of Digital Ads 	<ul style="list-style-type: none"> • Ad Placement Data • Keybridge Review of Digital Media
	Criterion 6: External ads directed to children do not list sodas or picture soda logos or cups with soda.	<ul style="list-style-type: none"> • Video Files of Television Ads • Images of Digital Ads 	<ul style="list-style-type: none"> • Ad Placement Data • Keybridge Review of Digital Media
2	Criterion 7: A salad, fruit, or vegetable side option is offered as a substitute for fries in value meals.	<ul style="list-style-type: none"> • JPEG Images of Menu Boards • Sales Data 	<ul style="list-style-type: none"> • Observational Restaurant Survey
3	Criterion 8: Packaging innovations and designs are used to generate excitement for fruit, vegetable, low-fat dairy, or water options for children.	<ul style="list-style-type: none"> • JPEG Images of Packaging • Documentation of Digital Activities • Digital App Downloads 	<ul style="list-style-type: none"> • Keybridge Review of Digital Media
	Criterion 9: New fruit, vegetable, low-fat dairy, or water options are offered as part of the Happy Meal bundle.	<ul style="list-style-type: none"> • Sales Data • JPEG Images of Menu Boards • Video Files of Television Ads 	<ul style="list-style-type: none"> • Observational Restaurant Survey
	Criterion 10: Fruit, vegetable, or low/reduced fat dairy sampling program or promotion was expanded or initiated.	<ul style="list-style-type: none"> • Sales Data • JPEG Images of Menu Boards • Video Files of Television Ads 	<ul style="list-style-type: none"> • Observational Restaurant Survey
4	Criterion 11: Four Happy Meal boxes or bags dedicated a panel to a fun nutrition or children's well-being message.	<ul style="list-style-type: none"> • JPEG Images of Happy Meal Boxes 	<ul style="list-style-type: none"> • Observational Restaurant Survey
5	Criterion 12: All external ads directed to children include a fun nutrition or children's well-being message.	<ul style="list-style-type: none"> • Video Files of Television Ads • Images of Digital Ads 	<ul style="list-style-type: none"> • Ad Placement Data • Keybridge Review of Digital Media

1.3 Determining Compliance

For some criteria, the evidence collected showed less than 100% compliance. These occurrences reflect either imperfect implementation or imperfect measurement. In these cases, a determination must be made on whether close but not perfect compliance is sufficient. For each commitment, Keybridge reviewed the evidence and assessed whether the market had fulfilled the criteria. To ensure transparency and to enable readers to form their own judgments, the report includes a detailed presentation of the evidence, including specific recognition of instances of non-compliance. As more markets are included in future reporting, it may become necessary to introduce compliance thresholds that markets must achieve in order to be considered in full compliance with each criterion.

II. DATA SOURCES & COLLECTION PROCEDURES

In 2014, Keybridge met with numerous teams within McDonald's global corporate office and individual markets, particularly McDonald's USA, to gain a better understanding of data systems and reporting capabilities. McDonald's provided Keybridge with full access to the relevant teams, including experts who manage sales data systems, consumer "tracker" surveys, and reporting for other global sustainability initiatives. This knowledge provided Keybridge with an understanding of how existing datasets could be leveraged to measure progress. Keybridge then evaluated the relative merits of each dataset and determined which ones provided the most appropriate measurement of progress for each criterion. Once identified, Keybridge worked closely with McDonald's and external groups, including Nielsen, to determine an efficient way to collect the data.

2.1 McDonald's-Reported Data

McDonald's reported various types of qualitative and quantitative data, including sales data and designs of in-store and external communications.

2.1.1 Sales Data

McDonald's sales data provided insights on Criteria 2 and 9. This data helped to demonstrate the impact that the removal of sodas from the Happy Meal section of menu boards had on customer selections. Additionally, sales data helped to corroborate the introduction of new fruit, vegetable, and low-fat dairy side items in Happy Meals and value meals.

Keybridge reviewed different types of sales information to verify progress. One dataset tracks overall sales for all menu items at the restaurant level. Another reports on transaction-level information at a sample of restaurants and indicates the frequency with which items are ordered together. Transaction level detail is needed to identify beverage selections that are ordered with Happy Meals. For both datasets, Keybridge collected monthly data for 2013 and 2014 to report current sales and to establish a baseline from which changes in sales can be measured over time.

2.1.2 Images of Menu Boards, Happy Meal Packaging, and In-Store POP

JPEG images of the final prototypes of menu boards, packaging, and in-store ads directed to children helped to measure progress on all but three of the 12 criteria. McDonald's reported menu board designs that represented all variations of value meal menu boards in circulation during 2014. For Happy Meals, McDonald's reported all images of menu boards, boxes and bags, packaging (e.g., fruit/vegetable/dairy packages, milk jugs, juice boxes, etc.), and in-store POP ads, including Happy Meal toy displays and posters used in 2014. To corroborate this information, Keybridge worked with HAVI Global Solutions. HAVI provides McDonald's with a full range of supply chain integration and marketing and business analytics services. For this verification effort, HAVI confirmed the timing for distributing menu boards, Happy Meal packaging, and other supplies to McDonald's restaurants.

Keybridge developed a data processing tool to document if and how an image complied with the relevant criteria based on the guidance provided in the Glossary of Key Terms (See Appendix B). With this tool, Keybridge captured key descriptive information and generated a summary evaluation of each observation into a single database.

2.1.3 Images & Video Files of External Advertisements

McDonald's reported all external ads directed to children to demonstrate fulfillment of Criteria 5, 6, and 12. In the United States, McDonald's advertises to children through television and digital channels, including company-owned websites (e.g., happymeal.com and happystudio.com), mobile apps, and paid advertising on third party websites. In Italy, McDonald's only advertises to children through television and company-owned websites and mobile apps, but not third-party sites. McDonald's supplied Keybridge with television ads and, for the U.S. market, screenshots of the landing pages for both happymeal.com and the McPlay app, as well as images of banner ads shown on child-targeted third-party websites. McDonald's identified these sets of image and video files as a complete inventory of all external ads directed to children in 2014 for the United States and Italy. Keybridge reviewed each video file and screenshot and documented the presence of beverages, side items, and messages.

2.1.4 Strategy Documents for Digital Activities & Special Happy Meal Promotions

McDonald's provided concept notes explaining the packaging innovations used to generate excitement for fruits and vegetables, which are activities related to Criterion 8. These documents explained how McDonald's-owned websites and apps were used to promote children's well-being. In collaboration with the Alliance, Keybridge reviewed this information and determined whether the nature of these activities fulfilled the intended purpose of Commitment 3.

2.1.5 Market Lead Survey

To establish a preliminary baseline on progress, Keybridge conducted a survey of 20 senior McDonald's team members, one in each of the participating markets. The objective of this survey was to document the status of implementation in each market. Through this survey, Keybridge collected qualitative information on the status of compliance, including the timing of

implementation efforts. This survey provided important contextual information and a baseline to compare progress over time.

2.2 External Verification Data

To corroborate McDonald's-reported data, Keybridge collected three types of data: observational restaurant survey data, ad placement data, and digital media data.

2.2.1 Nielsen Observational Restaurant Survey

To validate eight of the criteria, Keybridge retained The Nielsen Group ("Nielsen") to conduct observational surveys in a random sample of McDonald's restaurants in February 2015 (United States) and March 2015 (Italy). The purpose of the survey was to independently verify that the changes reported by McDonald's reflect the conditions that customers experience in restaurants. The surveyors answered questions about menu boards, in-store ads, Happy Meal packaging, and the availability of certain menu items.

As a first step, Keybridge determined the number of restaurants where surveys would be conducted in each market. To calculate sample size, Keybridge selected a 95% confidence level ($z=1.96$) and a 10% confidence interval ($e=0.1$). Given that the distribution of the sample is unknown, we assumed the most conservative response distribution ($p=0.5$). The justification for these parameters was based on the distribution of stores across markets, cost considerations, and the relative need for precision. The population size of each market varies significantly, with over 14,000 restaurants in the United States and less than 400 restaurants in nine of the 20 markets. Selecting a smaller confidence interval would require a much larger sample in these smaller markets and would, from the perspective of Keybridge, be impractical. Based on these parameters, Keybridge sampled 100 restaurants in the United States and 81 restaurants in Italy.¹²

Figure A2: Explanation of Sample Size Calculation

$$\text{Sample Size} = \frac{\left(\frac{z^2 \times p(1-p)}{e^2}\right)}{1 + \left(\frac{z^2 \times p(1-p)}{e^2 N}\right)}$$

Confidence Level ("z") = 95% | Confident Interval ("e") = 10% | Distribution of the Population ("p") = 50% | Total Restaurants in Each Market ("N") = Varies by Market

Next, Keybridge obtained a list of all McDonald's restaurants in each market. From this list, Keybridge used a random number generator to select a random sample of stores. To avoid biasing the sample, Keybridge did not provide McDonald's or the individual restaurants with prior notification about which restaurants would be visited. The randomly selected restaurants were geographically distributed across 27 states in the United States and 15 regions in Italy.

¹² In the U.S., this equation calculates a sample size of 95, which was rounded to 100 restaurants for simplicity in reporting.

Concurrently with determining the sample of restaurants to be visited, Keybridge developed a structured survey and worked with Nielsen to pilot test and refine the survey. Keybridge built in a degree of redundancy to easily identify and correct potential misinterpretations.

2.2.2 Ad Placement Data

To validate Criteria 5, 6, and 12, Keybridge reviewed ad placement data. OMD, a leading global media communications agency and current agency of record for McDonald's, tracks the placement of ads and links this information with data on audience composition as measured by Nielsen. With this data, it is possible to determine which McDonald's ads were "directed to children" – defined as ads that aired during programs with an audience of more than 30% children under age 12 in the United States and more than 35% children under age 12 in Italy.¹³ For digital ads, there is no data showing the age composition of people viewing advertisements on computers. Therefore, agencies track McDonald's ads on websites that are directed to children, such as nick.com and ads purchased through media groups that target digital ads to children, such as Youthology.

Keybridge matched the ad placement data from OMD with the television and digital ads supplied by McDonald's. This matching process was done using International Standardized Commercial Identifier (ISCI) codes (i.e., unique codes that are assigned to individual ads), names of the advertising campaigns, and descriptions of advertisement content. For those advertisements where there was a match, Keybridge could verify whether the advertisement fulfilled the criteria associated with Commitment 1 and Commitment 5. If there was not a match, Keybridge assumed that the advertisement did not satisfy the related criteria.

In many cases, data from a sample of viewers was too small to provide reliable audience composition metrics. To account for this, Keybridge excluded all advertisements for which the estimated under-12 audience was less than 1% of the under-12 population. Keybridge adopted this threshold from the verification effort used to monitor the EU Pledge, another industry agreement. These exclusions were only necessary for the Italy data, where sample sizes and audience composition are less robust than in larger markets like the United States.

2.2.3 Keybridge Review of Digital Media

In January 2015, Keybridge set up a procedure to independently audit some types of digital media related to Criteria 5, 6, and 12. On a monthly basis, Keybridge reviews McDonald's-owned web-sites and apps directed to children (e.g., happymeal.com, happystudio.com, the McPlay app, and the Happy Studio app). This review includes visiting the landing page and all pages directly linked to the landing page and systematically documenting several characteristics, including the presence of certain beverages and foods, messaging, and activities designed to promote improved nutrition or children's well-being.

¹³ For the U.S., the definition of "directed to children" comes from the U.S. Food Pledge. It includes television programs with an expected audience of 30% or more of children under the age of 12 years, which is more stringent than the 35% threshold included in the definition for this commitment and used in Italy.

APPENDIX B

GLOSSARY OF KEY TERMS

Glossary for the McDonald's-Alliance Partnership on CGI Commitment to Action

1. **Feature only water, milk and juice as the beverage in Happy Meals on menu boards and in-store and external advertising directed to children; For Happy Meals, remove all soda logos and images of cups with soda from Happy Meal section of menu boards (where it exists) and all in-store and external advertising directed to children and phase out the listing of soda on the Happy Meal section of the Menu Board. Soda will be available as a beverage option but it will not be listed on the Happy Meal section of the menu board.**
 - a. **Water** means carbonated or still water beverages with no added sugar.
 - b. **Milk** means the following: Milk beverage that qualify as low fat, reduced fat, or fat free under local legal standards; Dairy alternative beverages which offer nutrition benefits, such as calcium, similar to milk, such as, soy or almond milk which qualify as low fat, reduced fat or fat free under local legal standards; or, Yogurt beverages which qualify as low fat, reduced fat or fat free under local legal standards. Qualifying items include low-fat or fat-free white milk, low-fat or fat free chocolate milk and low-fat or fat-free dairy based hot chocolate. Excluded items include ice cream, full-fat milk, milkshakes that are not low-fat or fat-free, full-fat cheese, espresso-based beverages and coffee-based beverages.
 - c. **Juice** means any fruit or vegetable juice that contains no added sugars. Qualifying items include 100% apple juice, 100% orange juice, 100% strawberry and banana fruit juice, 100% other fruit or vegetable juices, blends of 100% fruit and vegetable juices, fruit juice with still or carbonated added water (e.g., Fruitizz) and carbonated 100% juice. Qualifying items also include juice that has been concentrated and later reconstituted with water or ice to a concentration consistent with that of the undiluted juice from which it was made. Excluded items include smoothies with added sugar, lemonade with added sugar and fruit cordials with added sugar.
 - d. **Hot Tea.** In traditional tea-drinking countries, hot tea is sometimes offered with breakfast Happy Meals. Hot tea that is not pre-sweetened may be offered on the menu board with Happy Meals.
 - e. **Soda** means carbonated or non-carbonated beverage with added sugar and diet sodas. Soda includes other non-dairy beverages with added sugars, including sports drinks, iced teas with added sugars and lemonades with added sugar. Examples of sodas include Coca-Cola, Sprite, Sprite Zero, Coca-Cola Light, Coca-Cola Zero, Dr. Pepper, Ribena with added sugar, Oasis, Fanta, Powerade Mountain Berry Blast, Hi-C Orange, and Sweet Tea. Soda also includes fruit based cordials with a higher concentration of sugar than the undiluted juice from which it was made.
 - f. **Added Sugar** is defined by local legal standards. If a market does not have clear local legal standards, then Added Sugar is defined as sugars, syrups and other caloric sweeteners that are added to foods during processing or preparation to sweeten the

flavor of foods and beverages and improve their palatability. Added Sugar includes deionized or “stripped” fruit or vegetable juice or honey added for sweetening function. Added sugars do not include naturally occurring sugars such as those in fruit, vegetables, fruit juice, vegetable juice or milk or non-caloric sweeteners.

- g. Menu Board** includes in-store and drive-thru menu-boards and translites that are used by customers to select items when placing order. Price list boards required by local law are not considered menu board. All beverage options for Happy Meals can be shown on in-store self-ordering kiosks and web/mobile ordering, however, additional considerations apply. Ensure water, milk and juice are the only beverage options listed or pictured on the opening screen. Additional beverage choices may be listed as “other” on the opening screen. If “other” is chosen, a separate screen may list additional options, such as soft drinks, in text only. Soft drink logos or photos of cups containing soft drinks may not be included on the Happy Meal section of the Menu Board or the Happy Meal section of self-ordering kiosks and the Happy Meal ordering section for web/mobile.
- h. Directed to Children** is defined as follows: If a local food pledge commitment exists, the “directed to children” definition in that food pledge applies. In countries without a food pledge commitment, for measured media, the following definition applies: media purchased for any program or website where the expected audience generally consists of 35% or more of children under the age of 12 years. In unmeasured media, McDonald's may consider other factors, as appropriate, to determine whether the advertising is directed to children, such as, the overall impression of the advertising, the target demographic based on the media plan and whether age screening applies.
- i. External Advertising** vehicles covered are: TV, radio, third party paid print, company owned websites, third party paid internet, mobile applications and video and computer games. Excluded items include out of home vehicles, e.g., billboards, bus-stops, inflatables, spectaculars, sports sponsorships, parades and community events.
- j. In-Store Advertising** vehicles covered are: in-store merchandising (POP), including posters and graphics, and Happy Meal bags and boxes. Excluded items include out of home: e.g., billboards, bus-stops, inflatables, spectaculars, sports sponsorships, parades, community events.
- k. Operations and Training Manual.** Steps should be taken to ensure that soda does not become the default beverage in the Happy Meal. For example, a soda or a soda cup should not automatically be given with a Happy Meal purchase. It is recommended that the Operations and Training Manual or other training materials include an instruction similar to the following: If the customer does not specify the beverage in their Happy Meal, crew should suggest a Milk, Water or Juice beverage as defined above. For example, “Would you like milk with your Happy Meal?”

2. Offer side salad, fruit or vegetable as a substitute for french fries in value meals

- a. Side Salad** means a salad with primarily leafy greens or other vegetables or fruits.
- b. Fruit** means the following: raw, cooked, fresh, frozen, dried, or canned (packed in 100% fruit juices and/or water) fruit; Whole fruit, sliced fruit, fruit pieces with or without skin; or, 100% fruit purees. Excluded items include jams, jellies, gelatin products, syrups, or fillings.

Qualifying items include apple slices and pineapple stick.

- c. **Vegetable** means the following: raw, cooked, fresh, frozen, dried or canned vegetables; whole vegetable, sliced vegetable, vegetable pieces, with or without skin; 100% vegetable purees; or, legumes as defined by local dietary guidelines. Excluded items include french fries, fried sweet potatoes, fried potato wedges, fried onions, batter fried vegetables, pickled vegetables or ketchup. Qualifying items include corn cups, edamame and carrot sticks.
 - d. **Value Meals** includes Extra Value Meals, of any size, and other permanent lunch or dinner meal offerings that include an entrée, side and beverage. Value Meals does not include breakfast meals, after midnight meals, family meals, dinner boxes, local meals which are not offered across the entire country, Happy Meals, other children's meals or individual product offers such as Dollar Menu, Dollar Menu & More, Saver Menu, and Euro Saver Menu. Value meals does not include promotional, short-term combination meals. If a country does not offer Extra Value Meals (i.e., Russia), this commitment does not apply.
 - e. **Visibility of Substitute Option.** Each market can determine what to offer as an alternative choice for french fries - a side salad, fruit or vegetable or a combination of those items. The side salad, fruit or vegetable option in the value meal should be clearly visible on the menu board. If the french fries are depicted visually, the alternative choice must also be depicted visually. Ideally, the side salad, fruit or vegetable option in the value meal should be equally prominent to the French fry offering both in words and visual depictions.
 - f. **Price of Substitute Option.** Each market should recommend that if a customer chooses a side salad, fruit or vegetable in a value meal instead of french fries, there should not be any additional charge. However, it is understood that individual owner-operators ultimately determine pricing for all menu items at their restaurants.
3. **Utilize Happy Meal and other packaging innovations and designs to generate excitement for fruit, vegetable, low/ reduced fat dairy or water options for kids or Offer new fruit, vegetable, low/ reduced fat dairy or water option in the Happy Meal**
- a. **Packaging Innovations and Designs** examples include unique delivery of fruit, vegetables or low/reduced fat dairy for kids, such as, kiwi on a stick; color changing straws offered with Milk, Juice or Water option; Happy Meal premiums, such as the Cut the Rope banana slicer which encourages the consumption of fruit; digital interaction with imagery on packages for fruit, vegetables or low fat dairy, e.g., showing characters interacting with fruit, vegetables or low fat dairy; and, the use by a market of licensed properties or licensed or brand characters on packaging for fruit, vegetable, low-fat dairy or water.
 - b. **New Happy Meal Option** examples include new Happy Meal fruit, vegetable or low/reduced fat dairy choice, such as, Cuties mandarins or Go-GURT low-fat yogurt; and, sampling program for fruit, vegetable, low/reduced fat dairy option, such as Free Fruit Fridays. To qualify as "new", offering must occur after September 26, 2013.

- c. **Tests Offers.** Pilot, test, or trial offers in a limited number of restaurants in the country will not count toward fulfilling this commitment. Seasonal offerings that are not permanent menu items, such as Cuties mandarins, count toward fulfilling this commitment.
 - d. **Fruit** means the following: raw, cooked, fresh, frozen, dried, dried or canned (packed in 100% fruit juices and/or water) fruit; Whole fruit, sliced fruit, fruit pieces with or without skin; or, 100% fruit purees. Excluded items include jams, jellies, gelatin products, syrups, or fillings.
 - e. **Vegetable** means the following: raw, cooked, fresh, frozen, dried or canned vegetables; whole vegetable, sliced vegetable, vegetable pieces, with or without skin; 100% vegetable purees; or, legumes as defined by local dietary guidelines. Excluded items include french fries, fried sweet potatoes, fried potato wedges, fried onions, batter fried vegetables, pickled vegetables or ketchup.
 - f. **Low or Reduced Fat Dairy** means those menu items that qualify as low fat, reduced fat, or fat free under local legal standards
 - g. **Water** means carbonated or still water beverages with no added sugar.
4. **Dedicate one Happy Meal box or bag panel to communicate a fun nutrition or children's well-being message (four times annually)**
- a. **Happy Meal Panel** means one of the four sides of the box or the front or back panel of the bag. The gusset of the bag (i.e., the side panel) will not count towards this commitment. The nutrition or children's well-being message should be prominently displayed on the Happy Meal box or bag panel.
 - b. **Nutrition Message** includes messaging that encourages consumption of fruits, vegetables, low or reduced fat dairy, whole grains or lean meats. Nutrition messaging also includes portion control, food groups and nutrients, eating a balanced diet, nutrition education, hydration, or any messaging encouraging improved nutrition choices for food and beverages. Merely showing visuals of fruit, vegetables or dairy or the pack shot of the Happy Meal bundle will not meet this commitment. Affirmative messaging encouraging children to eat fruit, vegetables or dairy complies with this commitment. Showcasing fruit, vegetables or dairy in a compelling manner, such as Happy or a licensed character engaging in a fun way with such products would also comply. The market may wish to look to local dietary guidance when developing messages. Qualifying messaging examples include "Balance your fun with fruit and dairy" or "5 A Day" messaging in the UK.
 - c. **Children's Well-Being Messages** includes messages that promote child health and welfare, active play, physical activity, hygiene, bike safety, the joy of reading or other health or well-being promoting activities. Affirmative messaging encouraging children to exercise or participate in other well-being promoting activities complies with this commitment. Merely showing physical or other well-being activity will not meet this commitment. Qualifying messaging examples include "Play every day" or "Open your eyes to a world of discovery through books".

5. 100% of advertising directed to children to include a fun nutrition or children's well-being message.

- a. Directed to Children** is defined as follows: If a local food pledge commitment exists, the "directed to children" definition in that food pledge applies. In countries without a food pledge commitment, for measured media, the following definition applies: media purchased for any program or website where the expected audience generally consists of 35% or more of children under the age of 12 years. In unmeasured media, McDonald's may consider other factors, as appropriate, to determine whether the advertising is directed to children, such as, the overall impression of the advertising, the target demographic based on the media plan and whether age screening applies.
- b. Advertising** vehicles covered are: TV, radio, company owned websites, mobile apps, third party print (e.g., kid's magazines) and paid advertising on third party websites. Excluded vehicles are menu boards (in-store and in drive-thru), in-store merchandising (POP), packaging and out of home vehicles, such as, billboards, bus-stops, inflatables, spectaculars, sports sponsorships, parades and community events. Banner ads, interstitials or TV billboards that are free-standing and less than 6 seconds are excluded. Pilot and test ads in a limited number of restaurants in the country are excluded.
- c. Nutrition Message** includes messaging that encourages consumption of fruits, vegetables, low or reduced fat dairy, whole grains or lean meats. Nutrition messaging also includes portion control, food groups and nutrients, eating a balanced diet, nutrition education, hydration, or any messaging encouraging improved nutrition choices for food and beverages. Merely showing visuals of fruit, vegetables or dairy or the pack shot of the Happy Meal bundle will not meet this commitment. Affirmative messaging encouraging children to eat fruit, vegetables or dairy complies with this commitment. Showcasing fruit, vegetables or dairy in a compelling manner, such as Happy or a licensed character engaging in a fun way with such products would also comply. The market may wish to look to local dietary guidance when developing messages. Qualifying messaging examples include "Balance your fun with fruit and dairy" or "5 A Day" messaging in the UK.
- d. Children's Well-Being Messages** includes messages that promote child health and welfare, active play, physical activity, hygiene, bike safety, the joy of reading or other health or well-being promoting activities. Affirmative messaging encouraging children to exercise or participate in other well-being promoting activities complies with this commitment. Merely showing visuals of physical or other well-being activity will not meet this commitment. Qualifying messaging examples include "Play every day" or "Open your eyes to a world of discovery through books".

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