

# Preparing the Recipe of the **FUTURE**



Arcos Dorados

**Arcos Dorados  
Social and Environmental  
Impact Results in Latin America  
and the Caribbean 2017**

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# MESSAGE FROM OUR EXECUTIVE CHAIRMAN

GRI Content: 102-14, 102-15

## Dear Reader,

At Arcos Dorados, we are very proud to be able to share the initiatives and projects we have carried out, as well as the results of our social and environmental impact in Latin America and the Caribbean through our annual report: “The Recipe of the Future”. This report is a clear proof of how a company of our size can use its scale to do good to society.

Being one of the leading companies in the region, we want to promote a positive change in people, in the care of animals and in the preservation of the planet through commitments that are embodied in the positive results we achieved in 2017.

Youth Employment is a major pillar of our company. We are one of the main

formal employers of young people in the region making us a catalyst for social mobility by creating opportunities for employability and careers. In 2017, we started with a new tradition: “The Big Day”, a great fundraising event, which had in its first version an overwhelming response from our customers, and where all the sales of our famous Big Mac™ are donated to organizations that support formal youth employment and seek the well-being of our communities.

I am proud to present this report to you. I invite you to learn more about the work we have been developing in and for the communities of the 20 Latin American and the Caribbean countries in which we operate.



Woods Staton

Executive Chairman  
Arcos Dorados



# WE ARE Arcos Dorados



Arcos Dorados



Arcos Dorados' Mission is "To serve quality food while generating delicious and accessible moments for everyone". We take this goal and our responsibility to our different stakeholders very seriously. Everything we do is governed by clear values, such as operating with responsibility and ethics, without losing focus on providing the best experience in our restaurants, generating value for our customers, our people and our shareholders.

**Sergio Alonso**  
Chief Executive Officer  
Arcos Dorados

# WE ARE ARCOS DORADOS

With more than 78,000 employees, 2,188 restaurants in 20 countries and territories in Latin America and the Caribbean, we are the world's largest McDonald's franchisee.

With the exclusive rights to operate and franchise McDonald's restaurants in Latin America and

the Caribbean, our main goal is to offer customers the best service, with different food options that exceed their expectations, prepared in accordance with the highest standards of food safety and hygiene, applying teamwork, and commitment to business, society and the environment.

# ARCOS DORADOS' 10-YEAR ANNIVERSARY

In 2007, we started our operations in 19 countries in the region. This 10th anniversary marks a turning point between a step of constant growth, a present with transformational projects and a future of innovation and adventure, both inspiring and challenging.

In 2007

19	1,593 <sup>(2)</sup>	54,870
<b>countries</b>	<b>restaurants</b>	<b>employees</b>

In 2017

20	2,188 <sup>(2)</sup>	78,806
<b>countries</b>	<b>restaurants</b>	<b>employees</b>

# US\$ 3,162

**sales** <sup>(1)</sup>

# 60,743

**Young employees**

# 705

**Restaurants with a new brand image in the last 3 years**



We offer thousands of young people in Latin America the possibility of accessing a first formal job.

<sup>(1)</sup> In billions of dollars.

<sup>(2)</sup> Includes franchised restaurants.



# PRESENT IN LATIN AMERICA AND THE CARIBBEAN

GRI Content 102-3, 102-4, 102-6, 102-8

We are present in Latin America and the Caribbean in four geographical divisions that allow us to focus on our customers, their characteristics and culture. Our headquarters are located in the city of Montevideo, Uruguay.

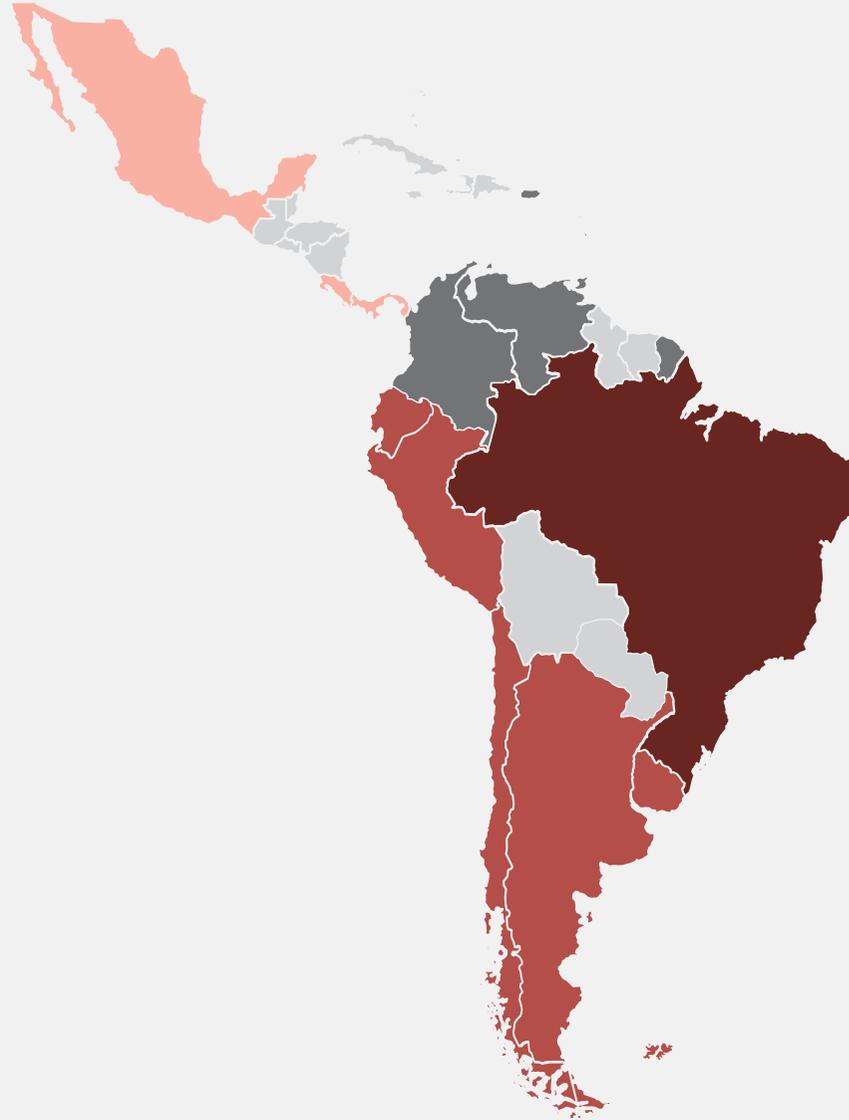


Visit our website:  
[www.arcosdorados.com](http://www.arcosdorados.com)

	12/31/2017	12/31/2016
Employees	78,806	82,040
Restaurants <sup>1</sup>	2,188	2,156
McCafe	316	316
Dessert Kiosks	2,877	2,745

<sup>(1)</sup> Includes franchised restaurants.

# A LATIN AMERICAN COMPANY IN YOUR COMMUNITY.



## SLAD (South Latin America Division)

- Argentina
- Chile
- Ecuador
- Peru
- Uruguay

## Brazil

## NOLAD (North Latin America Division)

- Mexico
- Costa Rica
- Panama

## Caribbean

- Colombia
- Venezuela
- Puerto Rico
- Aruba
- Curaçao
- Guadeloupe
- French Guiana
- Martinique
- Saint Thomas
- Saint Croix
- Trinidad and Tobago



# OUR BUSINESS MODEL

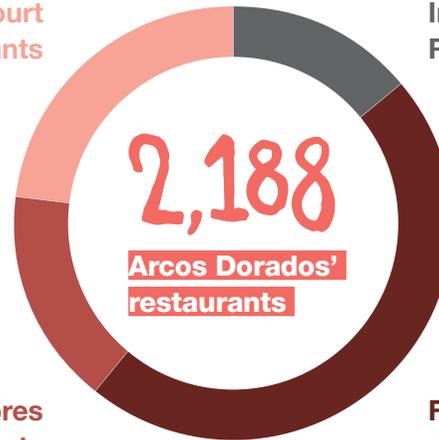
GRI Content: 102-2, 102-7



To serve quality food while generating delicious and accessible moments for everyone.

Food Court Restaurants

In-Store Restaurants



Mall Stores Restaurants

Freestanding restaurants

**71%**

Restaurants operated by Arcos Dorados

**29%**

Franchised Restaurants and others <sup>(1)</sup>



**47%**

**Freestanding restaurants**

- Parking Area
- Drive Thru



**13%**

**In-Store Restaurants**

- "Store Front" Format
- No parking area or Drive Thru



**16%**

**Mall Stores Restaurants**

- Located in shopping malls
- Include dedicated seating area



**24%**

**Restaurantes food court**

- Located in shopping malls
- Share seating area with other food court restaurants

<sup>(1)</sup> Includes Joint Venture and developing licenses.



# ARCOS DORADOS IN FIGURES

GRI Content: 102-1, 102-5, 102-7,  
103-1, 103-2, 103-4, 201-1

Since 2011, our shares have been listed on the New York Stock Exchange (NYSE) under the ticker ARCO. The economic data presented

below consolidate our four divisions: Caribbean, Brazil, NOLAD and SLAD.



Concept <sup>(1)</sup>	2017	2016
Total assets	1,803,743	1,505,053
Total liabilities	1,307,601	1,153,477
Total equity	496,142	351,576
<b>Revenues</b>		
Sales by Company-operated Restaurants	3,162,256	2,803,334
Revenues from franchised restaurants	157,269	125,296
<b>Total revenues</b>	<b>3,319,525</b>	<b>2,928,630</b>
<b>Operating costs and expenses</b>		
Food & Paper	(1,110,240)	(1,012,976)
Payroll and employee benefits	(683,954)	(607,082)
Occupancy and other operating expenses	(842,519)	(752,428)
Royalty fees	(163,954)	(142,777)
Franchised restaurants – Occupancy expenses	(69,836)	(55,098)
General and administrative expenses	(244,664)	(221,075)
Other operating (expenses) income	68,577	41,386
<b>Total operating costs and expenses</b>	<b>(3,046,590)</b>	<b>(2,750,050)</b>
Other expenses, net <sup>(2)</sup>	(90,455)	(40,129)
Income tax (expense)	(53,314)	(59,641)
<b>Total net expenses</b>	<b>(3,190,359)</b>	<b>(2,849,820)</b>
<b>Net income</b>	<b>129,166</b>	<b>78,810</b>

<sup>(1)</sup> Arcos Dorados Holdings Inc., December 31, 2017 and 2016, information expressed in thousands of dollars.

<sup>(2)</sup> Includes net income attributable to a minority interest, financial net interest, loss on derivative instruments, net income from foreign currency exchange differences and other net non-operating expenses.



# OUR MENU OFFERINGS

GRI Content: 102-2

We work to provide food offerings that seeks to exceed the expectations of our customers in each of the countries where we operate. All our foods are prepared in accordance with the highest standards of food safety and hygiene from natural ingredients such as beef, chicken, potatoes, vegetables and dairy products. Our strategy is to develop a range of quality options and nutritional information for our customers to choose the menu that best suits their lifestyle.

Since 2013, we offer dairy, fresh fruits and vegetables alternatives with the Happy Meal in most countries.

## Innovation

We have innovated in the development of new menus in the regions where we operate. The understanding of the local market has allowed us to successfully launch different alternatives, fulfilling the expectations of our customers.



## LOW-PRICED OPTIONS

- Menu of the day
- Combo of the day
- Can't Miss Lunch McTrío 3x3



## LOW-CALORIE OPTIONS

- Gourmet Salad
- Caesar Salad
- Farm Fresh Salad
- Happy Meal



## BREAKFAST AND DESSERTS

- McCafé
- Cappuccino
- Criollo sandwich
- Juices
- Pancakes
- McFlurry dessert
- Sundae and cone



## CORE MENU

- Beef Sandwich
- Chicken Sandwich
- Fish Sandwich
- Happy Meal
- Salad
- Soft drink
- Fries



## PREMIUM LINE

- Big Tasty
- Angus Premium
- Signature Line



## REGIONAL FLAVORS

- Pão de Queijo (Cheese Bread) - Brazil
- Arepa with Perico Style Eggs - Colombia
- Mallorca - Puerto Rico - Breakfast
- Chicken Family Pack - Peru



# INNOVATION AND DEVELOPMENT

Our challenge is to have the best restaurants in the best places. To do this, we propose and implement creative ideas to refurbish and bring value to existing restaurants and we opened new avant-garde restaurants.

## Experience of the Future - EOTF

We are not simply looking for our customers to consume our food; we want them to enjoy the experience of eating at McDonald's, making use of the potential of available technology. Thus, we opened the first Restaurant Experience of the Future (EOTF) in 2016; and in 2017 we continue with the opening and refurbishment of restaurants in the region.

# 121

**Experience of the Future (EOTF) restaurants as of year-end (Brazil and Argentina)**

## McDonald's App

We are a company that is committed to digital innovation. Therefore, we develop digital platforms drawing on the benefits of the new technology, adapting them to our communication needs and aspirations. In 2017, we launched the new McDonald's app.

**+11**  
million downloads

**+4**  
stars rating



**We were awarded the Bronze Prize in the "Lead Generation, Direct Response and Conversions" category for McDonald's App** <sup>1</sup>



**Download your McDonald's App** <sup>2</sup>



**Available in 16 countries of the region**

## Experience of the Future (EOTF)

- Digital Menu Boards
- Digital Self-Order Kiosks
- Dual-point order and pick-up area
- Tablets distributed on shared tables
- McCafe: 100% automatic machines brew a unique coffee



<sup>1</sup> <http://www.mmaglobal.com/about>

<sup>2</sup> <http://www.mcdonalds.com.ar/apps>



# ARCOS DORADOS AND ITS CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDG)

GRI Content: 102-11, 102-15

Using the **SDG Compass**<sup>5</sup> tool, in 2016, we moved forward through an analysis and evaluation process of each of the 17 objectives and 169 goals to identify our contribution to the 2030 agenda.



Commitments		Material aspects GRI	SDG/ goals
<b>Social Impact social – Youth employment and Our people</b>	Commitment through diversity, inclusion, skill development and career opportunities.	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Training &amp; Development</li> <li>• Empowerment of women and gender equality</li> <li>• Diversity and equal opportunities</li> <li>• Work practices</li> <li>• Non-discrimination</li> </ul>	   
<b>Social Impact - Community</b>	Promote social mobility by developing skills and employment, well-being and educational opportunities.	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Local Communities</li> </ul>	 
<b>Environmental Impact –Management of Natural Resources</b>	Develop and operate our restaurants efficiently and sustainably	<ul style="list-style-type: none"> <li>• Packaging and waste management</li> <li>• Water management and consumption</li> <li>• Energy and climate</li> <li>• Stop deforestation</li> <li>• Use of materials</li> </ul>	     
<b>Environmental Impact – Sustainable Supply Chain</b>	Achieve a sustainable supply, preserving the safety and quality of our food.	<ul style="list-style-type: none"> <li>• Health and food safety</li> <li>• Working conditions and Human Rights in the Supply Chain</li> <li>• Socio-environmental standards and certifications for suppliers of food, packaging, etc.</li> <li>• Transparency in the value chain</li> </ul>	  
<b>Social Impact – Quality of our Food</b>	To serve quality food while generating delicious and accessible moments for everyone.	<ul style="list-style-type: none"> <li>• Nutritional quality of products</li> <li>• Food safety</li> <li>• Customer relationship management</li> </ul>	 

<sup>5</sup> <http://sdgcompass.org> SDG: Sustainable Development Goals



# Social IMPACT



Arcos Dorados



I am very happy, really happy, to work at McDonald's. My parents are also happy that I am working at McDonald's and they respect my job. Here, I interact with customers in the lobby and this is very positive because today is a way of living for me. In the future, I hope to fulfill my dream and become a Restaurant Manager. I'm going to make it.

Jose Fernando  
de Souza Puglisi  
Host - Arcos Dorados Brazil

# YOUTH EMPLOYMENT



**GRI Content:** 102-8, 103-1, 103-2, 103-3, 413-1, 405-1

From Arcos Dorados, we support young people to formally enter the labor market. We assist them in their professional and educational development. We promote the acquisition of work methodologies that will accompany them for the rest of their professional career. We are a company that believes in young people and we demonstrate this by entrusting them with the main areas of our business, such as serving customers who visit us every day in our more than 2,100 restaurants.

At the same time, we promote initiatives that explain why we have become one of the largest employers of young people in the region. We work to ensure that our employees achieve a balance between their family, work and academic life. Therefore, we have specific programs for those who are still studying, and we give them the opportunity to grow within our company. We promote inclusion and social mobility through projects related to the development of skills and employability opportunities for young people in a socially vulnerable situation.



**50%**

of young people in the region work, and only 22% get a formal job

Youth unemployment is three times higher than that of adults

**60,743**

up to 25 years old were employed by Arcos Dorados in 2017

**77%**

of them are having their first formal job experience



# FIRST JOB

## #WeBelieveInYouth<sup>1</sup>

In the framework of our commitment to the first job, we conducted a study to find out the opinion of young people in relation to finding a job. The results obtained encourage us to continue working to promote youth employment in the region.



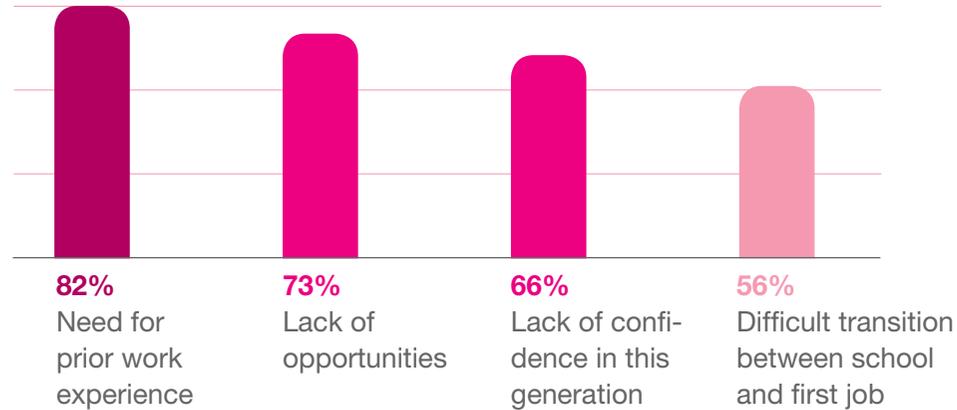
**1 OUT OF 3**

**of our leaders started working in our kitchens.**

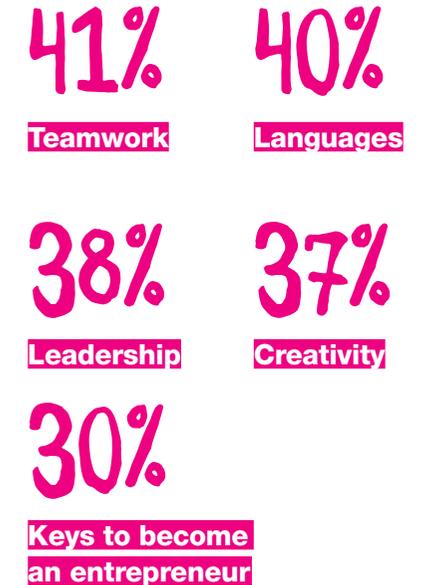


**First Job**

## What are the main barriers that young people face in Latin America when it comes to looking for a job?



## What are their learning expectations?



## What do they look for in an employer?



<sup>1</sup> Access from each country on our website specially designed for young people. [www.creemosenlosjovenes.com](http://www.creemosenlosjovenes.com) (include each country specific domain).

<sup>2</sup> Source: "We believe in young people" study owned by Arcos Dorados and developed by Trendsity. Sample: 1,800 cases (young people between 16 and 27 years old, 50% female and 50% male), in Brazil, Argentina, Chile, Colombia, Peru).

## First Job in Colombia



The program offers the possibility to thousands of young people of entering the labor market without being required to have previous job experience and with the benefit of being able to continue with their studies or other personal aspirations. Through different training courses in soft skills, we provide our young employees with tools in aspects such as: values, teamwork, respect and communication.

# 86%

**of our employees in Colombia are young people between 16 and 25 years old.**

## My First Job



In partnership with the “Movimiento Nueva Generación” (New Generation Movement) we seek to benefit more young people, through the “My first job” training and insertion program. During the first half of 2017, we succeeded in inserting more than 20 young people into the labor market, giving them the possibility of having their first formal experience in our restaurants.



**Movimiento Nueva Generación (New Generation Movement)**<sup>2</sup>

## We participated in the “40 Thousand First Job” program



In 2017, the Government of Colombia reached the goal of creating 40 thousand first jobs in the country, within the framework of the “40 thousand first jobs” Government-led program. To announce the successful achievement, President Juan Manuel Santos recorded a video together with several employees, including Brian Castellanos, Salitre Restaurant Crew (Bogotá).

# 533

**jobs created during Arcos Dorados’ program implementation**<sup>1</sup>

## Your First Job



Since September 2017, we have been working in conjunction with “Tu primer laburo” (Your First Job), an organization that offers support to young people to get their first job, providing personalized coaching to create their CV and prepare themselves for their job interviews. Our commitment comprises the monthly on-the-job training of 10 young people in socially vulnerable situations in order for them to participate in job interview processes, including with Arcos Dorados

**In the last few months of 2017, 41 young people were interviewed, of which 8 joined the company and 24 were in the process of selection and joined in 2018.**



At Arcos Dorados, we know that people are an essential part of our success and, therefore, we have a strong commitment to prepare them to become good workers and citizens. We are very proud to work in partnership with different institutions to help young people in our country and be a formal employment option in the region for thousands of people.

**Loney Armijo, Managing Director of Arcos Dorados Panama**



**“Tu Primer Laburo”/ Your first job**<sup>3</sup>



**“Tu Primer Laburo”/ Your first job**<sup>4</sup>

<sup>1</sup> [www.arcosdoradosweb.com/ADR/2017/may2/video/brian\\_presidente.html](http://www.arcosdoradosweb.com/ADR/2017/may2/video/brian_presidente.html)

<sup>2</sup> [www.mng.org.pa/](http://www.mng.org.pa/)

<sup>3</sup> [www.arcosdoradosweb.com/ADR/2017/may2/video/laburoarg.html](http://www.arcosdoradosweb.com/ADR/2017/may2/video/laburoarg.html)

<sup>4</sup> [www.tuprimerlaburo.com.ar/](http://www.tuprimerlaburo.com.ar/)



# JOB SKILLS TRAINING

## Youth Employment

Alongside the Forge Foundation, we carried out a program aimed at young people in a socially vulnerable situation that focuses on the development of individual qualities, habits, personal attitudes and technical skills, which make a young person a good person and a good employee.

 **Argentina**  
We have been working alongside the Forge Foundation for more than four years. In 2017, 47 young people joined the company.

 **Mexico**  
Between 2016 and 2017, 32 young people were employed by the Company.

In addition to our support for this program, some of these young people are interviewed by Arcos Dorados and become a member of the company.

 **Forge Foundation**  
[fondationforge.org/](http://fondationforge.org/) <sup>(1)</sup>

 **Uruguay**  
In 2017, 26 young people were employed by the Company.

 **Peru**  
In 2017, 8 young people were employed by the Company.



<sup>(1)</sup> <http://fondationforge.org/>

<sup>(2)</sup> [www.creandotufuturo.com/](http://www.creandotufuturo.com/)

## Training actions for the job

 **Argentina**

As part of our Restaurant Training Program, we stood by the “Training actions for work” initiative led by the Ministry of Labor, by which young people from socially vulnerable groups can access vocational training, strengthening their employability.

**Since 2011**

**+2,500**

**young people participated in a paid internship (6 months) with Arcos Dorados**

**+1,000**  
were hired

**+10**  
are part of our management team

## Creating your future

 **Argentina**

We offer the opportunity to young people who enter through the professional internship program, the possibility of accessing “Creating your future”, an alliance between Kuepa, Global Fairness and Citi Foundation. The program gives them basic knowledge in English for work, information technology, customer service and personal finance, in addition to the possibility of carrying out a vocational test and orientation on what course to study.

**68%**

**of enrollees managed to graduate, 49 young people, in 2017.**

**47%**

**of enrollees managed to graduate, 14 young people in 2016.**

 **Creating your future** <sup>(2)</sup>

## NEO Alliance (New Jobs and Opportunities for Young People)

We are founding partners of the NEO public-private partnership, which promotes the creation of employment opportunities for young people in Latin America. From Arcos Dorados, we collaborate through the employment and training of young people.



### Chile

In 2017, we established our alliance.



### Mexico

Our focus is on supporting training activities.



### Panamá

In 2017, the first young people graduated, and we hired 6 people in our restaurants.



NEO<sup>1</sup>

<sup>1</sup> [www.jovenesneo.org/](http://www.jovenesneo.org/)

<sup>2</sup> [ios.org.br/](http://ios.org.br/)

## Talents of the future



### Brazil

We entered into an alliance with the JP Morgan Chase Foundation and the Institute of Social Opportunities (IOS) to develop an academic technology training program. More than 250 young people, among them 116 employees of Arcos Dorados, between 17 and 29 years old, participate in the “Talents of the future” program, where they can acquire technical knowledge in programming, networks, system languages and be in contact with professionals of the area in different organizations.

# 49%

**of the young graduates belong to Arcos Dorados.**



**Instituto da Oportunidade Social<sup>2</sup>**



Our initiative in conjunction with JPMorganChase Foundation and IOS is an example of how we can offer more and better training opportunities to our employees, in accordance with their professional interests, by teaming up with similarly-aligned organizations to change the reality of youth employment in our region.

**Lyana Latorre, Senior Director of Corporate Social Engagement**

## Support for labor insertion



### Panama

Since 2016, we have an agreement with the Ministry of Labor and Labor Development (MITRADEL) and its “Pro Joven” and “PAIL” (Support Program for Labor Insertion) programs, created to provide first job opportunities for young people. The “Pro Joven” program is an alternative link between young people and companies, facilitating timely job placement, according to the experience of the intern and the profile required by companies.

## International Youth Day – August 12th.



### Argentina

Our employees shared their vision of youth and we received young people from the Forge Foundation, who made an Open Doors tour, we presented them a tour through our facilities and our way of working and they told us their expectations and dreams.



## Young People with a Future



Ecuador

Since 2014, we have been working with the “Red Socio Empleo” labor insertion program, which has allowed us to hire and train more than 1,500 young people. The recruitment was made within the framework of the “Jóvenes con Futuro” (Youth with a future) program, aimed at young people in a socially vulnerable situation; people who at their age are the head of household, or who come from rural sectors and are unemployed.

In 2017, we also entered into an agreement with the Ministry of Labor for the “Jóvenes con Futuro Ecuador” (Youth with a Future Ecuador) program, which encourages labor inclusion and training of vulnerable young people.



Argentina

“Jóvenes con futuro” (Youth with a Future) is a tripartite project, carried out in conjunction with the Trade Union and the Ministry of Labor of the Nation that seeks to train and prepare young people, who have completed their studies in technical schools, favoring equal opportunities and access to work.

From 2011 to 2014, 104 young people participated (4 editions), of whom, in 2017, 7 young people continue to work in the company, 4 of them in the maintenance management team.

56

young people hired  
from a total of 100  
new vacancies.



Red Socio Empleo<sup>1</sup>



<sup>1</sup> <http://www.socioempleo.gob.ec/socioEmpleo-war/paginas/quienesSomos.jsf>



# INCLUSIVE EMPLOYMENT

At Arcos Dorados, we actively promote the inclusion of socially vulnerable groups, offering them a formal job opportunity that contributes to their development and independence, and leads them to social integration.

## Disability and labor inclusion

# 1.740

**employees with disabilities worked in our restaurants in 2017.**

The program seeks to work on the job inclusion of people with hearing, visual, intellectual and / or physical disabilities, giving them the opportunity to enter the labor market.



### Brazil

Since 2012 (year in which the program began), we have partnered with more than 100 organizations in this area.



### Argentina

From 1993 to date, 142 people with disabilities were hired and, currently, we have 94 disabled active workers.

In 2017, 3 people retired after having worked for more than 20 years in the company.



### Venezuela

We work in conjunction with more than 30 local organizations focused on disability. Currently, we have 120 disabled people employed in our restaurants.



### Ecuador

We work in conjunction with Ecuador Foundation, Fasin-arm, the Professional Center for Disabled Persons CEPRODIS, El Triángulo Foundation, the Ministry of Social Inclusion (MIESS) and SILC (Labor Insertion Service for Persons with Disabilities).

# 35

**people with disabilities are currently working in 24 restaurants in Ecuador.**



**We have wonderful stories to share**

Dennis is one of them. With much effort and desire to excel, for the last 5 years she has been working in Arcos Dorados Ecuador earning the love and respect of her colleagues and customers. Her story is the reflection of perseverance. Every day, she takes the bus with her mother to her workplace where she works as a restaurant assistant.





Chile

We have been working for the last ten years in conjunction with different organizations such as Coanil, for the inclusion of people with disabilities. We have also worked to strengthen inclusion in other aspects such as the integration of foreign workers who have arrived as immigrants to Chile.



Coanil <sup>1</sup>

43

people employed by Arcos Dorados, as a result of working alongside the Coanil Foundation, and 20 people through other organizations.



Aruba

We work alongside the Man Na Obra Centre, dedicated to providing training for young people with mental disabilities.



Centro Man Na Obra <sup>2</sup>



Colombia

Since 2009, we have been carrying out the program together with the Arcangeles Foundation. The program aims to include young people with hearing impairment in restaurant operations.

38

young people with disabilities work in Colombia in our restaurants.



Arcángeles Foundation <sup>3</sup>



Brazil

Together with the Municipal Government and the Red Ciudadana Organization, we are helping the insertion of homeless people into the labor market, through the “New Job” program.

Day by day, we are committed to inclusive work, seeking to give visibility to those displaced by society, as was the case of Mauricio Rodrigues. We offered the opportunity to access a formal job to a man who lived on the street and who had no home.



<sup>1</sup> <http://coanil.cl/next/>

<sup>2</sup> <https://www.facebook.com/elvira.tromp.585>

<sup>3</sup> [arcangeles.org/programas-y-proyectos/](http://arcangeles.org/programas-y-proyectos/)





**We have wonderful stories to share**

Ana Paula, 23 years old and her mother of 52, were hired by Arcos Dorados Brazil to become part of a great work team. Four years ago, Ana Paula got her first job at McDonald's, making a great wish come true. However, since she suffers from a congenital disease, Ana Paula suffered crises that had to be taken care of by her mother. For this reason after having observed for the last two years the difficulty that both faced, the manager of the restaurant found a solution. He decided to offer employment in the same branch to Ana's mother who, for the first time, would have access to a formal job and would have the opportunity to help her daughter at all times.

**Best Buddies:  
an inclusive friendship**



In 2017, 6 people with disabilities were employed in our restaurants and we were present at the second Walk 4 Friendship, where family, games, exercise and coexistence are perfect ingredients to walk together for inclusion.



**Best Buddies  
Foundation Mexico** <sup>1</sup>



**International Day of Persons  
with Disabilities**

Each year, we strengthen our support for people with disabilities. On December 3, we lived a different day. We ran one of our restaurants in the city of São Paulo, with a team composed of employees with different disabilities.



**We have wonderful  
stories to share**

We offer Jacob, one of the four sons of the Munkoka family, refugees from the Congo in Argentina, to work in one of our restaurants. Today, one of his brothers and his father have also joined Arcos Dorados' family.

<sup>1</sup> [www.bestbuddies.org.mx/](http://www.bestbuddies.org.mx/)

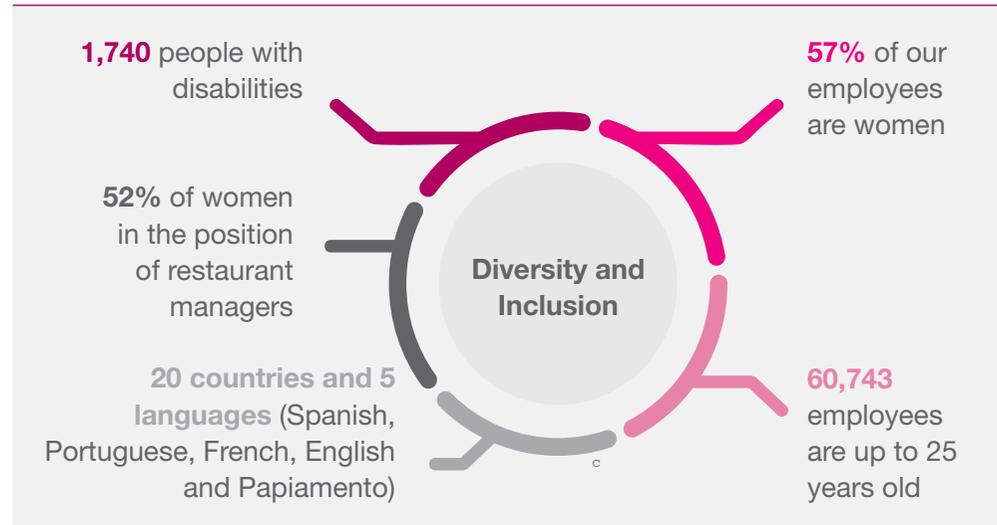


# OUR PEOPLE



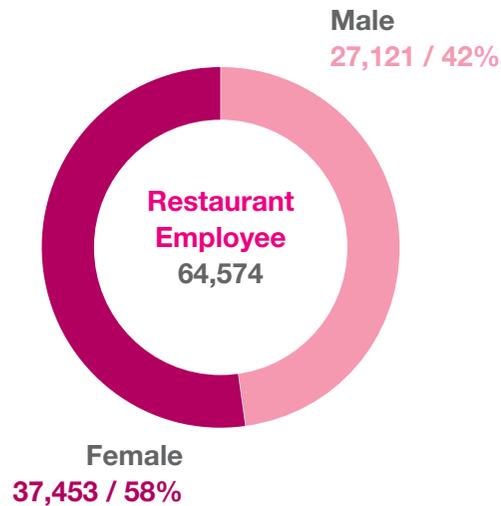
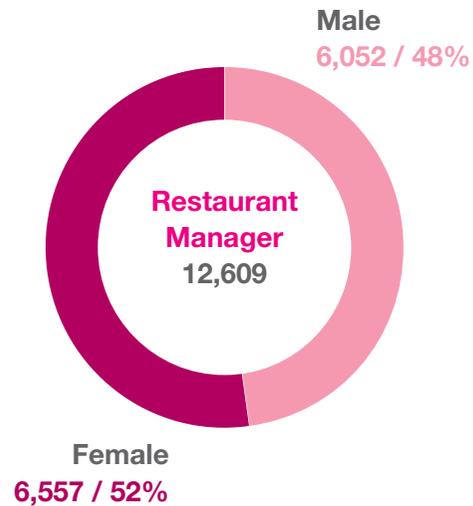
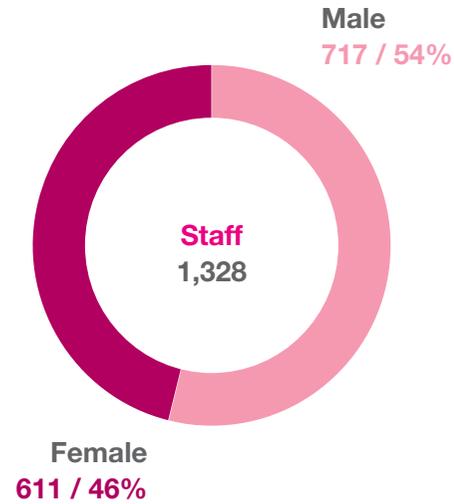
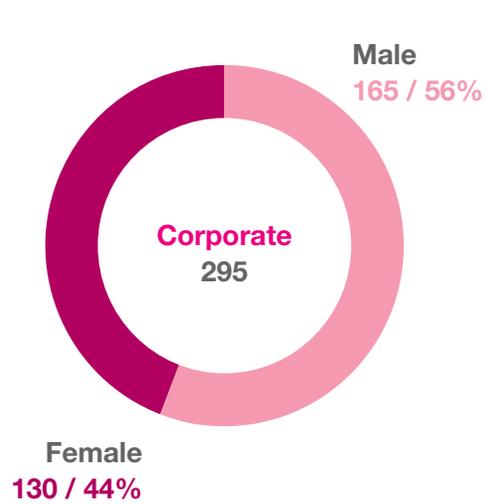
**GRI Content: 103-2, 103-3, 401-2, 404-1, 404-3, 405-1**

We are a company that promotes social mobility. In many cases, we are the gateway to formal employment and a first job. We have a great commitment with our more than 78 thousand employees. We promote a work culture that is characterized by respect, inclusion and equal opportunities, providing multiple instances of training and career development.



In 2017, through the organizational climate survey (Staff, Crew and Managers), we consulted all internal employees about whether their work at Arcos Dorados had constituted their first formal employment.

According to hierarchical category



Thanks to the people management system's excellence, we were included in the 25 most admired brands by Human Resources in the Management Group Awards.

## TRAINING

The training and development of our employees has always been a priority for Arcos Dorados.

As an organization, we travel a path of constant learning, transforming and adapting our training tools to the current needs of the business. We offer all our employees different opportunities and spaces for their development, according to their position.

### Our training spaces

- McDonald's University in São Paulo, Brazil
- Academic Training Centers (CFA)
- Restaurants as Training Center
- Restaurants





+ 75,000

Crew trained with our technological learning tools in 2017.

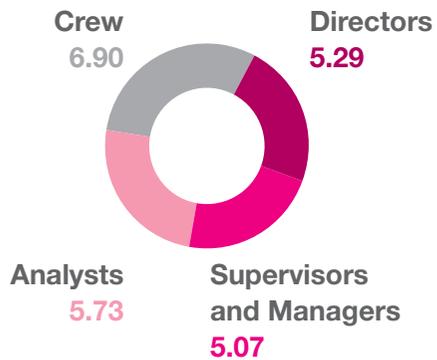


+ 550 THOUSAND HOURS

of training (online and on-the-job) for our employees, focusing on issues such as food safety, customer service, among others.

	Online Hours	Onsite Hours
Directors	45	288
Supervisors and Managers	793	2,038
Analysts	348	1,720
Crew	106,261	438,125

Average training hours per employee in 2017



(\*) The graphic includes online and on-the-job training



On-the-Job<sup>7</sup> Training<sup>7</sup>

+ 69,000

trained employees (new and old)

+ 51,200

new trained employees (Crew and Managers)

+ 4,000,000

hours



Through Crew's training module, "Safety and Food", we reached almost 60,000 employees.

<sup>7</sup> The "On the Job" training hours were estimated according to the need of each restaurant, and taking as reference the number of positions, times in each position and considering the continuous training throughout the year.



## McDonald's University



Brazil

### McDonald's University 20th. anniversary

McDonald's University is one of the first corporate universities in Brazil. It serves 20 countries, with more than 4 languages spoken and offers permanent education for our employees. Its purpose is to transform knowledge into business results. Likewise, its objective is to be recognized as the area that specializes in education, learning and talent development for Arcos Dorados and McDonald's.

## Our Schools



Brazil



We were recognized by the World Council of Corporate Universities (GCCU) for the excellent work carried out by the McDonald's University in Latin America. The dean of McDonald's University was the winner in the "Leader of the Year" category.



## Coolture of Service

Coolture of Service was launched as part of our cultural transformation process to redefine and broaden the concept of service. Coolture of Service aims not only to what happens at the sales counter but also everything related to and that is part of the customer and employee experience.



**Purpose of Service: “Generate feel-good moments easy for everyone by being your true self”**



**This was how “Coolture of Service”<sup>1</sup> was launched**



## Our service maxims:

- We make things easy for people.
- We generate smiles on people.
- We always create opportunities for interaction with people.
- People’s needs are more important than any other specific task we are carrying out.
- We are committed to good treatment among people.
- We believe that each customer is unique and that is how we address them.

Launching event  
“Coolture of Service”

4,885

workshops

## Career Development

We want our employees to grow together with us and Arcos Dorados to be a great place to work.

35% of the executives, who make up the management team, started working in the restaurants.

We transformed ourselves and added new tools that support the career development of our employees.

100%

of our employees receive an annual performance evaluation.



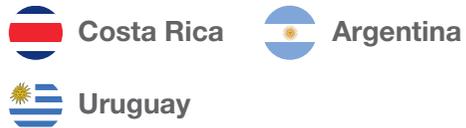
- **Performance Conversations:** Motivated by the great commitment to the development of our people, we encourage the change of our traditional “feedback meetings” between supervisor and employee to the new “performance conversations”. The latter include the feed-forward perspective and focus on the employee’s expectation about their professional development and the constructive view of the leader in this regard.
- **Supervisor Program:** We developed an intensive annual program, with the purpose of developing the future leaders of Arcos Dorados. Through this, a group of supervisors, belonging to the Argentinean Corporate structure and the business unit, participated in several leadership skills training programs and coaching meetings.

In the corporate structure of the company, we designed an annual leadership skills training program. Each position received courses specially designed for their level of leadership and, in some cases; we encouraged exchange by making different positions such as analysts, leaders and managers attend the same course.

<sup>1</sup> [http://www.arcosdoradosweb.com/reporte/lanzamiento\\_cooltura/AD\\_COOLTURA\\_ESP.mp4](http://www.arcosdoradosweb.com/reporte/lanzamiento_cooltura/AD_COOLTURA_ESP.mp4)



## Well-being



We have always looked for our employees to achieve a balance between their personal and work life. To that end, we offer the following main benefits:

We hold the Work & Life Balance certification (W & LB®) in 3 countries. The certification of the European Institute of Social Capital takes into account employees' motivation, identification and high commitment to the Company's productivity and performance,

stress reduction, brand transparency, increased competitive strength and a better branding, among others.

The climate survey is a channel that makes it possible to listen to the people's opinions, meet their needs and design action plans aimed at improving, year after year, as employers.

It is a valuable instrument to keep on changing our culture and drive continuous improvement to be the best employers.

In 2017, the participation rate was 91% for Staff and 93% for Crew.

# 89%

**Crew satisfaction rating**

# 85%

**Staff Satisfaction rating**

# +2

**Regarding 2016, we improved our performance by 2 points.**

## Great Place to Work



The Great Place to Work ranking evaluates which companies are considered to be the best workplace, based on criteria such as their leaders' credibility, respect among their workers, work environment and opportunities for growth. This ranking is carried out by Great Place to Work in many countries and regions.

# 2<sup>ND.</sup>

**in Uruguay**

# 5<sup>TH.</sup>

**in Argentina**

# 17<sup>TH.</sup>

**in Brazil**



## Internal Communication Channels

We have corporate internal communication channels, which cover the entire region, in four languages (Spanish, Portuguese, English and French.)

**Corporate Mailing:** it is used to sending email blasts to the whole company and, in many cases, it is redirected to our web.

**Arcos Dorados Digital Portal:** web portal and mobile app offering real-time news, announcements, actions and videos for all employees.

**Yammer:** Corporate social network reaching to all staff. In addition to being an interactive communication channel among our employees, it is a working tool (there is also an app version)

**AD Review:** fortnightly newsletter with the most important news of Arcos Dorados.

**AD Talks:** audiovisual channel to introduce the most important projects and initiatives that impact our business and our people.

**Crew and Staff Boards:** Traditional communication of the main news and updates on the boards located in the Crew Room of the restaurant and in the offices.



# COMMUNITY



**GRI Content:** 103-1, 103-2, 103-3, 413-1

At Arcos Dorados, we develop programs that generate value in the

communities where we operate. Our actions focus on topics related to the promotion of values, healthy habits, sports, and reading. To enhance their

impact, we articulate several projects with different stakeholders, mainly, with non-profit organizations, specialists in issues relevant to our company.



**We develop value in the communities where we operate.**



# Big Day<sup>1</sup>

Big Day is the fundraising campaign that takes place in Latin America and the Caribbean, with the objective of expanding the social impact of Arcos Dorados. As one of the largest cre-

ators of formal employment for young people, in addition to supporting the well-being of children and their families, we want to support job training and inclusion of low-income youth in Latin America. Therefore, the funds

raised by Big Mac's sale<sup>1</sup> during the "Big Day" are donated to local organizations. Similarly, a percentage of the funds is still donated to the local RMHC in each country.



# 2,342,229

**Big Macs were sold on the occasion of the celebration of the Big Day and McHappy Day in 2017, representing 13% more compared to 2016.**

## Local NGO



Costa Rica

### SOS Children's Villages

It works for the protection of children's, adolescents' and young people's rights to receive family-based care and protection.



Peru Mexico

### Forge Foundation

Aimed at young people in socially vulnerable situations, it focuses on the development of individual qualities and technical skills.



Colombia

### Instituto San Pablo Apóstol (ISPA)

Free high-quality education and training on technical skills, to provide youth work to people from vulnerable communities.



Venezuela

### Civil Association: Queremos Graduarnos

It focuses on counseling and support for young people to complete their secondary education.



Chile

### Coanil Foundation

Encourages the inclusion of people with intellectual disabilities into the labor market.



Martinique

### ASAD 972 - Association de Soutien Aux Actions Autour De La Drépanocytose

Local institution dedicated to generate awareness about sickle-cell disease.



Guadeloupe  
Guadeloupe Espoir Drepanocytose



### Rafael Bazo, President of the Board of Directors of SOS Children's Villages

Thanks to the support of all McDonald's customers, we can continue to help more young people, in a socially vulnerable condition, reach their maturation, achieve independence and complete their education.

<sup>(1)</sup> Aruba, Chile, Colombia, Costa Rica, Curacao, Ecuador, Guadalupe, Guyana Francesa, Martinique, Mexico, Panama, Perú, Trinidad y Tobago, Venezuela,



## RONALD McDONALD HOUSE CHARITIES (RMHC)

With the mission of providing free “home away from home” accommodation for children and adolescents who are being treated far away from their place of origin and their families, RMHC continues to impact local communities through its main programs: Ronald McDonald Houses, Ronald McDonald Family Rooms, and Ronald McDonald Care Mobiles.

25

Houses

2

Mobile Units

30

Rooms



## McHappy Day



We celebrated McHappy Day. 100% of the money raised from Big Mac sales was donated to Ronald McDonald House Charities (RMHC).

## Good Neighbor



Fifteen years after its launch, the Good Neighbor program continues to promote among its employees, social and environmental responsibility initiatives with impact on their local communities.

8,454

initiatives carried out by our volunteers (30% more than in 2016)



+12,000  
volunteers  
(41% more than 2016)



This program seeks to strengthen the bonds of our company with the municipalities and cities, as well as to make our community involvement initiatives known, including:

- Cleaning of public spaces
- Blood donation
- Institutions visiting our restaurants
- Oil recycling



## Working with our communities

### HAPPY WHEELS: helps communities hit by Hurricane Maria.

#### Puerto Rico

Through the “Happy Wheels” program, consisting of an Arcos Dorados motor home, we were present in the areas hit by the hurricane, with the purpose of bringing hot food to communities in the affected areas. Also, through the “Lovin’ Puerto Rico, with you and for you” initiative we provided support to entities aimed at children and young people and various activities dedicated to rebuilding the island.

#### Peru

### AD united for Peru

During the heaviest rains and floods recorded in the last 50 years in the north of Peru, we were present in several cities that were declared to be in a State of Emergency by the federal government, joining our efforts to put into action different activities and provide support to the community.

- Food for volunteers in charge of receiving donations.
- Delivery of daily rations to the National Police and to the victims in the disaster areas.

#### Mexico

### We worked hand-in-hand with Mexico

After the earthquake that struck Mexico City, Puebla and Morelos, Arcos Dorados Mexico and its employees joined forces to deliver groceries and freshly prepared food in the affected areas.

- Over 4,000 burgers and nuggets were delivered to victims, volunteers and rescuers in the affected areas, as well as to the firefighters arriving at the restaurants.
- 1 trailer was donated with provisions for the affected areas in Morelos.
- Over 1,000 Happy Meals were delivered to shelters located in Iztapalapa, Benito Juárez and Xochimilco.

#### Colombia

### We are all Mocoa

At the end of March 2017, heavy rains caused an overflow of three rivers generating an avalanche of mud that destroyed the city of Mocoa. With the campaign #WeAreAllMocoa, AD employees cooperated with the internal donation of basic products. In addition to this activity, in all McDonald's restaurants in Colombia, and with the help of customers, we managed to help restore the homes of 150 families affected by the tragedy.



# OPEN DOORS

Our International Open Doors Day aims to share with the community what happens “behind the scenes” in our restaurants. The program is permanently carried out in every country of the region, and we make sure that our restaurants are “opened” to the whole society, and even to our own employees, who can take the tour, providing them with a better understanding of our processes to ensure food safety and employee well-being.



**+3,860,000**  
visits in 2017

**On September 12, we celebrated the International Open Doors Day**

To celebrate the Open Doors Day, we carried out several initiatives that included celebrity visits, local government officials and high-ranking executives pretending to be restaurant managers, virtual tours, among others.



**+54,000 PEOPLE**

**visited us on September 12 and, thanks to the collaboration of all our teams, we made this day a great party.**



**Brazil**

We celebrated receiving over one million people in our Open Doors Program in Brazil with a ground-breaking video.

**The video had over 10 million views.**



**We invite you to meet Phellyx and accompany him on his Open Door Tour**<sup>1</sup>



**Mexico**

During the first half of 2017, we invited the young people of the Forge Foundation to join us on a great Open Doors activity, to know our restaurants and our Crew and Managers work experience.

**2**

**days**

**4**

**restaurants**

**About**

**300**  
**YOUNG**  
**PEOPLE**



We were awarded the prize in the “Corporate Image” category for the Open Doors Program. Latin American Sabre Awards

<sup>1</sup> [arcosdoradosdigital.com/portal/v2/ADR/pa.mp4](http://arcosdoradosdigital.com/portal/v2/ADR/pa.mp4)



# SPORT AND HEALTH

## McDonald's 5K



Throughout the month of October 2017, we carried out - in different cities of Latin America - the M5K race, exclusively for women, with two available categories (5K-competitive and 3K participative). The race aims to go the competition, serving as a meeting place for women in order to promote an active and healthy lifestyle.



<http://www.5kmcdonalds.com>



+13,700

women throughout the region joined this event in 2017.

## Safe Summer and Matroswimming Plan



During the summer of 2017, we were present in 4 Chilean municipalities, together with their respective local governments, offering safety training to children and adults.

The initiative aims to entertain and encourage healthy living through various activities: swimming classes for children, matroswimming for mothers and young children, "solmáforo" (a traffic light that measures ultraviolet radiation levels) for skin care and Aquafit workshops for seniors.



+800

Chilean children and adults participated in these activities in 2017.

## Basketball



From Arcos Dorados, we encourage children to participate in sports activities. For the third consecutive year, we were the main sponsor of the "Annual IAA/McDonald's Martin Luther King, Jr. Varsity Basketball Invitational Tournament".



The 28th edition of the McDonald's Basketball Tournament and The New Day of high schools was held. We also sponsored the Puerto Rico Games, event held by the Recreation and Sports Department, which included several sports disciplines for children and young people.

## Sports Encounters for Inclusion



In partnership with BOCA Socia, the DISCAR Foundation and Paradeportes.com, we sought to promote sports as an insertion platform. More than 50 children and young people with intellectual disabilities enjoyed an integrated sports day at the Club Atlético Boca Juniors.



# “BOOK OR TOY”



The objective of this initiative is to stimulate imagination and creativity in children and, at the same time, encourage reading from an early age. To do this, we selected three book collections to allow children from three regions of our geography to choose between a book or a toy in their Happy Meal.

## “Los Papelnautas”

As part of this program, we also asked some of the children to invent characters and then, in partnership with

Discovery Kids, they were turned into funny cartoons, which became part of a mini series called “Los Papelnautas”.



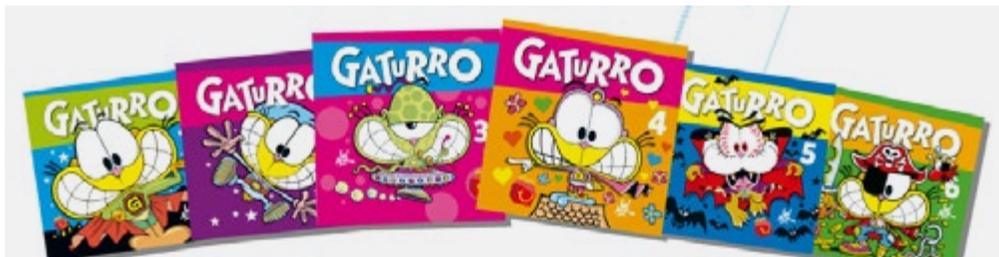
**Meet the fun characters** <sup>1</sup>

This made it possible for us to approach more families with new and fun choices.



## +5 MILLION

**books were delivered in the region since the launch of the campaign. Join us!! #Readandplay**



<sup>1</sup> <https://www.facebook.com/tudiscoverykids/videos/1700589416619875/>

<sup>2</sup> [www.arcosdoradosweb.com/ADR/2017/may2/video/BOTperu.html](http://www.arcosdoradosweb.com/ADR/2017/may2/video/BOTperu.html)



**Dan Gertsacov**  
Chief Marketing and Digital Officer at Arcos Dorados

We are very proud of how well this campaign is doing. For the fourth year in a row, we are promoting reading among children through the Happy Meal, although, this time, our bet is even stronger: in 2017 we are giving families the possibility to choose an entertainment option that will be available throughout the year.



**Colombia**

In addition to the 65,000 books delivered through the “Book or Toy” campaign in the Happy Meal, together with the Dividendo por Colombia Foundation (United Way), we delivered thousands of children’s books to educational institutions in 23 municipalities of the country, so that, in dozens of schools, students could have access to texts that bring them closer to reading.

**Our bet is to sow the seeds to read in thousands of Colombian children.**



**Peru**

Upon the new initiative “A book or a toy”, a tour was carried out bringing reading closer to families in low-income areas of Lima by delivering books to children living in this area.



**A book or a toy** <sup>2</sup>



# QUALITY OF OUR FOOD



**GRI Content: 103-1, 103-2, 103-3, 416-1, 417-1**

We want our customers to always have access to an extraordinary experience and to be able to choose from a wide variety of foods that contain recommended food groups: fruits, vegetables, low-calorie dairy products and cereals, among others.

Our integrated supply chain management system is a crucial factor in ensuring the quality of our food. It focuses on ensuring the quality and safety of all the products with which Arcos Dorados is supplied with and consists in the selection and development of suppliers capable of meeting the quality standards of Arcos Dorados and McDonald's.



- **We offer varied and nutritious options**
- **100% quality beef, without additives or preservatives**
- **Zero trans fat in our McDonald's Fries**
- **Premium ingredients**
- **Nutritional values with transparency**

## Alliance for a Healthier Generation



Argentina



Brazil

Together with McDonald's and the Clinton Global Initiative (CGI), we are part of the Alliance for a Healthier Generation with the purpose of working together with the sector in ending childhood obesity through having access to a healthy diet.

**We seek to increase the access of families to dairy products, fruits, vegetables and low fat options, through changes in the menu, menu boards, packaging and advertising offerings.**

<sup>8</sup> <https://www.clintonfoundation.org/clinton-global-initiative>



On each country's webpage, our customers can access all the nutritional information of our products.

### Strengthening the nutrient profile

In 2017 we continue to work, in different markets, with the following nutritional initiatives, which, many of them, add to those already launched in previous years:

- Sodium reduction in the McNuggets
- Reduction of fat in ice cream mix (total and saturated fats) **NEW**

- The avocado arrived to the Happy Meal, in Chile **NEW**
- Reduction of saturated fats and sodium in the Happy Meal, (Chile) **NEW**
- Reduction of sugars in Danonino (Brazil)
- Elimination of hydrogenated and/or partially hydrogenated oils in the buns' formula

### Nutrition initiatives launched in previous years:

### Happy Meal

The children's menu at McDonald's has strengthened its nutrient profile and has presented several modifications. Currently, the Happy Meal offers many options of less than 600 calories and with a choice of side salad, menus have an average reduction of 20% in total calories.

The Happy Meal includes a fresh fruit option and the menu is suitable for 1/3 of the daily energy needs of children between 6 and 10 years old.



**Bring quality, peace of mind and safety to families who consume our food, is an essential pillar of our business.**



### The avocado arrived to the Happy Meal

In Chile, we are looking for a new balanced option full of flavor. In 2017, we launched the avocado hamburger as a new alternative in the Happy Meal.



## RESPONSIBLE COMMUNICATION

We are members of the “International Food and Beverage Alliance” (IFBA), whose mission is to bring together companies from the sector in pursuit of a common goal: to help consumers around the world reach diets and balanced and healthy life styles<sup>9</sup>.

### Our commitment

- Foods offered to children under 12 years old will include fruits, vegetables and / or low-fat milk products, as long as they are available.
- There have been no cases of non-compliance with regulations related to marketing communications, such as advertising, promotion and sponsorship.
- We will not display sugary drinks in advertising for children, or together with the Happy Meal exhibited in restaurants.

- We will not promote our meals and drinks in schools and colleges that have students under 12 years of age.
- Advertisements addressed to children will convey a message about fun nutrition alternatives or about their well-being.
- We will use the characters of the Happy Meal and our packaging, not only to promote a fun brand, but also to encourage children to consume fruits, vegetables, low-fat dairy products and water.

- We will provide nutrition information about our meals, so that parents and families are informed when choosing their children’s food.
- We will call upon experts on the subject and upon third parties with relevant knowledge, so that they can help us direct our efforts towards children and families around the world.



<sup>9</sup> There have been no cases of non-compliance with regulations related to marketing communications, such as advertising, promotion and sponsorship.



# Environmental- mental IMPACT



Arcos Dorados



McDonald's is the perfect place for us young people to start to enter the labor market, since for example, it gives us working hours flexibility allowing us to keep on studying, time to solve family issues and also time to keep on having a social life while fulfilling our required hours.

Andy Palomino

Crew - Arcos Dorados Peru

# SUSTAINABLE SUPPLY CHAIN



**GRI Content:** 102-9, 102-10, 103-1, 103-2, 103-3, 204-1, 301-1, 301-2, 301-3, 305-3, 308-1, 412-1, 412-3, 414-1

At Arcos Dorados, we know that the path towards a sustainable business is born with our suppliers and extends to a complex network of indirect suppliers.

We work with companies committed to carrying out business in a responsible manner that is in line with our ethical, social and environmental standards. We encourage our direct suppliers to replicate this commitment.

Our suppliers meet high standards of production quality and food safety. Likewise, we demand a commitment to Human Rights, decent work and respect for the environment.

Our standards are based on the most demanding international standards in the industry, such as: International Organization for Standardization (ISO), British Retail Consortium (BRC) and all those that make up the Global Food Safety Initiative (GFSI), of which Arcos Dorados is member of its Board of Directors in Latin America.

72%

**of the food and paper products are obtained locally.**

65%

**of our purchases are concentrated in approximately 19 of our largest suppliers.**



**Committed to a responsible value chain, we support our suppliers in the process of adopting sustainable practices.**



Committed to a responsible sourcing

Suppliers

Purchasing Policies



**Supplier Workplace Accountability (SWA) Program**

Our program promotes global standards for all workers that make up our supply chain based on safe and healthy working conditions.

- Self-assessment: virtual questionnaire on the social responsibility policies that are executed in each of the production facilities that supply
- On-site annual audit: conducted by an independent firm which assesses whether the factory has comprehensive social responsibility policies (Human Rights, commercial and environmental integrity) and means of implementation?

**Supplier Code of Conduct**

Essential principles that our suppliers must comply regardless of their country of origin or where they perform their operations.

- Respect for Human Rights (Respect for the Declaration of Human Rights, decent work and wages, freedom of association, no child labor and no discrimination, among others).
- Provide a safe workplace.
- Respect for the environment.
- Business integrity (respect for the anti-corruption law, confidentiality, among others).

**Obligation to sign and validate annually**

**Supplier Quality Management System**

Independent audit that evaluates annually the quality and safety of all consumables that Arcos Dorados purchases.

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

Analysis of the existence of a preventive systematic process to guarantee food safety.

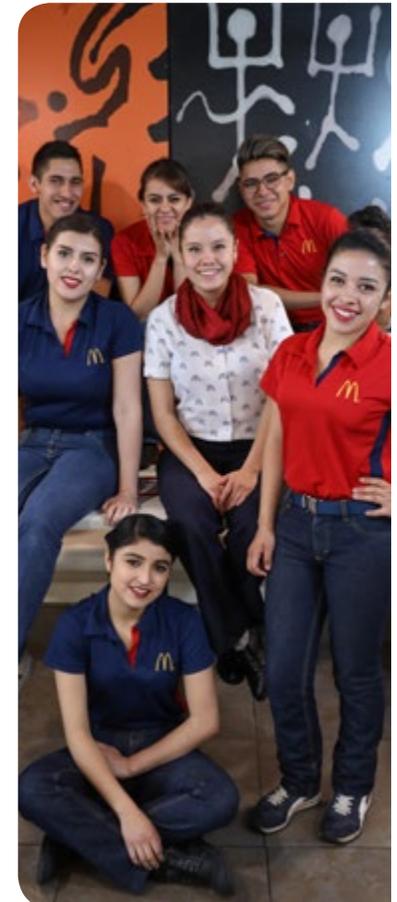
**Other evaluations to suppliers:** Distribution Quality Management Process, Good Agricultural Practices, Packaging Quality Management System, Animal Welfare.

Monitoring and evaluations in 2017:

- 69** New suppliers that have passed section filters according to SWA, 67 were added in 2016.
- 304** Suppliers evaluated in the Hazard Analysis and Critical Points standard (Food, paper and cardboard suppliers), 266 suppliers in 2016.
- 93** Suppliers evaluated in the Animal Welfare standards, 86 suppliers in 2016.

**We work with our suppliers to implement quality standards at each stage of our supply chain**  
Supply - Preparation stage - Distribution phase - Restaurant operations

Although the average evaluation of suppliers showed an increasing degree of compliance, both for 2017 and 2016, during the current period the evaluation conditions have been 10% more demanding than those compared to the previous year.



Our 2020 GOALS and EXECUTED actions.



Brazil



Puerto Rico



Costa Rica

**We do not use palm oil. When required, we only use certified palm oil. Roundtable on Sustainable Palm Oil (RSPO):**

A non-profit organization, comprising stakeholders from 7 sectors of the palm oil industry, with the objective of developing and implementing global standards for sustainable palm oil.



**100% of the fish that we sell in Brazil and in Puerto Rico is certified by MSC.**

**Marine Stewardship Council (MSC):** leading global certification program in sustainable seafood fishing. The seal also indicates sustainability in the value chain: from fishermen, refrigerators and distributors to reaching the consumer's table.



**Having started the purchase of sustainable beef in 2016, we are currently exceeding the initial purchase target set for Brazil. We are the first company in Brazil within the industry to buy sustainable beef.**

We are members of the Board of Directors of the Sustainable Livestock Working Group (SLWG), a multi-stakeholder group formed by representatives of different segments that make up the livestock value chain.

**100% of the coffee purchased in Brazil and Costa Rica comes from sources certified by the Rainforest Alliance.**

**Rainforest Alliance Certified™:** its stamp is delivered to farms, forests and businesses that meet stringent environmental and social standards. Our coffee in Costa Rica is 100% provided by Cooperativa de Caficultores de Dota, Coopedota R.L., consisting of 900 producing families, whose coffee was the first to be certified as neutral carbon in the world.



**100% of the paper packaging used in Brazil comes from sustainable sources. 67% of paper packaging in all regions comes from sustainable sources.**

**Forest Stewardship Council®:** one of the main certifiers of sustainable forest management.



# ANIMAL HEALTH AND WELFARE



**Our customers deserve high quality products, sourced from healthy animals. Healthy animals, safe foods.**

We are a company that serves quality food and therefore, we actively work so that our suppliers of beef, poultry and dairy products, among others, carry out practices that ensure animal welfare.

## Our commitments

- Lead the development of principles, global and local criteria for sustainable livestock.
- Develop goals and initiate the purchase of verified sustainable beef.

We have a specific committee for animal welfare issues, which acts under the guidelines of the Professional Animal Auditor Certification Organization (PAACO), certifying organization, animal welfare specialist.

Our suppliers must ensure that their animals are kept respecting the following principles:

- ✗ Antibiotics to promote growth
- ✗ Antibiotics which sole purpose is to promote growth
- ✓ All antibiotics should be administered under supervision
- ✓ Healthy breeding conditions to reduce the need for antibiotics

Arcos Dorados is a founding partner of the Argentine Roundtable for Sustainable Beef. Created in 2017, this initiative frames its action on the principles of the GRSB (Global Roundtable for Sustainable Beef), and is integrated by multiple players of the chain: producers, associations of producers,

supermarkets, restaurants, meat packaging plants, NGOs, government, academy, financial institutions, among others. It is a plural and inclusive roundtable that already has more than 40 members working on the criteria and definitions of Sustainable Beef for Argentina.



# NATURAL RESOURCE MANAGEMENT



**GRI Content: 103-1, 103-2, 103-3, 302-1, 302-2, 302-4, 303-1, 306-2**

At Arcos Dorados, we maintain an active commitment to the environment. We seek to operate our restaurants in a sustainable way, through energy efficiency, reducing waste, managing our waste and natural resources.

Institutional alliances are essential to follow this path. In each country where we operate, we deploy programs together with local strategic partners, seeking to extend our impact and involving the community, the government and other stakeholders.

## Promotion and education for sustainable development



**Brazil**

In commemoration of World Environment Day, a project focused on education and sustainable development was launched.

With the active participation of the local community, the city of Birigui was

our pilot city where we turned our restaurant into a learning center for sustainable practices. We then extended the project to Araçatuba, both in the state of São Paulo, Brazil, and in the future, we will replicate it in other cities of the country.

The project has 5 academic performance modules and is interrelated with two of the Company's current programs

**5**

**Performance Modules**

**Children's education for sustainable development**

**Solid waste management**

**Forestation**

**Strategic alliances**

**Executive education**



**Good Neighbor Program**

**Open Doors Program**



## FSC Friday



In 2017, we hosted the global awareness event of the Forest Stewardship Council (FSC) in Brazil and Argentina, where we invited our suppliers and different stakeholders to participate. The event was held at McDonald's University, in Brazil, and at the offices of Buenos Aires, and was broadcast online through Facebook.



Watch the Birigui launch event <sup>1</sup>

<sup>1</sup> <https://arcosdoradosdigital.com/porta/v2/ADR/jul17/birigui.mp4>

We received the ECO award, granted by the American Chamber of Commerce (AMCHAM) to companies that adopt the best sustainable practices in processes, products or services based on the Sustainable Development Goals of the United Nations (UN).



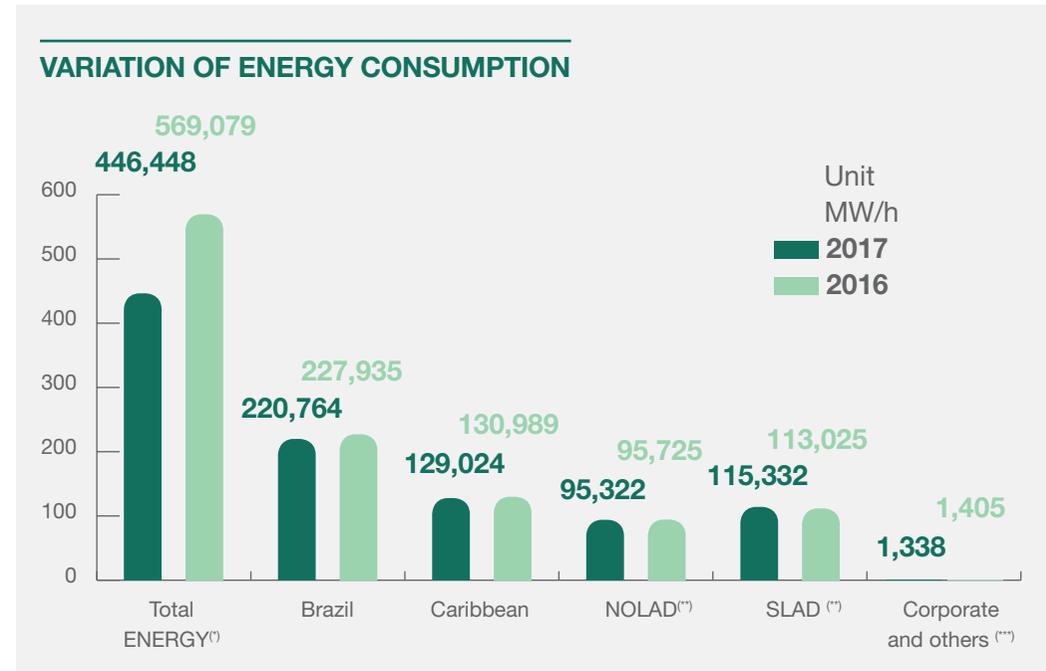
## Energy and climate

We work on the continuous improvement of our processes and equipment, to achieve an efficient management of resources through our ABC Program, which focuses on three key priorities:

- A: Use of good practices and concepts of rational use of resources in our restaurants.

• B: Investment in new technologies (control and consumption measurement tools, flow reducers, among others).  
 • C: Articulation with companies providing resources.

**At McDonald's University, we achieved a 10.07% reduction in energy consumption.**



<sup>(1)</sup> Corresponds to energy consumption as of December 31 of each year. The data corresponding to 2016 was modified given that we are making progress in unifying and consolidating the data of the four geographical divisions.

<sup>(2)</sup> Represents the consumptions of Mexico, Costa Rica and Panama.

<sup>(3)</sup> In 2017, it includes all the real consumption of countries that make up the SLAD region. The 2016 consumptions were estimated based on the average variation of the rest of the Divisions.

<sup>(4)</sup> Represents the consumption of UH and corporate Brazil.



## High Efficiency Restaurants



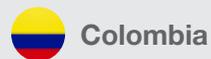
In recent years, we have developed a new model of high efficiency restaurant, product of the experience gained in the building of green restaurants. These include, among others, changes in the dimensions of the customer service and behind the counter spaces, the incorporation of sustainable criteria, mainly related to the reuse of water and the efficient use of energy.



All restaurants have an on and off system allowing to make the use of energy more efficient.



All new restaurants have LED lights and temperature insulators in windows leading to a considerable saving in energy consumption.



In 17 restaurants the energy saving program was implemented (use of new technologies in lighting and air conditioning).



In 2017 we began the implementation of electric monitoring as a tool for managers, to reduce electricity consumption by 5% per year over the next 3 years.



The program is focused on the decrease in KW / H, thanks to the implementation of 3M solar control films, solar heaters and use of LED lighting.



8 restaurants have exterior LED technology lights, 22 are found inside and 35 in the board menu.



All restaurants, opened as of April 2015, are equipped with LED technology lights helping to save up to 40% of energy.





## Costa Rica

Our Lindora restaurant was the first building in Central America to have a design, conceptualization, architecture, materials and construction that reduces environmental impact.

 **At Arcos Dorados, we seek to operate leaving as small a footprint as possible on our planet**

## Earth Hour

World Wildlife Fund (WWF) is aimed at raising awareness among the population about climate change and, to date, there are 187 participating countries.

For more than 9 years, Arcos Dorados has supported the initiative in all the countries where we operate, turning off the external lights of our restaurants and offices for 60 minutes.



**Earth Hour** <sup>1</sup>

<sup>1</sup> <https://www.earthhour.org/>

## Our Sustainable buildings



We are actively working on the progressive adoption of building, infrastructure and use of sustainable resources criteria in our restaurants, minimizing the environmental impact.

- Rainwater harvesting outdoors
- Filtration and use of rainwater for toilets and irrigation of green spaces
- Recycling of inputs (furniture)
- Separation of waste at source by means of special trash cans (lobby and kitchen)

- Energy efficiency in lighting (LED) and air conditioning
- Use of solar energy

4 restaurants and McDonald's University have LEED certification (Leadership in Energy and Environmental Design)

**SLAD:** Buenos Aires, Pilar, Argentina

**BRASIL:** Bertioga São Paulo and McDonald's University

**NOLAD:** Parque Hundido, Mexico DF, Mexico

**CARIBBEAN:** Plaza Guaynabo, Puerto Rico

## Carbon Disclosure Project



In 2017, Arcos Dorados completed three years of work alongside the Carbon Disclosure Project (CDP), and today it is one of the 99 associated companies that promote actions with their value chain regarding climate change. This year, we organized an event in order to promote suppliers' commitment to this global problem.

 **We work on awareness initiatives through water programs, climate change and forests with our suppliers.**

## Waste Management

We recognize the importance of a safe and responsible management of the waste generated. For this reason, we have common and transversal guidelines throughout the company, and of specific procedures adapted to the local requirements of each region.



### Mexico

In the restaurants of Arcos Dorados Mexico, we are implementing for the first time the separate collection of organic and inorganic waste.



### Costa Rica

We are working on a pilot waste separation plan in the Guachipelin restaurant, as part of the Blue Flag program.



### Venezuela

We have 2 different trash cans in the restaurants: one for solids and another for liquids, promoting the recycling of solid waste.

Currently, 31 restaurants across the country are putting this into practice.



### Uruguay

In most restaurants we have placed trash cans to classify the waste into organic and inorganic.

### Creation

We seek to use materials that come from sustainable sources and that they are suitable for recycling.

### Management and control Separation at source according to withdrawal and disposal requirements.

From the Training and Operations Departments, we carry out the corresponding follow-up (verification and control) which is then reinforced in the Area Managers course.

### Disposal

The withdrawal and disposal process is carried out in accordance with each municipality where the restaurant is located.

We enter into agreements with specialized companies and local governments.

**¡Ayudemos al planeta!**  
Para cuidar el ambiente, cada una de nuestras acciones cuenta. Conocé cómo podés marcar la diferencia.

- 1 Usá lámparas led o de bajo consumo.
- 2 Separá los residuos para facilitar el reciclado.
- 3 Utilizá pilas recargables.
- 4 Imprimí solo lo necesario. ¡No malgastes hojas!
- 5 Desenchufá los aparatos eléctricos que quedan en stand by.
- 6 Compartí el auto o movilizate en transporte público, bicicleta o caminando.
- 7 Apagá la luz cuando no la uses, y aprovechá el sol durante el día!
- 8 No dejes canillas ni mangueras abiertas.
- 9 Utilizá bolsas de tela para hacer tus compras.

**En el local:**

- Acordate que hay que separar los residuos según esta clasificación:
- Tené en cuenta el cartel de Fire Up/Fire Down de equipos para optimizar el uso del gas y la luz.
- ¡Cuidá el agua! Evitá dejar correr el agua y si una canilla gotea avisá al Gerente para que la reparen enseguida.

**¿Sabías que...?**

- Una familia de 4 personas desecha al año cerca de una tonelada de basura.
- Una canilla que gotea pierde más de 45 litros de agua por día.
- Al reciclar 440 resmas de papel se evita la tala de unos 17 árboles.
- Una computadora consume 800 Watt/hora, 15 veces más que una lámpara de bajo consumo de 20 W.
- Apagando los aparatos eléctricos que quedan en stand by ahorrás cerca de una factura de luz al año.

**¡Tomemos conciencia del uso de los recursos naturales y la energía juntos!**



**NABIT**



The “Nuts and Bolts Integrator Team” (NABIT) emerged as an initiative to adapt the disposal of waste to the Policy of the 3Rs (reduce, reuse and recycle) of Solid Waste.

**CEMPRE**



With the aim of increasing the use and recycling of waste and improving levels of environmental education,

Arcos Dorados joined the Business Commitment for Recycling (CEMPRE) in countries where the initiative is being carried out.

CEMPRE aims at fostering the integral management of urban solid waste, the increase of waste use levels in all possible options (recycling, reuse, energy use, composting, among others) and the promotion of environmental education.



Stage 1 Disclosure:	Stage 2 Compliance:	Stage 3 Waste Management:	Stage 4 New Projects:	Assessment:
multimedia elements, training booklets on Safety, Environment, among others were used.	restaurants were given instructions on the use certain waste bags and colored labels defined by NABIT (black, green and orange).	a specialized company dedicated to global waste management was hired.	new projects were presented in reference to waste separation and the 3Rs.	Beginning in 2017, a monthly assessment is carried out by a certifying company, which -among other parameters- assesses the quality of waste disposal and compliance with NABIT requirements.



## Oil Recycling



We have an oil recycling program with periodic collection once its useful life has ended in the kitchens of our restaurants. The oil collection and its processing is completely traceable and is carried out by certified suppliers that then commercialize the product so that it is used as biodiesel in industrial boilers and other machineries.

# 25,000

liters of oil are delivered almost every month.



Since June 2015, oils and fats are recycled by the treatment center and valued 100% in the methanization process.

## LOV Fryers

Developed in collaboration with our equipment suppliers, the LOV (Low Oil Volume) fryer saves 40% of oil and requires 4% less energy to heat. Each year, we add more units to our operations reaching a total of 430 units as of the end of 2017.

## Paper, Cardboard and Pallets Recycling



We continue with the paper recycling program, seeking to reduce the use of this resource and discarding it efficiently to facilitate its subsequent recycling.

Through our recycling program, we have corrugated cardboard disposal containers that are removed by a local supplier, for later recycling.

Our pallet recycling program focuses on its efficient use, as well as its reuse as part of the daily operation of logistics companies.



## Water Management



**Brazil**

Water is an important resource for our operation, being necessary both in our food preparation as well as facilities cleaning processes. In recent years, we have implemented various initiatives to reuse and/or reduce water consumption in our restaurants.

### Water Consumption in Brazil<sup>10</sup>

#### Water consumption

2017	2016
856,118 m <sup>3</sup>	895,863 m <sup>3</sup>

#### Efficiency in water consumption

2017	2016
0,0057 m <sup>3</sup> /und.	0,0059 m <sup>3</sup> /und.

<sup>10</sup> The data only corresponds to water consumption in Brazil. We are working on unifying and consolidating the data of the four geographical divisions.



**Virgin Islands (USA)**

Restaurants have tanks that allow for the collection of rainwater for it to then be used in the irrigation, sanitation and cleaning system.



**Venezuela Colombia**

A modern sanitation system, that uses a special charcoal filter, which saves 2 to 3 liters of water per flush. This system is present in 31 restaurants.

Every month, the system saves 166,000 liters of water.

## NATAL Program



The Natal Program seeks to reduce the consumption of drinking water and energy by reusing condensed water generated by the air conditioners of restaurants. They are also looking to minimize water waste, and generate a greater disposal of drinking water in local communities. The water obtained thanks to this program is used to irrigate the green spaces, wash facades and Drive Thru lanes.

# 1,500

**liters of water, every 18 hours, is maximized with the collection of condensed water in cities with a warm or mild climate.**

The program was born in Arcos Dorados' restaurants in regions with limited access to drinking water or at risk of rationing, with the aim of minimize waste water to generate a great availability of drinking water in local communities.

# 454

**The Natal Program has been implemented in 454 restaurants**

### Restaurants per country:



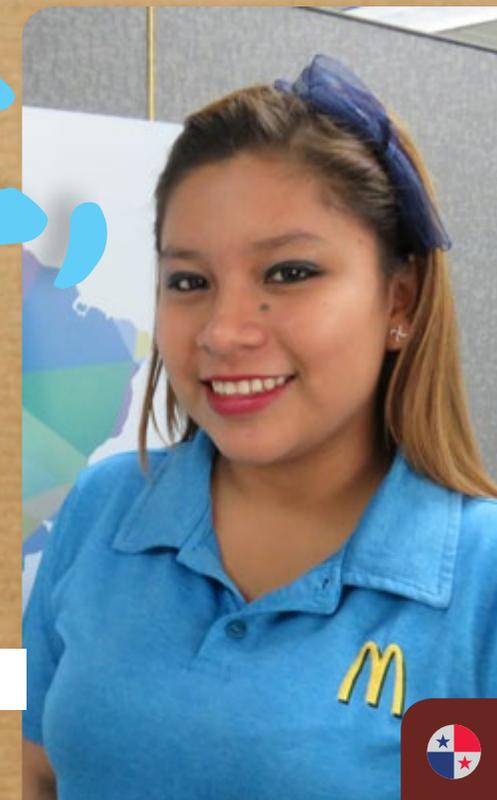
### NATAL PROJECT



# GOVERNANCE, ethics and in- tegrity



Arcos Dorados



The fact that Arcos Dorados listens and takes into account the contributions made by each of us, makes us feel part of the organization, because we are the face of the company, we are the ones who interact directly with customers, we know their behavior, their preferences and we have the opportunity to build on their experience.

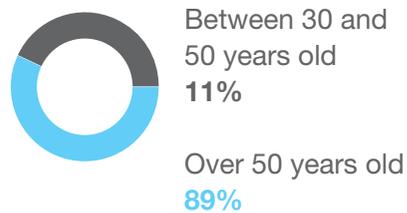
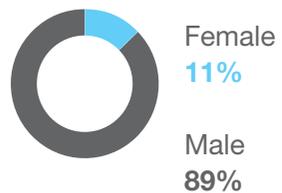
**Kristy Sanchez**  
Crew - Arcos Dorados Panama

# GOVERNANCE

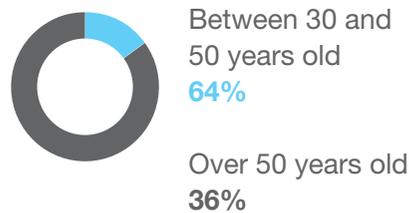
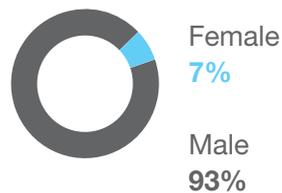
GRI Content: 102-16, 102-17, 102-18, 102-19, 102-20, 102-23, 103-1, 103-2, 103-3

At Arcos Dorados Holdings Inc., our corporate governance practices are comprised of an ethical and responsible framework defined by our bylaws and regulated by the United States Securities and Exchange Commission (SEC), as a company listed on the New York Stock Exchange.

## Board of Directors (\*)



## Management Team (\*)



(\*) Mandatory

## SHAREHOLDERS' MEETING

The Shareholders' Assembly is the highest governing body that delegates its authority to the Board of Directors

### BOARD OF DIRECTORS

### MANAGEMENT TEAM

Administration and Management of Arcos Dorados

## SUPPORT COMMITTEES

### AUDIT COMMITTEE

Supervision of the integrity of the financial statements, the hiring of the independent auditor, the performance of the internal audit function and compliance with legal and regulatory requirements (with the participation of 3 independent directors).

### COMPENSATION AND NOMINATIONS COMMITTEE

Approve corporate goals and objectives related to: remuneration, evaluate the performance of executives according to these goals and objectives, among others (with the participation of 3 directors).

### CORPORATE SOCIAL ENGAGEMENT COMMITTEE

The Corporate Social Engagement (CSE) Committee's role is to validate, share and ensure the continuity of the Company's social and environmental impact initiatives. In addition to providing comprehensive guidance to the Management Team on these initiatives, the Committee also seeks to promote consistent, timely and impactful communication of the Company's CSE initiatives.

The members of this Committee are the Company's Chairman, the VP of Government Relations, the VP of Communications and Investor Relations and the Senior Director of Corporate Social Engagement.

# 1 OUT OF 3

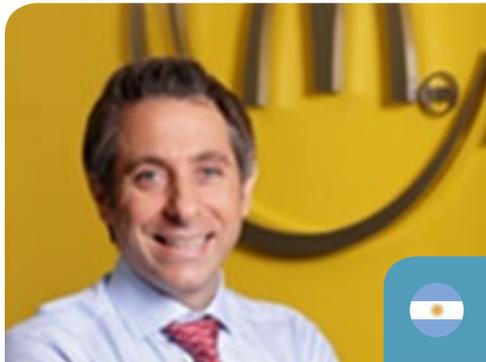
**executives, who make up the management team, started working at the restaurants.**



# ETHICS AND INTEGRITY

Our Standards of Business Conduct are a reference guide for our behavior towards customers, suppliers, operators and communities in which we operate.

 **Access our Rules of Business Conduct, available on our website**<sup>1</sup>



Luis Raganato, President of the Caribbean Division began his career in 1991 at the Nuevocentro Shopping Center in the city of Córdoba, Argentina.

## MISSION

To serve quality food while generating delicious and accessible moments for everyone.

## VISION

To be recognized for providing the best experience in each of our restaurants on a daily basis, generating value for our people and our shareholders.

## VALUES

- We deliver Quality, Service and Cleanliness to our Customers.
- We are Results-Oriented with an Entrepreneurial Spirit.
- We promote Meritocracy and Teamwork.
- We value Differences and foster Inclusion.
- We operate Responsibly and Ethically.
- We contribute to the Development of Communities in which we operate.



The Standards are framed within the corporate principles of integrity, honesty, diversity and sustainability and reflect the values we adopt at Arcos Dorados.  
**Woods Staton,**  
Executive Chairman  
Arcos Dorados

## Ethics Line

We have a toll-free line specifically reserved for calls on queries or complaints regarding ethical and regulatory compliance issues. If you are aware of any violation of the rules, or of any applicable law or policy, you should immediately inform this line or the Corporate Internal Audit Organization and Control Area, which is available to answer any questions about the rules of conduct in business, or to analyze their potential violations.



[www.resguarda.com](http://www.resguarda.com)

<sup>1</sup> [http://www.arcosdorados.com/attached/pdf/codigo\\_esp.pdf](http://www.arcosdorados.com/attached/pdf/codigo_esp.pdf)



## Stakeholders

**GRI Content: 102-40, 102-41, 102-42, 102-43, 102-44,**

Our stakeholders were defined using the guidelines provided by the AA1000SES Accountability Guide, and through an analysis that covers certain dimensions (due to responsibility, influence, closeness, dependency and representation). Communication and dialogue with our stakeholders is a key element in the process of identifying the relevant aspects of Arcos Dorados. To this end, we have a range of communication channels that respond to the characteristics and needs of each of our stakeholders.

<sup>1</sup> AA1000SES is a globally applied standard developed by the Accountability Institute. Provides support to organizations for the evaluation, design, implementation and communication of the integral approach to the articulation and commitment of Stakeholders.

Stakeholders	Our Commitment	Channels of communication and dialogue
<b>Shareholders, trading partners, financial institutions</b>	Act with total transparency in the best interests of our shareholders and business partners.	Investors Assembly Financial statements Form. 20-F Quarterly reports Investor Conference Website Social and Environmental Impact Results
<b>Governments and regulators</b>	Compliance with all applicable laws and regulations, including Human Rights legislation, workplace safety, workers' compensation and treatment.	Financial statements Form. 20-F Social and Environmental Impact Results
<b>Employees (Staff and restaurant)</b>	Support and encourage working with passion and innovation in the day to day and in the search for continuous improvement.	Labor climate surveys Arcos Dorados Digital AD Review Corporate social media, Yammer AD Talks AD Meetings Social and Environmental Impact Results
<b>Suppliers and distributors</b>	Develop strong relationships with our suppliers and distributors who share our values.	Meeting with suppliers Supplier Portal Website Social and Environmental Impact Results
<b>Customers</b>	Offer an exceptional experience, with the commitment to serve quality food and also offering service and cleanliness.	Open Doors Tell us about your visit Social Media Social and Environmental Impact Results
<b>Local Communities</b>	Develop an active role in the well-being of our neighbors and our community.	Open Doors Social Media Tell us about your visit Social and Environmental Impact Results



# ABOUT THIS REPORT

**GRI Content:** 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-55,

The 2017 Arcos Dorados Holdings Inc. Social and Environmental Impact Results Document has been prepared “in compliance” with the Global Reporting Initiative (GRI), “Essential” option. It has an annual periodicity and covers the period between January 1 and December 31, 2017.

The information contained in this document does not include data on the operations of our franchises, and

has not been externally verified. There have been no significant changes during the reported period, in terms of size, structure and ownership of the organization or the significant effects on the reformulation of information regarding previous years. The last document issued was the 2016 Social Environmental Impact Result.

Our Corporate Social Engagement Department is the point of contact for any comments, suggestions or queries: [cse@co.mcd.com](mailto:cse@co.mcd.com)

# DEFINING REPORT CONTENT

The process of identifying issues and material topics for defining the content of the Social and Environmental Impact Results Report is regularly carried out. In 2017, the Corporate Social Engagement Department carried out a review and updating of the material aspects identified in previous years as strategic, both by our company and by our main stakeholders, not identifying significant variations between both periods.

## Material aspects identified

- Responsible supply
- Water
- Animal welfare and health
- Nutritional quality of the products
- Local communities
- Economic performance of the organization
- Diversity and equal opportunities
- Employment
- Youth employment
- Energy
- Environmental assessment of suppliers
- Training and education
- Supply chain management
- Food safety
- Used materials
- Nondiscrimination
- Fostering healthy lifestyle habits
- Proportion of expenses in local suppliers
- Waste
- Customer’s Health and Safety



To access the digital version of Arcos Dorados Holdings Inc. Sustainability Report, enter **HERE**: <http://www.arcosdorados.com>.



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Arcos Dorados

**Arcos Dorados  
Social and Environmental  
Impact Result in Latin America  
and the Caribbean 2017**