



Warsaw, 6 October 2014

L.dz. **2578/2014**

Bob Langert
Vice President for Social Responsibility
McDonald's Corporation

Dear Mr. Langert,

Thank you for your reply of September 16th to our letter and providing us with information about McDonald's commitment to human rights, non-discrimination and diversity. We also appreciate your readiness to engage in dialogue with company's stakeholders.

We note however that while you have provided us with information about the general policy of the company with regards to human rights, some of our concerns and questions remain unanswered.

While engaging in cultural and sport activities is indeed part of the Economic, Social and Cultural Rights, so is also the freedom of speech, right to property, right to a fair trial and other core human rights that are notoriously violated by the Azeri government. Azerbaijan is trying to improve its image on international scene by organizing flashy mega-event and undertaking related PR efforts. Efforts in which it is currently being assisted by McDonald's through in-kind marketing sponsorship-like arrangements (including, in line with information released to the media, placing Baku 2015 logo next to McDonald's logo on all packaging, in-store messaging, etc.). Those actions are far more than generic expression of support for the Games, which is how the actions of McDonald's local developmental licensee in Azerbaijan were described in your email.

We note that in the Management's Report to the Sustainability and Corporate Responsibility Committee of the Board of Directors on its Process for Identifying and Analyzing Human Rights Risks in McDonald's Operations from January 9, 2014, to which you have referred to in your email, it is stated that:

"Because of the complex nature of its franchise relationships and limitations that exist in contract and in local law, McDonald's has not attempted to unilaterally impose its Standards of Business Conduct on its franchisees. The Company has chosen instead to use other efforts to inform its franchisees of the Company's commitment to human rights and to encourage them to adopt similar standards" and "These contracts require franchisees to conduct certain aspects of their business in the manner prescribed by McDonald's to ensure consistency of operations across the thousands of restaurants operated under its name."

Respect for human rights should be considered as being an important element of the consistency of operations. We would like to recall that the UN Guiding Principles on Business and Human Rights clearly state that business enterprises may be involved with adverse human rights impacts not only through their own activities but also as a result of their business relationships with other parties (GP 13), where "business relationships" are understood to include relationships with

business partners, entities in its value chain, and any other non-State or State entity directly linked to its business operations, products or services. Moreover, the UN Guiding Principles highlight that the responsibility to respect human rights requires that business enterprises seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts. In the situation that caused our concerns the link is at least twofold: through the business relationship with the franchisee, which gives McDonald's right to revoke contract should franchisee not meet the core requirements, and through the products that appear under McDonald's trademark.

Given the McDonald's Plan to Win framework of the "Five P's" of People, Product, Place, Price and Promotion" – it is surprising for us to see that McDonalds' approves of the logo of the games that are associated by many with repressive regime and human rights violations being placed and promoted 'hand in hand' on all of its products packaging next to its famous arches. Baku 2015 is not a local 3rd league match but a mega-sport event and thus it is surprising that the local franchisee would be able to enter into in-kind sponsorship-like and marketing arrangement with Baku2015 Organizing Committee without approval or at least knowledge of the McDonald's Headquarters, particularly given that as is stated in the aforementioned Management Report "management conducts regular business meetings with global, national, regional and local franchisee groups, as well as franchisee affinity groups and other franchisee groups that have been formed to deal with particular aspects of the McDonald's restaurant business, including people practices" with purpose of those meetings that occur throughout the year being *inter alia* the need "to ensure alignment with business and marketing plans".

We strongly believe that it is not just commitment and talking about being committed that makes a responsible and human rights respecting company – it is acting in a responsible way and respecting human rights proactively across company operations that makes it such. And it is for the stakeholders of the company to judge on the basis of the company's actions and omissions, whether the company conducts its business to 'high standards of fairness, honesty and integrity' as it declares.

Sincerely Yours,



Beata Faracik
*President of the Board
Polish Institute for Human Rights
and Business*



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