

*We're Only As Good As They
Think We Are*

McDonald's and Sustainability



Social Licence in Agriculture

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McDonald's Canada

- 2.5+ million customers a day
- 1,400+ restaurants nationally
- 85,000+ employees
- 80% of the system is franchised



Supporting Canadian Agriculture


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- A decorative graphic on the left side of the slide consists of a vertical column of hexagons. The hexagons are in shades of blue, green, and orange. Some hexagons contain small images of agricultural products: a bunch of blueberries, a corn cob, a head of broccoli, and a cluster of apples.
- \$1 billion annual purchases (food & packaging)**
 - 67 million pounds of beef
 - 52 million pounds of chicken
 - 76 million fresh eggs
 - 24 million litres of milk and cream
 - 143 million pounds of potatoes
 - 3 million fresh apples



Evolution



McDonald's
the drive-in with the arches



McDonald's Amazing Menu

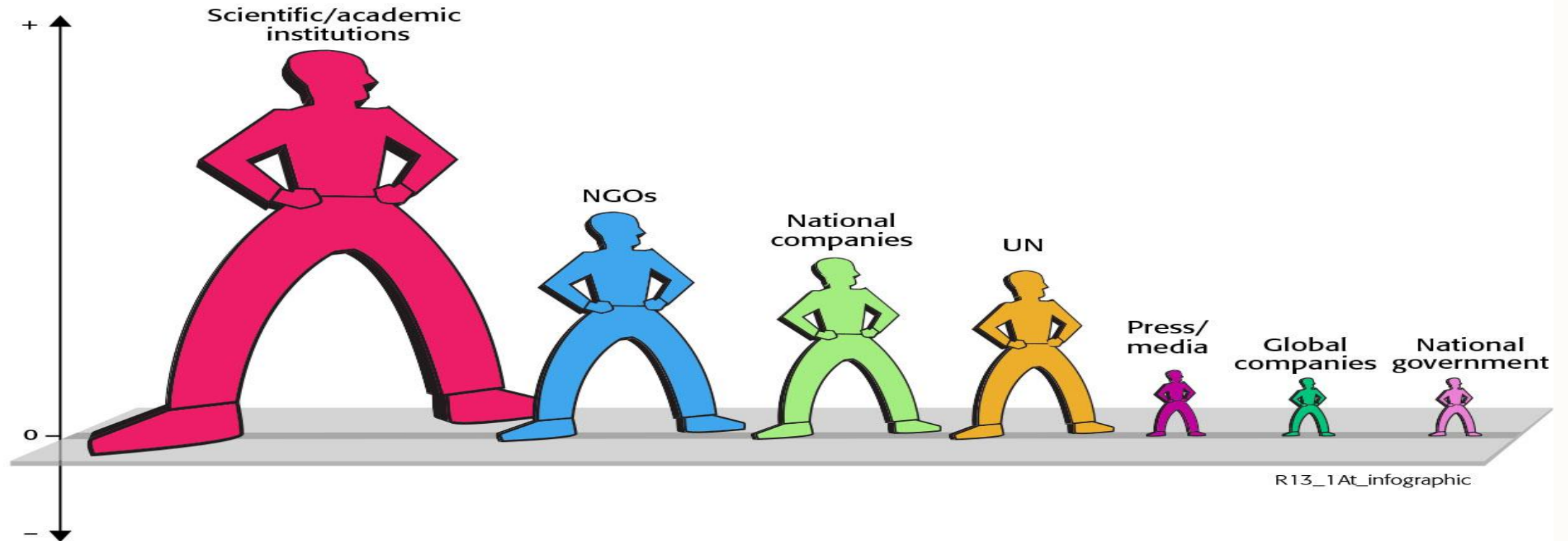
Pure Beef Hamburger.....	15¢
Tempting Cheeseburger.....	19¢
Triple-Thick Shakes.....	20¢
Golden French Fries.....	10¢
Thirst-Quenching Coke.....	10¢
Delightful Root Beer.....	10¢
Steaming Hot Coffee.....	10¢
Full-Flavor Orange Drink.....	10¢
Refreshing Cold Milk.....	12¢



SUSTAINABILITY

Consumers express little trust in global companies

Net Trust* in Institutions Average of 23 Countries,** 2013



*"A lot of trust" and "Some trust" minus "Not much trust" and "No trust at all"

**Includes Australia, Canada, China, France, Germany, India, Indonesia, Kenya, Mexico, Nigeria, Russia, Spain, Turkey, UK, and USA

Q1at. Please tell me how much you trust each of the following institutions to operate in the best interest of our society

The Millennial Opportunity

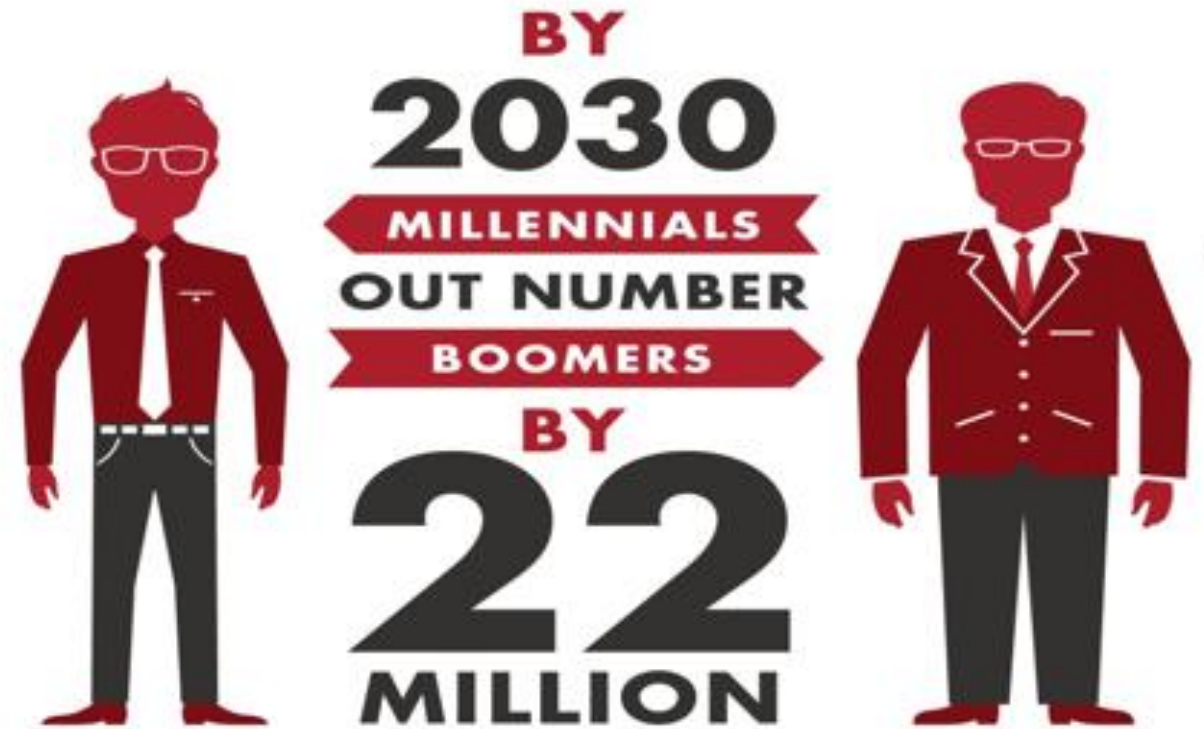
Millennial Share of Market

The dominant users of today are not the dominant spenders of tomorrow's market.

Who are Millennials?

Approx. 18-34 year olds,
born between 1980 and 1994

Currently, the Millennial
generation accounts for 27% of
the U.S. population as well as
21% of total consumer spending



From Hanson Dodge Creative, 2013



Customer Insights

- McD could be powerful enough to hide things from them
- Most are concerned with the integrity of what they are eating
 - veggies are not the solution as beef and chicken are the issue
- Only transparency has the power to really change their perceptions



What does McDonald's do when the cows have wounds on them?

Are your cattle corn fed or grass fed?

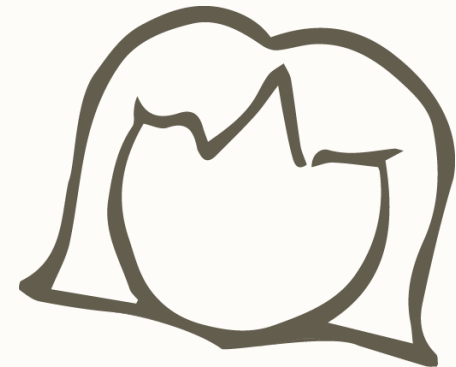
Does McDonald's allow hormones to be used in raising the cattle?

Does McDonald's view their cattle as dollar signs or actual animals?

What do you mean by 100% beef?

What can you say about all the negative allegations about the meat at McDonald's?
Is any of it true?

What can you tell me about your corporate structure and who is responsible for observing the agricultural department of McDonald's?



Transparency – Our Food, Your Questions



QUARTER POUNDER WITH CHEESE®

from our
RESTAURANT
Prep time:
60 SECONDS

from our
PHOTOSHOOT
Prep time:
4 HOURS

<p>BRYAN K. from NewWestminster, BC asked:</p> <p>"How long has McDonalds used pink slime in their hamburgers?"</p> <p>SEE ANSWER</p>	<p>PAUL G. from Ottawa, ON asked:</p> <p>"You say you only use pure beef patties; no fillers, not additives. My burgers don't taste like yours when I make them at home. Why not?"</p> <p>SEE ANSWER</p>	<p>ISABEL M. from Toronto, ON asked:</p> <p>"Why does your food look different in the advertising than what is in the store?"</p> <p>SEE ANSWER</p>
<p>JOHN R. from Toronto, ON asked:</p> <p>"Is your beef actually 100% pure beef or is that just the name of the company?"</p> <p>SEE ANSWER</p>	<p>PHIL K. from Toronto, ON asked:</p> <p>"Are we supposed to believe your burgers are 100% beef?"</p> <p>SEE ANSWER</p>	<p>LEIFER S. from North Vancouver, BC asked:</p> <p>"How many sesame seeds does the top bun of a BigMac have?"</p> <p>SEE ANSWER</p>
<p>MATTHEW M. from Toronto, ON asked:</p> <p>"Why does your food, left out over long periods of time never mold or decompose?"</p> <p>FOLLOW</p>	<p>JESSIE W. from Vernon, BC asked:</p> <p>"Is it actually real beef? Or is that just the company name? '100% Real Beef'"</p> <p>SEE ANSWER</p>	<p>DURI A. from Toronto, ON asked:</p> <p>"Kudos for doing this. Will you use these questions to inform a new product strategy? become the fast food industry's shift disturbers :)"</p> <p>SEE ANSWER</p>



OUR CSR & SUSTAINABILITY FRAMEWORK

GROWING OUR BUSINESS BY MAKING A POSITIVE DIFFERENCE IN SOCIETY

SOURCE ALL OF OUR FOOD & PACKAGING SUSTAINABLY

2020 ASPIRATIONAL GOALS I

BEEF: SUPPORT SUSTAINABLE PRODUCTION

Lead development of global principles and criteria in 2014
Develop targets and begin purchase of verified sustainable beef by 2016

100% OF COFFEE, PALM OIL* & FISH

Verified as supporting sustainable production
*Primary and secondary use

100% FIBER-BASED PACKAGING

From certified or recycled sources



DEVELOP & OPERATE THE MOST ENVIRONMENTALLY EFFICIENT McDONALD'S RESTAURANTS

2020 ASPIRATIONAL GOALS I

20% INCREASE IN ENERGY EFFICIENCY OF COMPANY-OWNED RESTAURANTS (TOP 9 MARKETS)

Excluding Brazil and Japan. Develop Franchisee goal in 2016

INCREASE ENERGY EFFICIENCY THROUGH RESTAURANT STANDARDS

Top 9 Markets. Develop goal in 2014

INCREASE AMOUNT OF IN-RESTAURANT RECYCLING TO 50% AND MINIMIZE WASTE

Top 9 Markets



PROVIDE BALANCED CHOICES

2020 ASPIRATIONAL GOALS I

SERVE 100% MORE FRUIT, VEGETABLES, LOW-FAT DAIRY, OR WHOLE GRAINS

Top 9 Markets

REDUCE SALT/SODIUM, SUGAR, SATURATED FAT OR CALORIES ACROSS THE MENU

Top 9 Markets. Develop goal by 2015



OUR JOURNEY TOGETHER.
FOR GOOD.



COMMITTED FOR OVER
50 YEARS TO
OUR EMPLOYEES
AND COMMUNITIES



CORE VALUE I

GIVE BACK TO OUR COMMUNITIES

IMPROVE THE LIVES OF CHILDREN AND THEIR FAMILIES

Through support of Ronald McDonald House Charities and other organizations

STRENGTHEN COMMUNITIES

By addressing needs such as education and physical activity

CORE VALUE I

COMMITTED TO OUR PEOPLE

CREATE OPPORTUNITY

Provide lifelong skills and career opportunities for our global workforce

PROMOTE DIVERSITY & INCLUSION

Foster a work environment that values the unique contributions of all

Sustainable Sourcing Priorities



Beef

Poultry

Coffee

Fibre (packaging)

Fish (seafood)

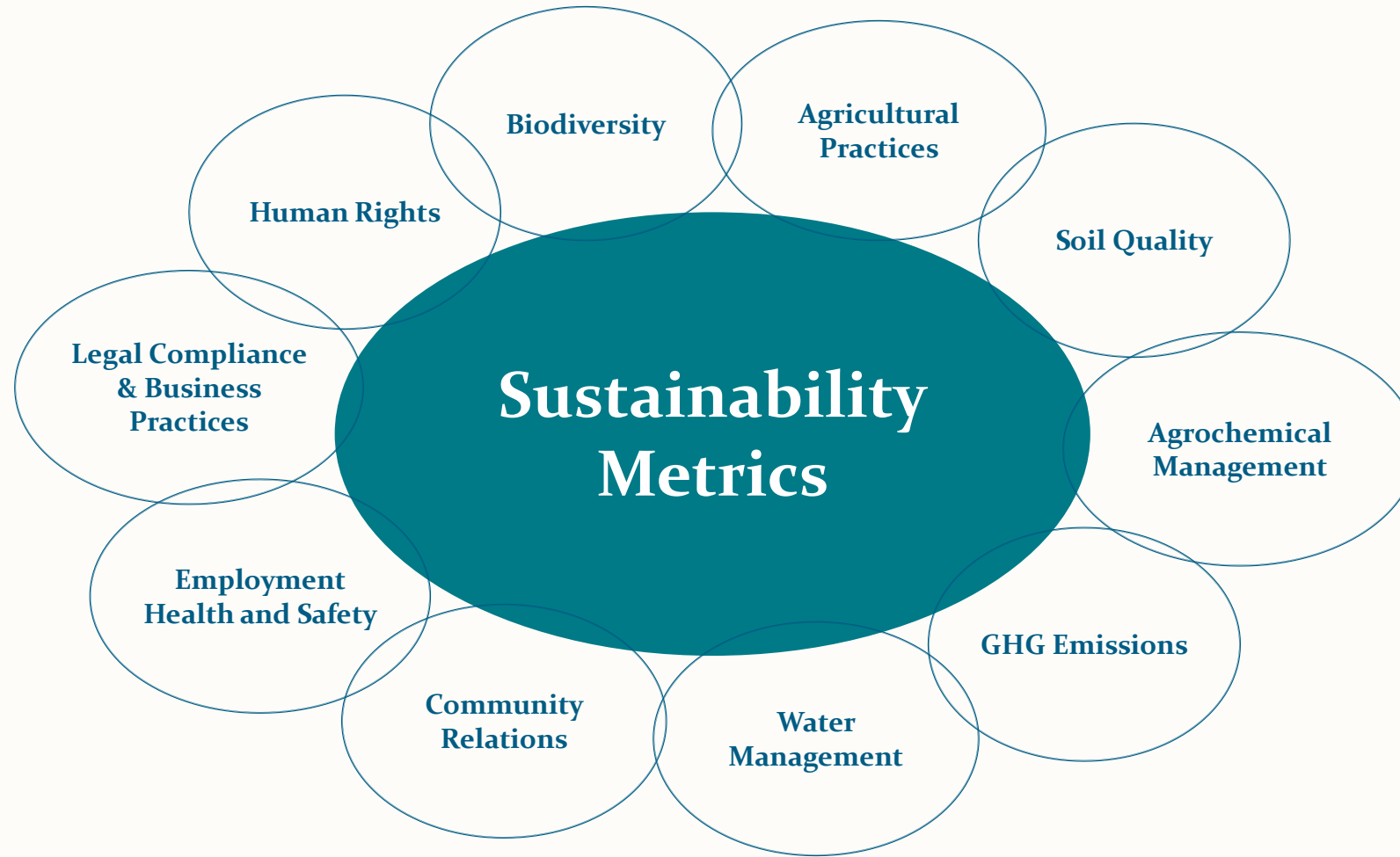
Palm oil (oils)



The Certification/Verification Maze



The Metrics Maze



CHALLENGE

- Different markets
- Different customers
- Using a different “mix” of these metrics

What it's really all about ...

Positive outcomes

- Economic
- Environmental
- Ethical/Social



Non-participating farm – Estimated net income \$300



WORKING supply chain

PARTICIPATING FARM – Estimated net income \$2,500



WORKING WITH THE SUPPLY CHAIN



So what was McDonald's
announcement on Jan 7, 2014
on **verified sustainable beef?**

RESTAURANTS

McDonald's commits to begin buying sustainable beef by 2016



Published: Tuesday, 7 Jan 2014 | 5:18 PM ET

By: Katie Little | Staff Writer



Food & Drink

McDonald's Promises Sustainable Beef—and No One Knows What That Is

By Susan Berfield | January 07, 2014

By AIMEE PICCHI / MONEYWATCH / January 8, 2014, 11: 11 AM

McDonald's commits to "sustainable beef" – whatever that is

4 Comments / 31 Shares / 27 Tweets / Stum

Updated at 1:14 p.m. ET

McDonald's (MCD) is taking a major step to reduce eventually start buying beef from sources of verifial only problem? No one knows what "sustainable" m



SEND TO kindle



FOOD AND BEVERAGE INDUSTRY

McDonald's Will Serve Up Sustainable Beef, Whatever That Is

By Sam Frizell @Sam_Frizell | Jan. 07, 2014 | 10 Comments




Announcement/Commitment



1. To **begin** purchasing a **portion** of our global beef supply from verified sustainable sources **in** 2016
2. To set a global goal in 2016 for sourcing verified sustainable beef globally by 2020

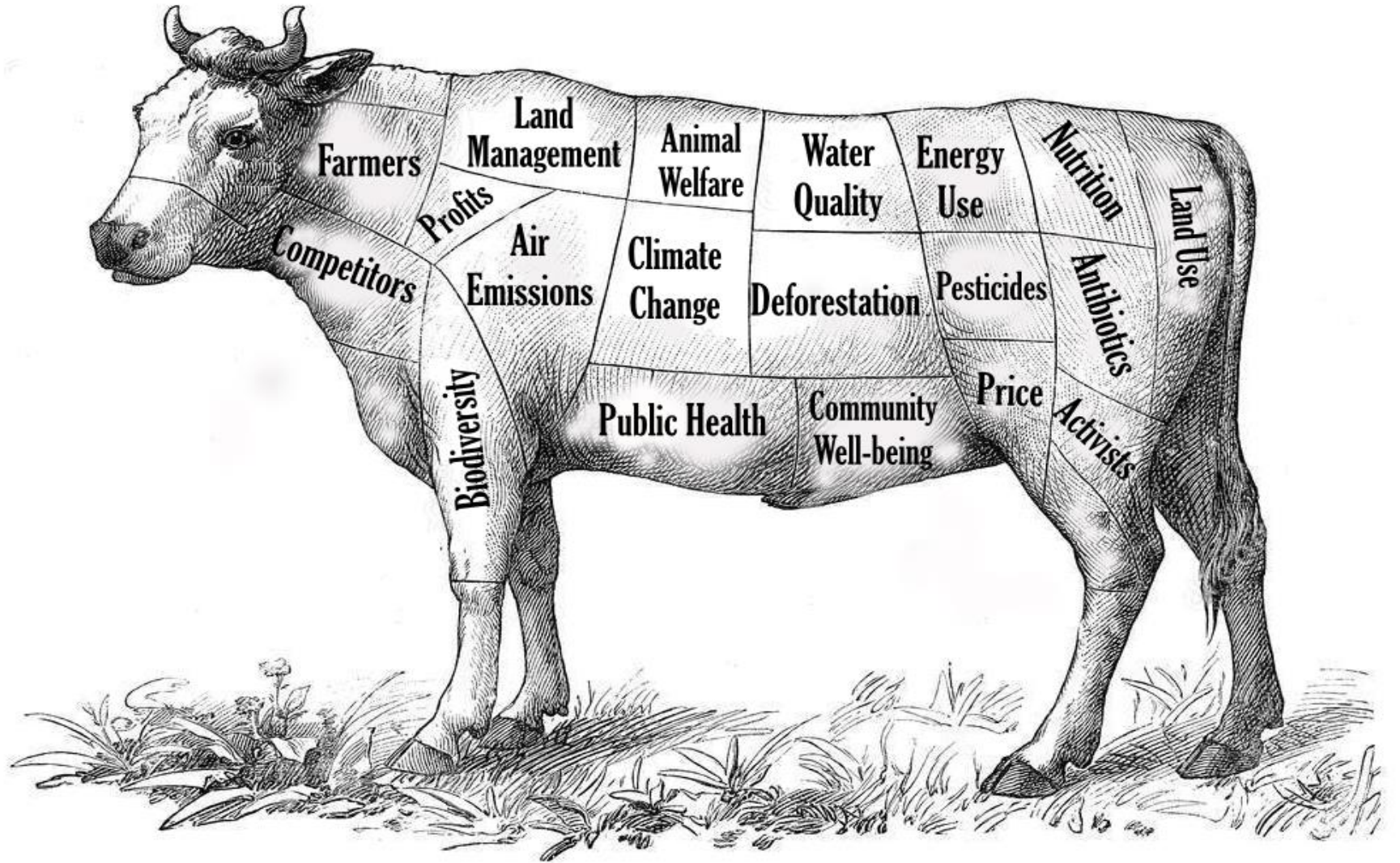


What did we mean by this announcement?

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- A vertical decorative graphic on the left side of the slide. It consists of a series of hexagons in blue, green, and orange. Some hexagons contain images of food: a bunch of grapes, a corn cob, and a head of broccoli. The hexagons are arranged in a staggered, overlapping pattern.
- Did not commit to a particular volume or percentage in 2016 – about a credible, scalable Pilot
 - Continuous improvement – this is a journey
 - **Collaborate** vs. Mandate



Why Sustainable Beef?



SUSTAINABILITY

SELL MORE BEEF

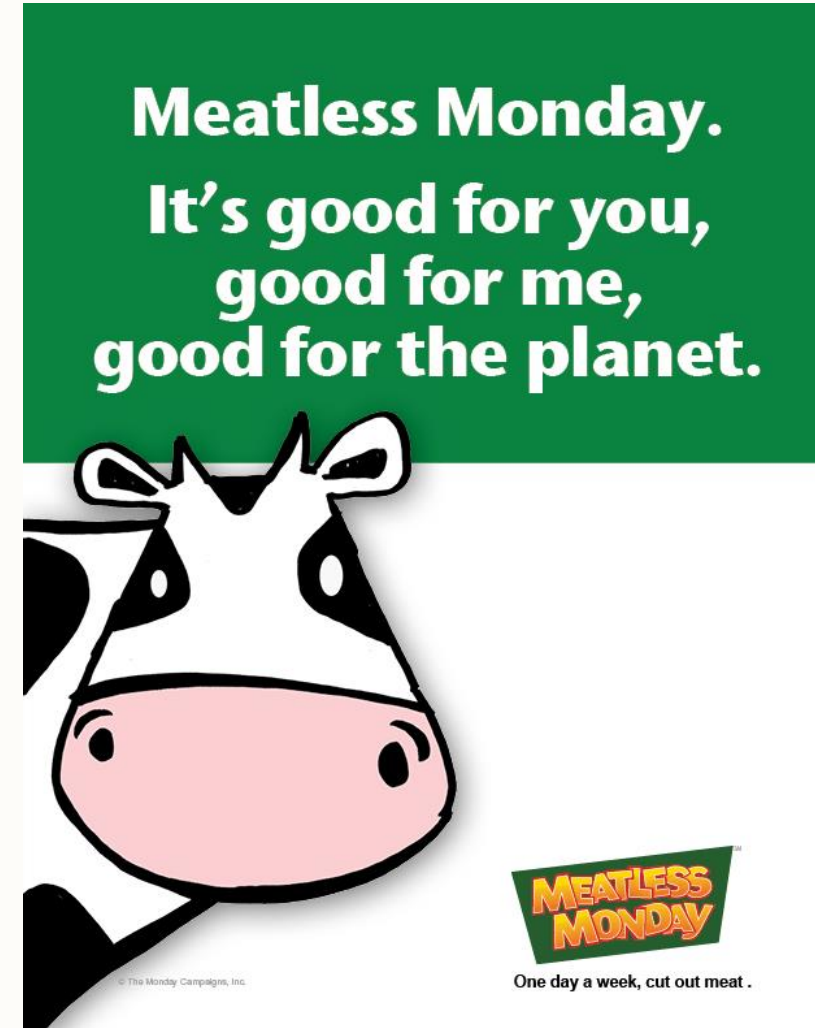
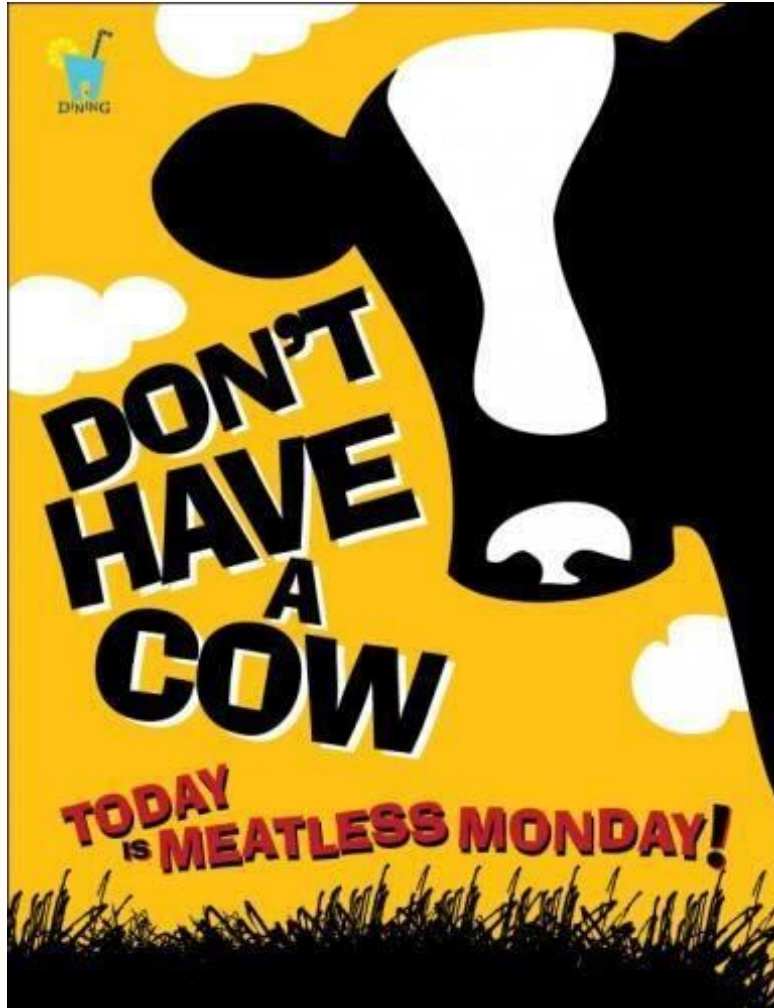


67 million

POUNDS OF
CANADIAN BEEF



Social Licence Risks

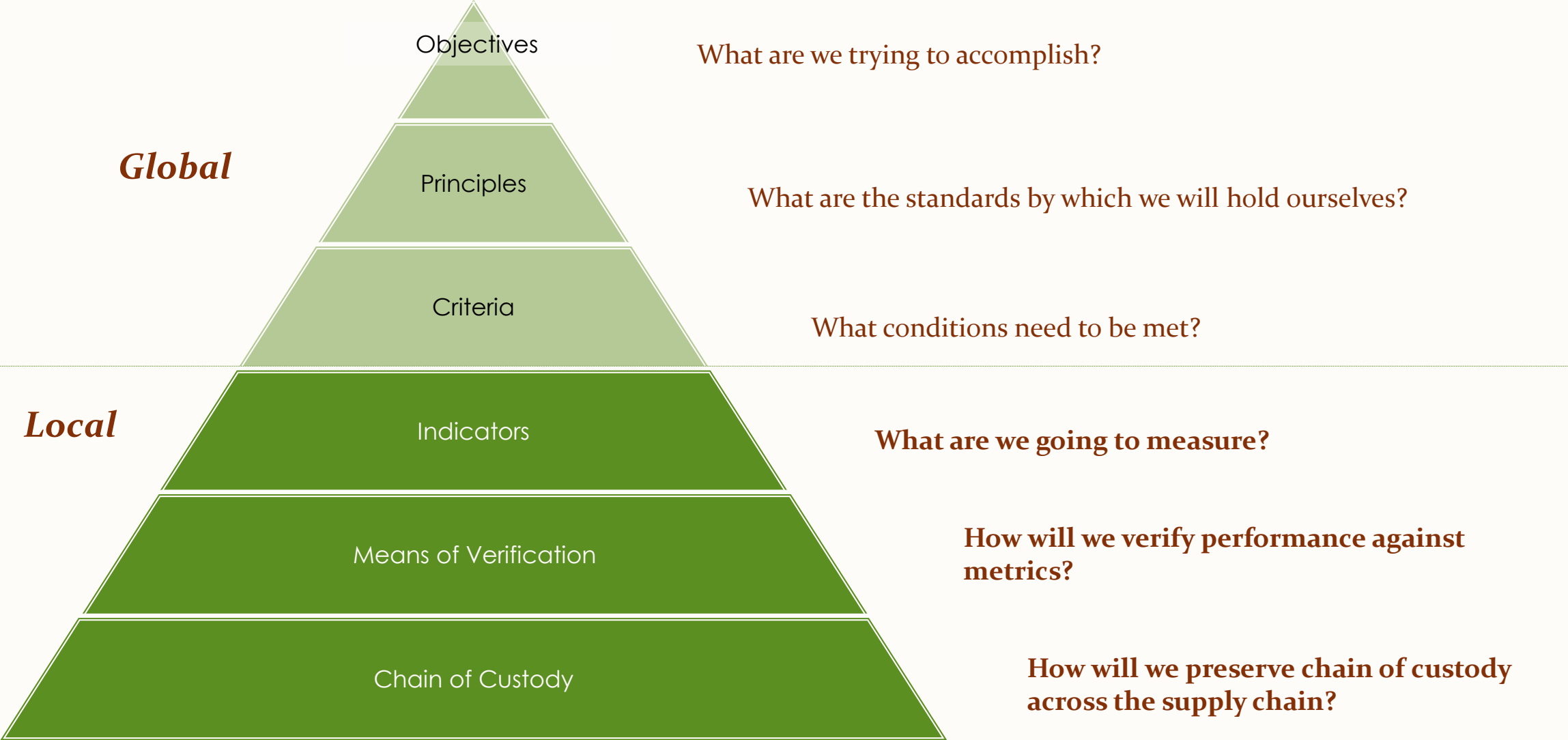


Multi-Stakeholder Collaborations



SUSTAINABILITY

Alignment with Global Roundtable for Sustainable Beef






Verified Sustainable Beef Pilot Project to Support 2016 Commitment



Not Perfect, Not Supposed to Be

- 
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- Cannot wait for perfection before you start testing
 - Pilot means you're learning as you go
 - Not letting perfection get in the way of progress towards our goal
 - Hope for successes and failures – both are necessary in order to learn and provide value



Why **Canada** for the Pilot?

- Industry support
- Industry developed and supported tools
- Existing collaborations
- **Commitment to Canadian Beef**



NO FILLERS. NO ADDITIVES.





Mission

- ◆ To be the most trusted and competitive high quality beef cattle producer in the world recognized for our superior quality, safety, value, innovation and sustainable production methods.

Focus Area D: Sustainability

1. Support the Global and Canadian Roundtables for Sustainable Beef
2. Economic – Improve return on investment and long term profitability of the beef industry
3. Environmental – Continually improve natural resource use, validate beef production impacts, and support verifiable supply chains
4. Maintain Canada's beef industry's social license to operate through validating production practices and identifying opportunities for continuous improvement in areas of public concern




McDonald's Verified Sustainable Beef Pilot

- Should serve as a learning opportunity to understand how we can **measure**, **verify**, and **communicate** to consumers the sustainability of beef production
- Will use the **principles** and **criteria** from the CRSB & GRSB and then work with stakeholders to develop sustainability **indicators** that will apply those principles/criteria to Canadian production



Verification

- 
- A decorative graphic on the left side of the slide consists of a vertical column of hexagons. The hexagons are in various shades of blue, green, and orange. Some hexagons contain images of food: a bunch of blueberries, a corn cob, and a head of broccoli. The hexagons are arranged in a slightly overlapping, staggered pattern.
- Verification, **not certification** (info sharing vs. policing)
 - Verification will aim to allow producers to demonstrate how they meet the sustainability indicators (**outcomes** are what matters)
 - Not doing an audit (pass/fail)
 - We are doing a **verification of outcomes**



In Conclusion

- Canadian agriculture in **advanced, sustainable, and on a journey**
- Agriculture value chain needs to be better organized to respond to multiple market requirements
 - ***there is a critical need to provide transparency and build trust with consumers***
- Entire value chain must be able to demonstrate & communicate sustainability performance
- Demonstrating performance and creating consumer confidence requires an ***industry-wide effort***
- We want to/need to tell your story – continue to educate us
 - *will help maintain social licence to operate*
 - *will help advance the sustainability profile of Canada's agriculture sector*



For More Information ...

<http://www.aboutmcdonalds.com/mcd/sustainability.html>

