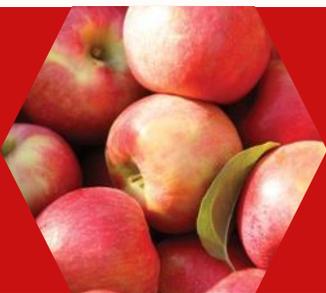


*We're Only As Good As They  
Think We Are*

---

*McDonald's and Sustainability*



**Social Licence in Agriculture**

**Jeffrey Fitzpatrick-Stilwell**  
Senior Manager, Sustainability



TOGETHER

120 COUNTRIES 34,000 RESTAURANTS

70 MILLION CUSTOMERS A DAY



EMPLOYEES



FRANCHISEES



MCDONALD'S  
SUPPLIERS



# 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

**\$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**

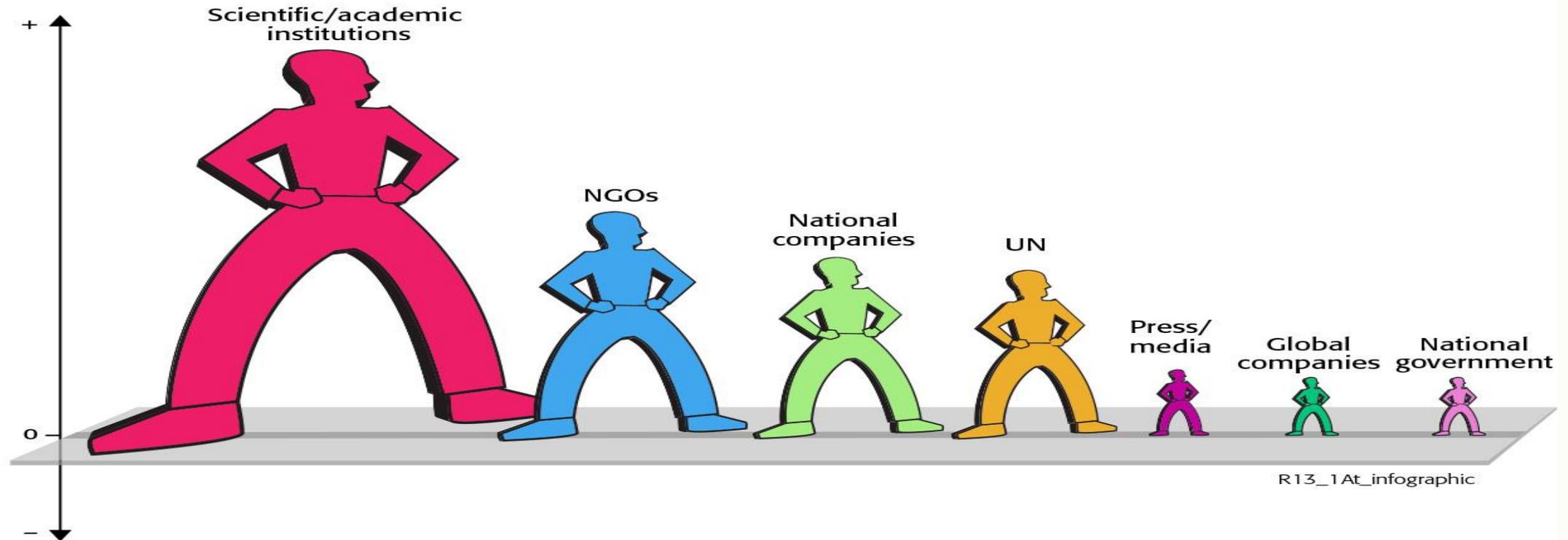
Pure Beef Hamburger.....	15¢
Tempting Cheeseburger.....	19¢
Triple-Thick Shakes.....	20¢
Golden French Fries.....	10¢
Thirst-Quenching Coke.....	10¢
Delightful Root Beer.....	10¢
Steaming Hot Coffee.....	10¢
Full-Flavor Orange Drink.....	10¢
Refreshing Cold Milk.....	12¢



**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?

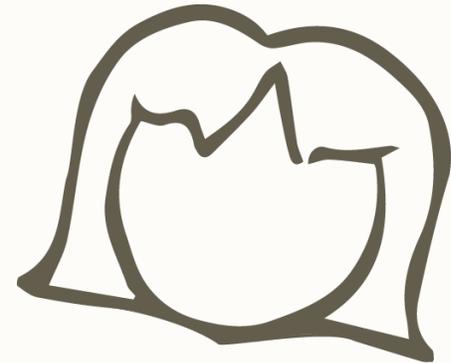
Does McDonald's allow hormones to be used in raising the cattle?

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**

**BRYAN K.**  
from NewWestminster, BC asked:

"How long has McDonalds used pink slime in their hamburgers?"

SEE ANSWER

**PAUL G.**  
from Ottawa, ON asked:

"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?"

SEE ANSWER

**ISABEL M.**  
from Toronto, ON asked:

"Why does your food look different in the advertising than what is in the store?"

SEE ANSWER

**JOHN R.**  
from Toronto, ON asked:

"Is your beef actually 100% pure beef or is that just the name of the company?"

SEE ANSWER

**PHIL K.**  
from Toronto, ON asked:

"Are we supposed to believe your burgers are 100% beef?"

SEE ANSWER

**LEIFER S.**  
from North Vancouver, BC asked:

"How many sesame seeds does the top bun of a BigMac have?"

SEE ANSWER

**MATTHEW M.**  
from Toronto, ON asked:

"Why does your food, left out over long periods of time never mold or decompose?"

FOLLOW

**JESSIE W.**  
from Vernon, BC asked:

"Is it actually real beef? Or is that just the company name? '100% Real Beef'"

SEE ANSWER

**DURI A.**  
from Toronto, ON asked:

"Kudos for doing this. Will you use these questions to inform a new product strategy? become the fast food industry's shift disturbers :)"

SEE ANSWER





# OUR CSR & SUSTAINABILITY FRAMEWORK

## GROWING OUR BUSINESS BY MAKING A POSITIVE DIFFERENCE IN SOCIETY

### SOURCE ALL OF OUR FOOD & PACKAGING SUSTAINABLY

#### 2020 ASPIRATIONAL GOALS |

#### 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 |

#### 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



OUR JOURNEY TOGETHER.  
FOR GOOD.

### PROVIDE BALANCED CHOICES

#### 2020 ASPIRATIONAL GOALS |

#### 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



#### CORE VALUE |

### 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



COMMITTED FOR OVER 50 YEARS TO OUR EMPLOYEES AND COMMUNITIES



#### CORE VALUE |

### 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

# Sustainable Sourcing Priorities



Beef

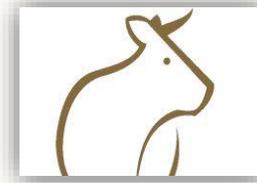
Poultry

Coffee

Fibre (packaging)

Fish (seafood)

Palm oil (oils)



# The Certification/Verification Maze



Sustainable Ag Code



Supplier Code

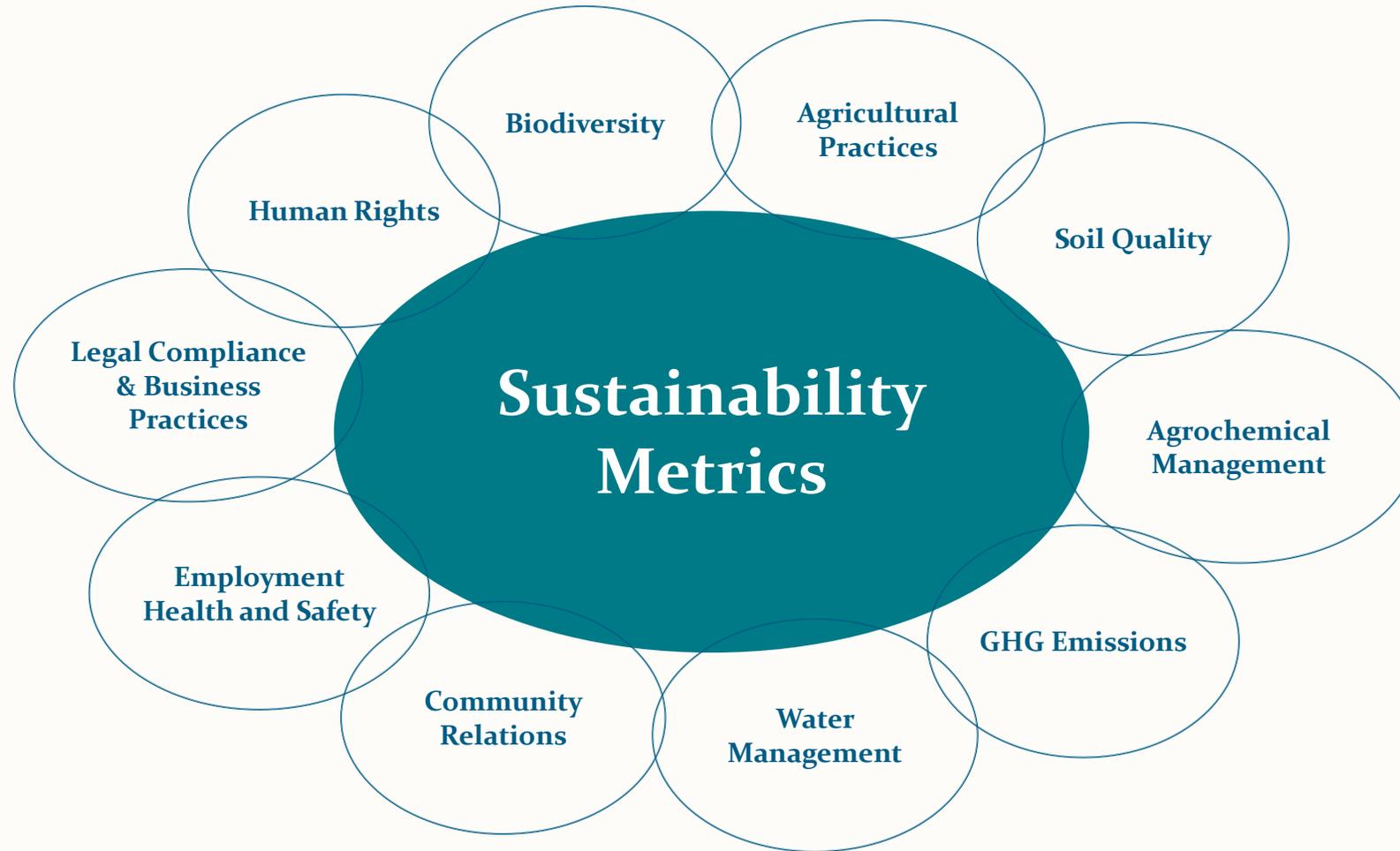


Supplier Code of Conduct



WORLDWIDE *supply chain*

# The Metrics Maze



## CHALLENGE

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

# What it's really all about ...

- 
- A decorative graphic on the left side of the slide consists of a vertical stack of hexagons. The top hexagon is blue and contains a small image of blueberries. Below it is a yellow hexagon with a corn cob. The next is a green hexagon with a leafy vegetable. The bottom hexagon is orange and contains a small image of a tomato. There are also several smaller, solid-colored hexagons interspersed between the larger ones.
- **Positive outcomes**
    - Economic
    - Environmental
    - Ethical/Social



# Non-participating farm – Estimated net income \$300



WORLDWIDE supply chain

# PARTICIPATING FARM – Estimated net income \$2,500



McDonald's 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

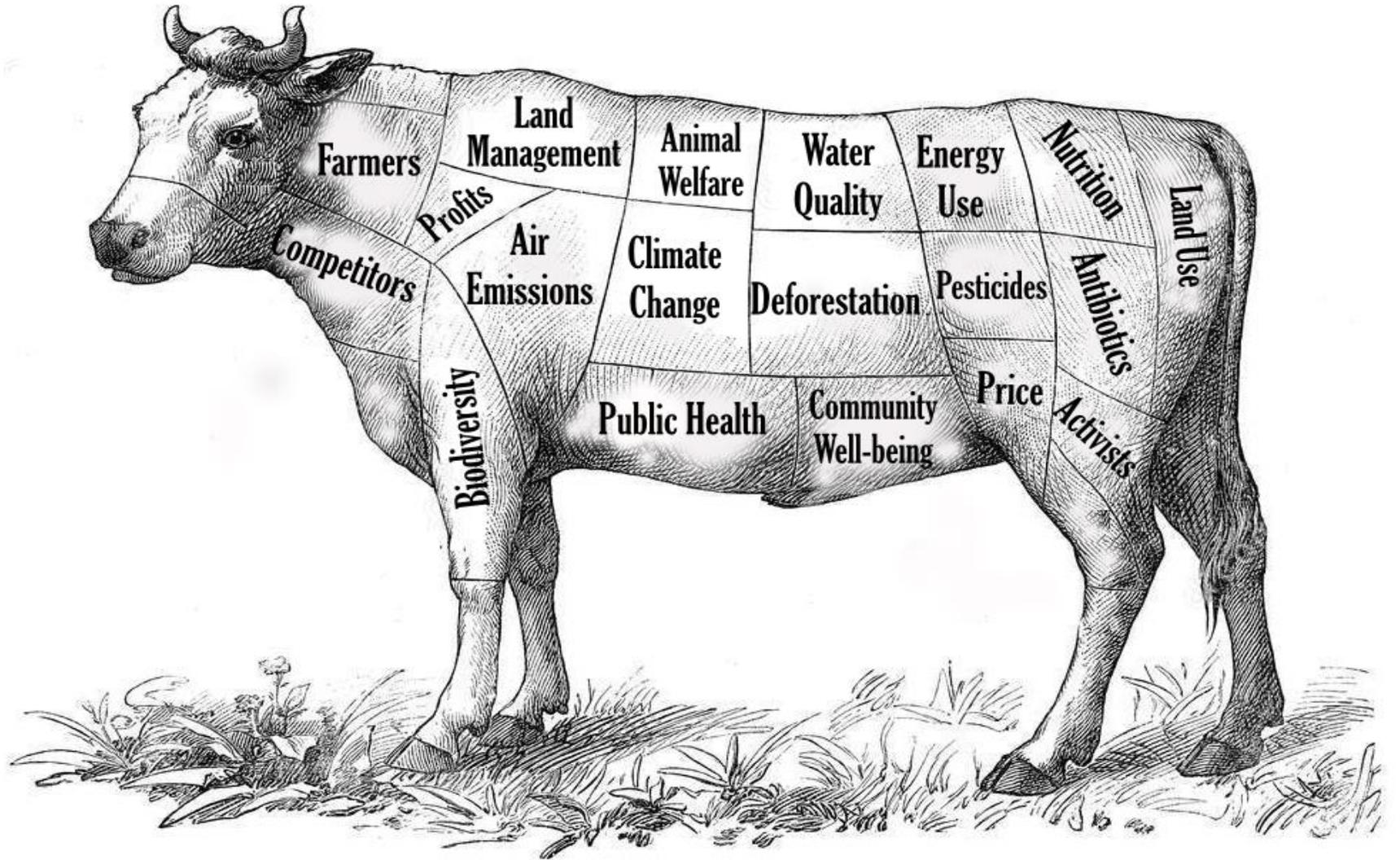


# What did we mean by this announcement?

- 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?



SELL MORE BEEF

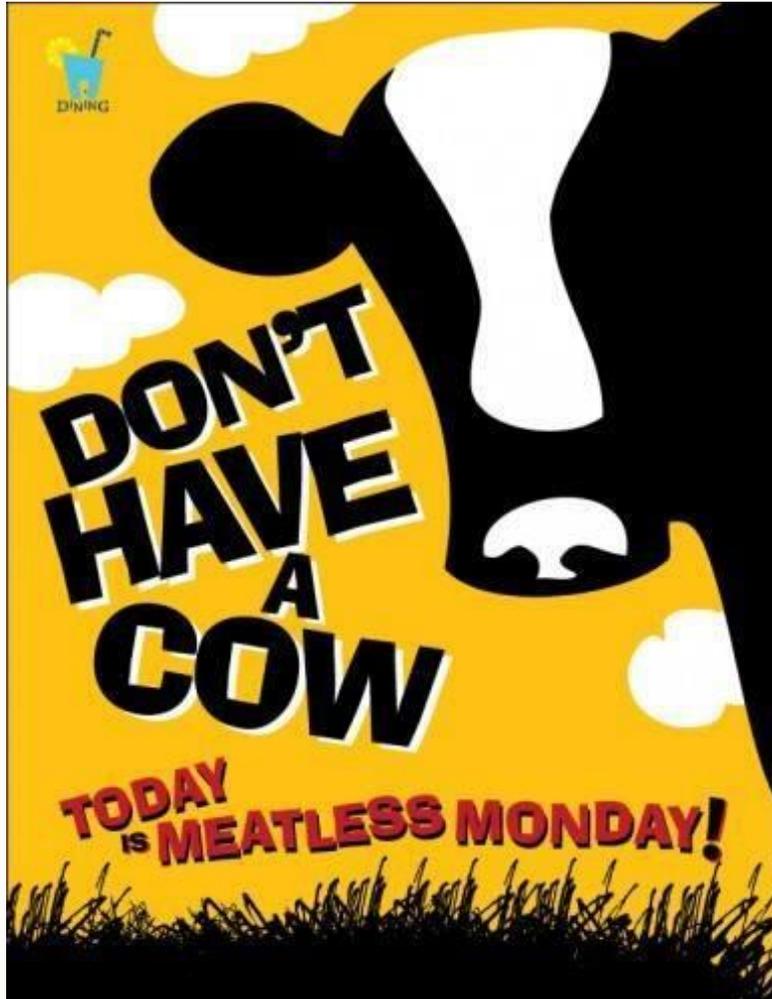


**67 million**

POUNDS OF  
CANADIAN BEEF



# Social Licence Risks



# Multi-Stakeholder Collaborations



# Alignment with Global Roundtable for Sustainable Beef





# Verified Sustainable Beef Pilot Project to Support 2016 Commitment



# Not Perfect, Not Supposed to Be

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



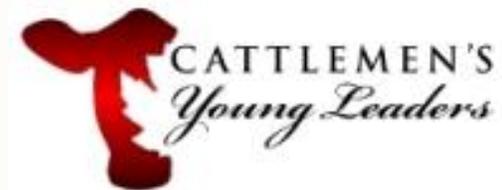
# Why **Canada** for the Pilot?



- 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

- 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>

