

MCDONALD'S SUSTAINABLE BEEF PILOT

Executive Summary | June 6, 2016



WHY DID MCDONALD'S INVEST IN THE PILOT?

McDonald's envisions a world in which all aspects of the beef value chain are environmentally sound, socially responsible and economically viable. Being synonymous with burgers and as one of the largest purchasers of beef globally, McDonald's has a responsibility to help lead the industry toward better and more sustainable outcomes when it comes to beef.

In 2014, McDonald's made a global commitment to begin sourcing a portion of our beef from verified sustainable sources in 2016. Launching a Sustainable Beef Pilot project was the next step in our long-term strategy towards our vision and enabled proactive and responsible engagement of our global beef value chain. McDonald's intended for our Sustainable Beef Pilot project (Pilot) to accomplish the following three objectives:

1. Begin purchasing a portion of our beef from verified sustainable sources in 2016
2. Bring the Global Roundtable for Sustainable Beef (GRSB) Principles and Criteria to life through a locally-relevant, outcomes-based initiative
3. Support and accelerate development of an industry-led beef sustainability framework in the host geography



How did McDonald's choose Canada for the Pilot?

In review of our beef supply chains around the world, McDonald's determined Canada was well suited to host the Pilot for three primary reasons:

1. **Canadian Beef Industry Leadership** – Leaders throughout the community expressed not just a willingness but a desire to work with McDonald's on its beef sustainability initiative.
2. **Existing Programs and Tools** – Canada was already home to a significant number of programs and tools that would be critical for the success of a Pilot.
3. **Our Commitment to Canadian Beef** – McDonald's Canada had already developed strong relationships across the Canadian beef community by sourcing 100% Canadian beef for the hamburgers supplying all of their Canadian restaurants.

HOW DID MCDONALD'S STRUCTURE THE PILOT?

McDonald's relied on our Pilot Project Management Team (PMT) to engage genuinely, collaboratively and persistently with trusted leaders, organizations and institutions throughout Canada's beef community. The Pilot began with a public announcement in January 2014 and ended with a wrap-up meeting in June 2016. The key structural components of the Pilot were as follows:



Stakeholder engagement – From the outset, the PMT enlisted leaders across the Canadian beef community to serve as a think tank during the Pilot's development and to help educate their broader peer groups about both the Pilot and the value of a Canadian beef sustainability framework.



Indicator development – The PMT enlisted the help of 11 respected advisors and gathered insights from dozens of discussions with Canadian ranchers, feedlot operators and processors as well as representatives from retail, foodservice, academia, non-governmental organizations, government and industry associations. After more than 150 iterations, the PMT tested and delivered a set of segment-specific, locally-relevant, outcome-based indicators aligned with the GRSB Principles and Criteria. The PMT also delivered a scale that enabled verifiers to assign each participating operation with a performance score for each indicator.



Project scope – McDonald's ultimately decided that the Pilot would cover only those key segments of the supply chain where the most resources and time went into raising and handling beef cattle. This focus enabled the Pilot to drive towards deeper insights into each specific segment of the beef value chain: cow-calf, backgrounding, feedlot and primary and further processing plants. The following aspects were determined to be out of scope: auction markets, transportation services, feed, individual economic performance, private chain-of-custody tracking systems and any non-beef portion of the participant's operation.



Verifications – The PMT worked with Where Food Comes From, Inc. (WFCF) to develop and test a robust and credible verification process. WFCF recruited and trained three independent professionals with extensive knowledge of and experience in Canadian beef production systems to conduct all on-site verifications. Each pilot participant received a confidential Verification Report from WFCF that included high-level verifier comments tied to each indicator score. Each participant also received a Benchmark Report that compared their performance to that of their peers within the same value chain segment (i.e., rancher / backgrounder, feedlot, processor). WFCF also resourced a processing plant expert and a dairy verification expert to conduct verifications at three beef processing facilities and two dairy operations, respectively.



Communications – The PMT and our industry partners hosted 33 workshops and presentations, which reached approximately 3,200 curious beef community stakeholders directly. We also executed broader outreach and enrollment initiatives focused on educating the industry on the Pilot's objectives and progress.



Chain of custody – The PMT partnered with the new leaders at Beef InfoXchange System (BIXSco Inc.) to adapt its existing platform in a way that would allow BIXS to confidentially analyze the chain of custody of cattle from birth to harvest through only those operations verified sustainable under the Pilot.

WHAT DID MCDONALD'S ACHIEVE THROUGH THE PILOT?

- ✓ We began to purchase a portion of our beef from verified sustainable Canadian sources:



tracked by BIXS through an entirely verified sustainable supply chain (ranches / backgrounders / feedlots through to processing plants).

This translates to:



- ✓ The Pilot was the first beef sustainability initiative in the world to bring the GRSB Principles and Criteria to life through a locally-relevant, outcome-based initiative for sustainable beef production.
- ✓ McDonald's and our industry partners supported and accelerated development of an industry-led beef sustainability framework in Canada that we will continue to support as active members of the Canadian Roundtable for Sustainable Beef.

Pilot Performance by the Numbers

- 183 on-site verifications of Canadian operations
 - 178 beef cattle operations
 - 154 cow-calf and backgrounders
 - 24 feedlots
 - 2 packers
 - 1 patty plant
 - 2 dairy farms
- 121 cow-calf and backgrounders achieved verified status
- 20 feedlots achieved verified status
- 2 packers and 1 patty plant achieved verified status



[Click here](#) to access YouTube videos related to the Pilot