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**SPEAKING NOTES**

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**(CHECK AGAINST DELIVERY)**

Thank you Ravi and good afternoon everyone.

I'm thrilled to have the opportunity to be here today and I consider this to be a rare chance to share the McDonald's story in such an important and prestigious forum and I want to thank the Canadian Club for inviting me to speak to you this afternoon.

Many of my McDonald's colleagues who are our valued business partners, Franchisees, Restaurant Managers and Crew are here today, as well as our Founder George Cohon, and I want to say a special 'thank you' to all of them for joining me here and for their ongoing support of McDonald's.

During my time with you I will be taking you inside this incredible brand called McDonald's.

I want to give you my perspective on what the road ahead looks like for McDonald's here in Canada, specifically related to one of the biggest challenges we have ever faced. And that is: What role can McDonald's play in promoting health and wellness for Canadians? How can we find a way to be relevant to today's health-conscious consumer?

Today, you will be the very first to hear about our Healthy Lifestyles Program. Specifically, I want to talk about four key things:

- First, the leadership McDonald's is taking on the important societal issue of obesity
- Second, I want to talk about today's launch of McDonald's Restaurants of Canada's national wellness strategy
- Third, I will outline our unique approach to tackling the issue of obesity head-on
- And lastly, I want to set the record straight on exactly who and what McDonald's Canada really is and the values we stand for.

Now, I can't imagine there's anyone in this room who's a stranger to McDonald's. Statistics show that 10% of you will visit one of our restaurants today, and 1 in 8 of you had your first job experience under the Golden Arches. As one of the biggest advertisers in Canada, chances are very

good that you will see or hear a McDonald's advertisement today, listening to the radio on your drive home or on TV this evening.

McDonald's touches most Canadians in some capacity on a regular basis -- a fact that has allowed us to dominate the Canadian Quick Service Restaurant industry for more 35 years.

McDonald's is one of the greatest success stories in the history of modern business. Today, almost 50 years after its inception, we remain one of the most recognized brands around the globe.

And today we operate in 119 countries, employ nearly 2 million people and serve more than 46 million customers in our restaurants or drive-thrus every single day.

Maybe it was the right product, maybe it was the right time, maybe it was the right people. But regardless, McDonald's has remained the dominant force in the foodservice business for almost 5 decades -- and is now firmly woven into the fabric of modern society. McDonald's is a benchmark of North American culture.

Quite simply, it's been an incredible journey for our brand. And today, we are poised to continue the momentum we've enjoyed for a long time. But, like every company doing business today, we are facing new challenges. Challenges that are forcing us to rethink every aspect of our business.

But, before I continue on, let me pause for just a moment. I want to state something right up front ... McDonald's is a hamburger company, we're also a French fry company, and we serve Triple Thick Shakes and apple pies. And we're VERY proud of that. We also serve salads and Veggie Burgers and lo-fat yogurt parfaits and muffins. But at our core, we are a hamburger company.

So, while I am very pleased to spend some time with you today to outline our nutrition and wellness programs, let's not lose sight of the fact that our great company was built on burgers and French fries and believe me -- we are never going to turn our backs on the traditional McDonald's fare Canadians love to eat!

Now, let's get back to our challenge: What role can McDonald's play in promoting health and wellness to Canadians?

To answer this question, we need to look at two things:

First, how McDonald's has responded to customer trends in the past. And second, how healthy are Canadians? Let's start with the first question...

Canadians love to eat! And they love to eat out. So much so that the foodservice sector in Canada has grown to become a \$43 billion industry, employing more than 1 million people. And, like most people in countries around the world, Canadians are living very hectic lifestyles. Factors like the dramatic increase of two-income families has meant that the demand for good food -- fast -- has resulted in a \$12 billion Canadian Quick Service industry.

But speed is not the only criteria. More and more Canadians want choice and variety based on a rising health consciousness.

Over the years, the McDonald's menu has adapted to new trends with great success. Back in the 1980's, when the exercise video craze first hit and Jane Fonda was telling us that '*no pain meant no gain*,' McDonald's was the first to introduce a variety of lighter options -- salads, lower fat shakes, low sodium salad dressings, and the infamous McLean, a very lean -- perhaps too lean -- low-fat hamburger. And again, that was back in the '80s!

In the 1990's, customers told us they wanted big taste and big value, which resulted in a variety of new large sandwiches and the introduction of the Extra Value Meal, which bundles our world-famous fries together with our sandwiches and a drink. We also began to focus more on non-beef options, including more chicken products, which our customers told us they wanted.

Now, in the new millennium, consumers are telling us they want it ALL -- great taste, great value, top quality, and even more variety. So once again, McDonald's led the industry when we introduced Lighter Choices back in May of 2002 -- an entire menu category dedicated to lighter

menu options: Entrée Salads, the Veggie Burger, a grilled chicken sandwich on a whole wheat bun, low-fat muffins and the much-loved Fruit & Yogurt Parfait.

We've also launched a variety of new premium sandwiches, as well as testing a unique McDonald's-style coffee experience called McCafe.

And, as always, all of these choices are offered at incredible value to our customers.

Over the years, we've listened very closely to our customers and we've responded. And each time they have rewarded us by continuing to make McDonald's their Quick Service Restaurant of choice.

The second piece of the puzzle is taking a closer look at how healthy we are as Canadians?

You can't open a newspaper or watch the news these days without hearing about the alarming rise of obesity in Canada, throughout North America and indeed, around the world. Canadians have suddenly woken up to find that their waist lines have expanded and their health is at risk.

Today experts tell us that 50% of Canadian adults are overweight and the health community warns that overweight Canadians are at significantly higher risk for obesity related ailments like diabetes, having a heart attack or a stroke.

Even more disturbing is the dramatically increasing obesity rate in our children. Let's look at some facts:

- 1 in 3 children in Canada are overweight.
- Obesity in Canadian children has increased five-fold in the past two decades
- More than half of Canada's children are considered "dangerously inactive"
- Canadian youth -- ages 12-24 -- devote just over 5 hours per week to playing sports or exercising.
- Girls spend an average of 2 hours less per week than boys engaged in any type of physical activity.

- And, Canadian schools average only 60 minutes of physical education per week

Today the total direct cost to the Canadian healthcare system resulting from obesity is estimated at almost \$2 BILLION per year. And the annual drain on the economy from preventable diet-related illnesses is estimated at more than \$7 BILLION.

Canadians are clamoring for health information, trying to dissect a very complicated, scientific and sensational issue. And we are all subjected to a constant barrage of new facts and statistics every day -- not to mention suggested causes and proposed solutions. It seems everyone has a different point of view.

And as the health community wrestles with the causes, our governments and many others continue to look for solutions – and so does McDonald’s!

We have seen litigators and government regulators dialing up on the debate on measures, such as:

- A “fat tax,” where taxes would be applied to ‘energy dense foods’
- Stricter regulations on advertising to children are being proposed
- And many brands -- including McDonald’s -- have been under attack with recent obesity lawsuits and hard-hitting media stories which try to find easy solutions to this very complex issue.

And in addition, changes to current nutritional labeling have also been suggested. Take the pending Federal Private Member’s Bill C-398 for example. This Bill would make nutrition labeling mandatory on all menus in all types of restaurants.

Now, just imagine for a moment what a local, independent restaurateur would need to do to satisfy this labeling requirement – particularly if they offer daily specials! And imagine what a McDonald’s menu board would look like – here’s an example of what our beverage menu alone would require.

I think you will agree -- there has to be a better way!

Now, here's an interesting statistic... Did you know that only 1 in 10 meals are consumed outside of the home. I'll say it again – only 1 in 10 meals is consumed outside of the home. That means 90% of meals consumed by Canadians are eaten at our own kitchen tables. And despite this fact, the Quick Service Restaurant industry continues to bear the brunt of nutritional criticism in this country.

Why?

As a society, we're anxious to understand this complex phenomenon. We want to find the causes and the solutions. But let's face it; there are no easy answers and no one cause to blame. Anyone who claims there is an easy 'culprit' is simply wrong.

At McDonald's, we believe the obesity challenge isn't about litigation – it's about action. Our leadership in promoting healthy, active lifestyles is about doing what's best for our customers. It's about understanding our corporate responsibility and adjusting our business to meet customer needs.

So, what does this mean for McDonald's in terms of our business strategy moving forward? What role do we play in addressing Canadian expectations as a food provider? And at the same time, are we doing our part to help solve this growing problem?

First of all, as I said earlier, we're in the food business. For us to compete, we MUST continue to listen carefully to what our customers want -- including more choice and healthier options. The world has changed, our customers have changed, and we need to change too.

Much the same way that our new advertising campaign, "*i'm lovin' it*," works to be more relevant to customers, so must our response to the health and wellness challenge. We must continue to satisfy our customers' need for high quality food, served fast, in a clean, friendly environment. And, at the same time, we must also address their dietary expectations.

Second, as a leading Canadian company and a destination for some 3 million Canadians everyday, we believe we have a responsibility to be part of the solution, not the problem.

As I said before, we're very proud of our position and we take our leadership seriously -- very seriously – here in Canada and around the world.

McDonald's has always believed that balance, variety and moderation is key and that eating at McDonald's can – and does -- fit into a balanced, healthy lifestyle. Our menu will always reflect what our customers want and we will always provide the highest quality food, governed by strict standards and our relentless attention to detail.

But we also believe that through open dialogue and working with all levels of industry and government -- we must face the obesity issue head-on. After all, health and wellness is an issue we all share.

But it doesn't stop there. Today, we must do more. And as a company, McDonald's is prepared to do more. Today marks a significant milestone for us. Directly after our lunch, we will officially launch our Healthy Lifestyles Program at a national press briefing and I'm very pleased to launch our wellness strategy here at The Canadian Club today.

Now, let me tell you a bit more about what it's all about.

Healthy Lifestyles is a forward-thinking and multi-faceted initiative that will promote active, healthy lifestyles to Canadians. And through this program, it is our hope that McDonald's will lead by example - so that our industry will take a more positive and aggressive role in promoting energy balance to help win the war against obesity.

Let me give you some background on how Healthy Lifestyles was created.

As with all good business plans, we began by establishing a universal vision for the global McDonald's system. That vision is: "To be the leading restaurant and catalyst for promoting healthy, happy, active lifestyles everywhere we do business."

Under the direction of our global Chairman Jim Cantalupo, every one of the countries where McDonald's does business around the world has been charged with the task of bringing this vision to life in their local market.

I am very pleased that Dr. Cathy Kapica, McDonald's Worldwide Director of Nutrition, was able to join us today at our head table. Cathy's leadership on this important issue, and the guidance she has given us, has played an important role in the development of our unique Canadian Healthy Lifestyles Program. Thank you Cathy.

In 2003, we created a cross-functional team of McDonald's employees who came together to devise responsive and actionable strategies to promote wellness initiatives around the world. As part of this initiative, the McDonald's Global Advisory Council on Healthy Lifestyles which is a panel of independent, third party specialists -- was formed to advise us on health and lifestyle issues.

Dr. Harvey Anderson, Professor of Nutritional Sciences and Food Safety at the University of Toronto, and a leading expert in the field of nutrition and human health, represents Canada on this council.

The working sessions of our Global Advisory Council provide honest, direct – and, as you can imagine - often lively – debate, as we work with independent health, nutrition and fitness experts to carve out an appropriate and impactful role for McDonald's on this issue – and ultimately to deliver meaningful programs to our customers.

And based on the initial findings and recommendations of the Global Advisory Council, we created our Canadian action plan to bring our wellness vision to life here in our market.

We realized that taking a leadership role on any issue means taking a close look at your own business practices and identifying what you can do to respond to changing needs. And that's exactly what we did.

We began a close dialogue with Canadian health leaders such as Health Canada, whom I applaud for recognizing the need for the private and public sectors to come together. While she was Health Minister, The Honourable Anne McLellan and her team worked closely with McDonald's Canada to help us evolve our efforts. And we look forward to working with the new Minister, The Honourable Pierre Pettigrew, to keep that momentum ongoing.

Last Spring, we were the **only** quick service restaurant company to be invited by Health Canada to attend the Pan-Canadian Healthy Living Symposium. We were asked to that table to engage in discussions with stakeholders from across the country and we have also committed to keeping that dialogue going.

Our partnerships also include working with:

- The University of Guelph School of Hospitality and Tourism Management to help create the Canadian Centre for Foodservice Nutrition Education. Our \$250,000 donation will enable the university to specialize in Canadian research, education and menu development strategies related to nutrition and human health.
- McDonald's also chairs the Canadian Restaurant and Foodservices Association's *Fitness & Nutrition Roundtable*. We were the driving force that brought together virtually every quick service and casual dining restaurant –including our fiercest competitors to tackle the issue on an industry-wide basis.
- And, as one of the founding members of Concerned Children's Advertisers, McDonald's is working closely with this organization to ensure that Canadian advertisers are responsibly focused on childhood health and nutrition education.

Through all of the great discussions and feedback we've received, our *Healthy Lifestyles Program* began to take shape. Our efforts over the next few years will be directed to three key areas of focus: More MENU CHOICE; public/consumer EDUCATION and the promotion of PHYSICAL ACTIVITY.

Let's take a closer look at each of these key areas:

I believe that from a foodservice perspective, offering added MENU CHOICE is a critical component of the nutrition and energy balance story.

As such, we remain fully committed that our Lighter Choices Menu remains a permanent part of our traditional menu. In fact, we expanded Lighter Choices last April by adding products like our Chicken Fajitas, a side Caesar salad with low-fat dressing and new entrée salads – and there's lot's more to come!

Our menu development team has also been working to improve our menu offerings to children. For example, we recently enhanced the quality of our popular Chicken McNuggets by switching to all white meat.

And later this year, you'll see the evolution of our famous Happy Meal program to offer more choices for our youngest customers. Called the More Choices Happy Meal, we will now offer the choice of milk or juice instead of pop, or you can substitute a grilled cheese sandwich for a cheeseburger. In addition, we are testing fruit, vegetables and dairy products as other Happy Meal choices.

In addition to food alternatives for our Happy Meal, we will also attempt to inspire Canadian kids to get moving by including activity promoting toys in our Happy Meals later this year.

Also under the 'choice' banner, our "Made for You" service is available in all our restaurants.

"Made for You" allows our customers to customize their order to their own specifications. Feel like a Big Mac but want to hold the sauce – just ask. Want that Chicken McGrill but without the mayo — no problem!

And, coming soon to your local McDonald's restaurant are our new Protein Platters. Health conscious customers told us they wanted more low carbohydrate options when they visit McDonald's, so we've created breakfast and lunch/dinner Protein Platters to respond directly to this growing need.

Our next strategic area of focus is EDUCATION.

Our goal here is simple. To provide information to help Canadians make informed decisions and inspire them to take personal responsibility for their own wellness.

A key component of our Healthy Lifestyles Program is the expansion of our in-restaurant nutritional education. Since 1970, we have provided our customers with comprehensive nutritional information -- called Food Facts -- in every restaurant in Canada. But, beginning next month, we will also post nutritional information in front of the counter in a poster format and on the back of all our trayliners.

This information will include a breakdown of trans fatty acids, which puts us well ahead of Health Canada's requirement to open communication on TFAs for the pre-packaged food industry by 2006. We're doing it now and we're doing it voluntarily!

With our network of over 1,300 Canadian restaurants across the country, we are uniquely qualified to educate and inform a significant number of Canadians. And that's exactly what we're going to do.

Our customers can also find complete nutritional information online at mcdonalds.ca, with the introduction of our comprehensive Nutritional Calculator. With this simple on-line process, customers can create their own nutritional analysis by selecting their meal online before they visit the restaurant.

Moving from our restaurants to the community at large – we are also growing our world-renowned Ronald McDonald school program. This year, our Ronald program will roll out nationally with a renewed focus on nutrition, wellness and physical activity. And I'm proud to say that we've already had a lot of positive feedback on this program from children, parents and educators alike.

The final element of our action plan is to encourage and promote PHYSICAL ACTIVITY. As an industry leader, we believe that we have An important role to play in educating Canadians on SIMPLE ways they can incorporate physical activity into their every day lives.

Under a new sub-brand known as "Go Active," we have grouped our global, national and local sports properties and programs, with a renewed focus on bringing them to life in a meaningful way in communities around the world.

As part of this program, we are elaborating on long-standing partnerships, including the Olympic Games, to heighten our activity presence.

McDonald's Canada will continue to look at new ways to further leverage our alliances with the Canadian Olympic Committee, athletic groups such as the NHL, minor sports and coaching associations, to communicate a strong activity message directly to our customers.

Considering the size and scope of our corporate and Franchisee commitment to local sport teams across Canada – which totals more than \$5 million every year – we anticipate that this more focused effort will help to revitalize physical activity programs across the country.

And once again, we look to our much-loved ambassador Ronald McDonald to help us promote active lifestyles. We will reinvest in established programs such as the Ronald McDonald "Sports Zone," a mobile activity centre that encourages children to come out, get active and have fun at local community events across the country.

So, let's end where we started. As I said in my introductory comments, the big question for us has been – What role can McDonald's play in promoting health and wellness to Canadians? I hope the answer is now a bit more clear to you ...

By aggressively adopting our *Healthy Lifestyles* initiatives across the country, we are uniquely positioned to achieve our vision of becoming the leading restaurant and catalyst for promoting healthy, happy, active lifestyles everywhere we do business. And we will do it by offering our customers more food choices, by becoming a trusted partner in health education and by promoting the virtues of physical activity to our customers – every customer, every day!

In closing, let me take just a brief moment to reinforce McDonald's Restaurants of Canada's ongoing commitment to working with thought-leaders and experts on the issue of obesity in Canada -- and how we will strategically leverage our unique size and reach to help turn the tide on this important health issue.

As I said earlier, McDonald's will always be in the business of selling hamburgers, French fries, and milkshakes. And, we're very proud of our food. But over time we have shown that we're much more than simply a "hamburger chain" – we're a caring company with a responsibility to Canadians.

And it's exactly because of this responsibility that McDonald's will continue to be relentless in achieving our wellness goals.

But we recognize that we have much more work to do. And we know we will win, because we are promising a better future for the health and happiness of our customers by providing additional CHOICE. And in my view, there couldn't be a better aspiration.

You know, recently McDonald's Canada was chosen as the first corporate recipient of a very prestigious award from the Canadian Institute of Child Health. The award, the Institute's first-ever corporate acknowledgement, was given to us in recognition of the work McDonald's has

undertaken over our 35-plus years in Canada to promote the health and well-being of Canadian children and families.

We know this award is just the beginning of the differences we can and are making for Canadians from coast to coast.

Now, I'd like to do something a little different and turn the podium over to another key executive in our company – someone who has seen us evolve, grow and change over the years.

Thank you for coming and giving me the opportunity to speak to you today and I look forward to seeing you at the Golden Arches sometime soon.