



McDonald's Managed Freight Initiative Shipping Platform Policy

Overview:

The historic McDonald's pallet policy requires suppliers to ship on one-way shipping platforms such as wood pallets, rental or pooled pallets (for example a CHEP or CHEP like program) or slip sheets and the cost of these shipping platforms is to be factored into the supplier's FOB pricing. The McDonald's Managed Freight Steering Team (MFST) agrees that the Managed Freight Initiative (MFI) should be based on a pallet policy consistent with this approach.

With the implementation of the McDonald's Managed Freight Initiative it is necessary that this policy be re-issued and applied in a consistent manner across the McDonald's North American Network. Effectively August 1, 2007 the following policy will apply to all shipments under LXP management as part of the MFI:

One Way Shipping Platforms (OWSP) are the unitization method of choice for McDonald's network Supplier product moves. OWSPs are defined as one way white wood pallets, one way rental or pooled pallets (for example a CHEP or CHEP like program) or slip sheets. This approach is consistent with historic McDonald's shipping platform programs some of which were implemented in 1983.

The McDonald's Managed Freight Initiative program requires the use of OWSPs on all loads. Slip sheets are encouraged on loads except when pallets are required by McDonald's Quality Assurance to ensure the quality of temperature-controlled items or there is a corresponding Distributor (DC) cost benefit from pallet use. *If pallets are required because of quality concerns, Suppliers are required to provide OWSPs and the cost of the OWSP is considered to be part of the overall packaging requirement for products with **the associated cost to be part of FOB product cost.** If pallets are required because of DC cost benefits, Suppliers may provide OWSPs upon written request from the DC and the cost of the OWSP is to be paid for by the DC in a manner to be agreed to between the Supplier and DC and will be in addition to the FOB product cost. **In all cases the cost of OWSPs is not to be included in the freight cost.***

DC's that back haul product as specified in the Distributor Back Haul Policy may operate on a pallet exchange basis with the approval of the involved Supplier.

LXP will work with all suppliers and distributors to insure compliance with the above McDonald's Pallet Policy. Questions about this effort should be directed to John Staab, Director Business Support via email at John.Staab@LXPLP.com or by phone at 412-406-5806.