

MCD Global Franchising Limited
Corporate Governance Framework

McDonald's Corporation ("McDonald's") first opened its doors in Des Plaines, Illinois in 1955. Although a global business today, McDonald's has humble roots and has evolved, based on its philosophy of being consistent in all that it does, providing great service with high quality food.

Ray Kroc, the founder of McDonald's, believed "in business for yourself, but not by yourself". He was a strong advocate of working equally and fairly with local franchisees and suppliers. This deep rooted commitment to relationships continues to underpin our business ethos.

By 1965, with 700 restaurants, McDonald's went public with the company's first offering on the New York stock exchange. The legendary "Golden Arches" brand reached UK shores in 1974, our first UK company restaurant opened in Woolwich, south-east London and in 1986, our first franchised restaurant opened in Hayes, Middlesex.

OUR APPROACH

The McDonald's Corporate Governance Framework ("Governance Framework") is underpinned by our global and local brand promise of making delicious feel good moments easy for everyone through running great restaurants. The Governance Framework summarises our approach to how we operate, why we do the things we do, and how we work together.

Our Values

To achieve our mission to be our customers favourite place and way to eat, our actions as individuals and as a McDonald's system must reflect our values and must be embedded into our day-to-day behaviours and ethical decision-making.

We place the customer experience at the core of all we do:

Our customers are at the heart of everything we do. Our aim is to provide them with high quality food and superior service, in a clean, welcoming environment, at a great value.

We are committed to our people:

We provide opportunity, nurture talent, develop leaders and reward achievement. We believe that a team of well-trained individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to our continued success.

We believe in the McDonald's System:

The McDonald's business model, depicted by the "three-legged stool" of owner/operators, suppliers and company employees, is our foundation, and the balance of interests among the three groups is key.

We operate our business ethically:

Sound ethics is good business. At McDonald's we hold ourselves and conduct our business to high standards of fairness, honesty and integrity. We are individually accountable and collectively responsible.

We give back to our communities:

We take seriously the responsibilities that come with being a leader. We help our customers build better communities, support Ronald McDonald House Charities, and leverage our size, scope and resources to help make the world and local communities a better place.

We grow our business profitably:

McDonald's Corporation, the ultimate parent, is a publicly-traded company. As such, we work as a system to provide sustained profitable growth for our shareholders. This requires a continuing focus on our customers and the health of our system.

We strive continually to improve:

We are a learning organisation that aims to anticipate and respond to changing customer, employee and system needs through constant evolution and innovation.

Our Governance Framework will evolve to the ever changing economic and environmental landscape, and the complex challenges that demand us as a business to come up with innovative solutions and collective action whilst maintaining our focus on our growth and core values.

HOW WE ARE ORGANISED

The Global Business

McDonald's has a matrixed management structure, by which we mean that the McDonald's group is organised by its global businesses and global support functions as well as by a country oversight model, with locally incorporated subsidiaries complemented by branches in certain territories. The structure is also influenced by the local regulatory requirements in which the entities are incorporated. Each of our subsidiaries has a Board and management structure appropriate for its activities and complexity with the tone and direction set by the McDonald's Board, the Global Chief Executive Officer, the local entity Boards and local leadership.

This structure helps to address international, systematic challenges in a consistent and effective way, but also ensures each market adapts to the local environment in which they operate.

The Franchise Rights Business

MCD Global Franchising Limited (the "Company") is a private limited company incorporated in England and Wales with an ultimate US parent, McDonald's.

It is a franchising business which develops intellectual property and franchises the McDonald's system to markets in Europe and Asia.

HOW WE ARE GOVERNED

McDonald's is committed to high standards of corporate governance. We have a comprehensive range of policies and systems in place to ensure that our restaurants and business are well-managed, with effective oversight and control.

The Company has adopted the Wates Corporate Governance Principles for Large Private Companies in the UK to sit alongside the corporate governance policies already in place for McDonald's Corporation. In addition the Company is also subject to reporting to McDonald's Corporation as part of the wider McDonald's systems requirements.

The Board

The Board is currently comprised of global executives holding positions in the areas of Finance, Communications and Legal.

The responsibility for good governance lies with the Board. The Board is collectively responsible for the long term success of the franchise rights business and achieves this through its oversight of the

franchising business and intellectual property in certain markets outside of the United States and Latin America, generating value for McDonald's Corporation and its stakeholders.

In exercising its duty to promote the success of the Company, the Board is responsible for overseeing the development of intellectual property and the licensing of McDonald's intellectual property to certain markets outside of the United States and Latin America, and, in so doing, may exercise its powers, subject to any relevant laws, regulations and the Company's Articles of Association. The Board bears legal responsibility for the acts carried out on its behalf and enforces standards of accountability – this enables individual acting on behalf of the Board to execute their responsibilities fully and in the interests of McDonald's and its stakeholders.

All matters aside from certain franchising matters (for which authority is delegated to specific individuals under powers of attorney) are reviewed and approved by the Board. These include but are not limited to:

- a. the establishment of effective procedures for monitoring and control of operations including internal procedures for audit, risk and compliance;
- b. reviewing the Company's accounting and financial reporting practices and reviewing the Company's financial and other controls;
- c. significant transactions or other material business decisions including an acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
- d. execute activities in line with the current Global Authorisation Matrix set by McDonald's;
- e. company-wide policies on strategy, corporate governance and risk (both financial and non-financial management);
- f. matters that the Board is required by statute to do; and
- g. such other matters as the Board may from time to time determine.

In performing its decision making and oversight functions, the Board is entitled to rely on the advice, reports and opinions of management, counsel, auditors and outside experts.

Operation of the Board

The Board aims to meet formally four times a year. This ensures that Directors focus sufficient time on key areas and that the Board's time together is used effectively. On the rare occasion that a Director is unavoidably unable to attend a Board meeting, they receive a briefing of items on the agenda, prior to the meeting, so that their comments and input can be taken into account at the meeting.

The success of the Company is the driving factor behind all decisions made by the Board. Decision making processes are structured to enable Directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium and long term. The Board carefully considers the impact of business decisions on the communities and the environments in which the Company operates. Due consideration is paid to McDonald's stakeholders, including but not limited to our franchisees, employees and McDonald's. In all of its activities the Board and McDonald's require that our employees conduct business with the highest ethical and professional standards by adhering to our [Standards of Business Conduct](#) set by McDonald's.

Director Appointments

Currently, global executives in the roles of Finance, Communications and Legal, who are based in the United Kingdom are appointed to the Board. This ensures the Board is equipped with the appropriate

balance of skills, experience and knowledge of the Company to enable it to discharge its duties and responsibilities effectively. Input from McDonald's is also provided on Directors' appointments on an ad-hoc basis.

A structured training programme exists based on the individual's needs, skills and experience for those Directors new to the McDonald's system and senior leadership who are appointed to the Board. Directors also receive comprehensive guidance on the Governance Framework including training and development, as well as their duties as Directors on the Board.

No Directors are involved in deciding their own remuneration and Directors are not compensated for their services as Directors.

RISK MANAGEMENT STRUCTURE

We seek to maintain our high standards set by McDonald's whilst balancing the risks. By carefully aligning our risk appetite to the global strategy, we aim to deliver sustainable long-term shareholder returns for McDonald's, as well as franchisee profitability. An example of this is in the emphasis that has been placed on technology in our restaurants and delivery, for which the associated risks have been and will continue to be assessed against the improved customer's experience and environment for the employees.

All of McDonald's activities involve the measurement, evaluation, acceptance and management of risk or combinations of risks. The Board, advised by McDonald's, promotes and supports the maintenance of a strong risk management framework.

All Company employees are responsible for the management of risk, proportionate to the relevant employee's role and level of experience; with the ultimate accountability residing with the Board. We have a strong risk culture, which is embedded through clear and consistent communication and appropriate training for all employees, alongside corresponding risk and compliance management tools. This risk framework underpins our strategic priorities, reinforced by the McDonald's values, helping us to identify current and forward looking risks so that we may take decisions to prevent and limit risk while managing any material impact financially, on our reputation or on our business model.

The Board receives quarterly updates on the business strategy and the annual plan, which are taken into account in its discussions and decision making.

HOW WE COMMUNICATE

Our communications approach, set by McDonald's and the Board, is driven by our guiding principles embedded in the McDonald's values:

- ✓ Dependable and committed to doing the right thing;
- ✓ Open to different ideas and cultures; and
- ✓ Connected to franchisees, regulators and each other.

We aim to communicate with all parties in a way that meets their needs. We focus on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided.

Our success comes from a commitment to relationships. A deep-rooted belief that we are at our very best when the brand, our franchisees and our suppliers work together to deliver for the customers and communities we serve.

Employee Engagement

Our people are absolutely key to our success. That is why we work hard to create jobs and opportunities for all our people, no matter their gender, age or life stage. Those who want career progression or simply a way to earn money and pay the bills.

We strive to create an environment where our values are not just words but are put into practice, promoting positive and productive behaviour every day. We invest time and resources communicating with our people, designing programmes to educate and encourage the highest standards of conduct. This reflects our vision to run great restaurants, renowned for our food, people and results.

Understanding how our people feel about McDonald's is vital. It helps us ensure that we are giving them the right support to achieve their potential and to serve our customers well. This is achieved in a number of ways including regular listening sessions, surveys, and training sessions where feedback opportunities are provided.