



Corporate Governance Framework (2019)

McDonald's Restaurants Limited



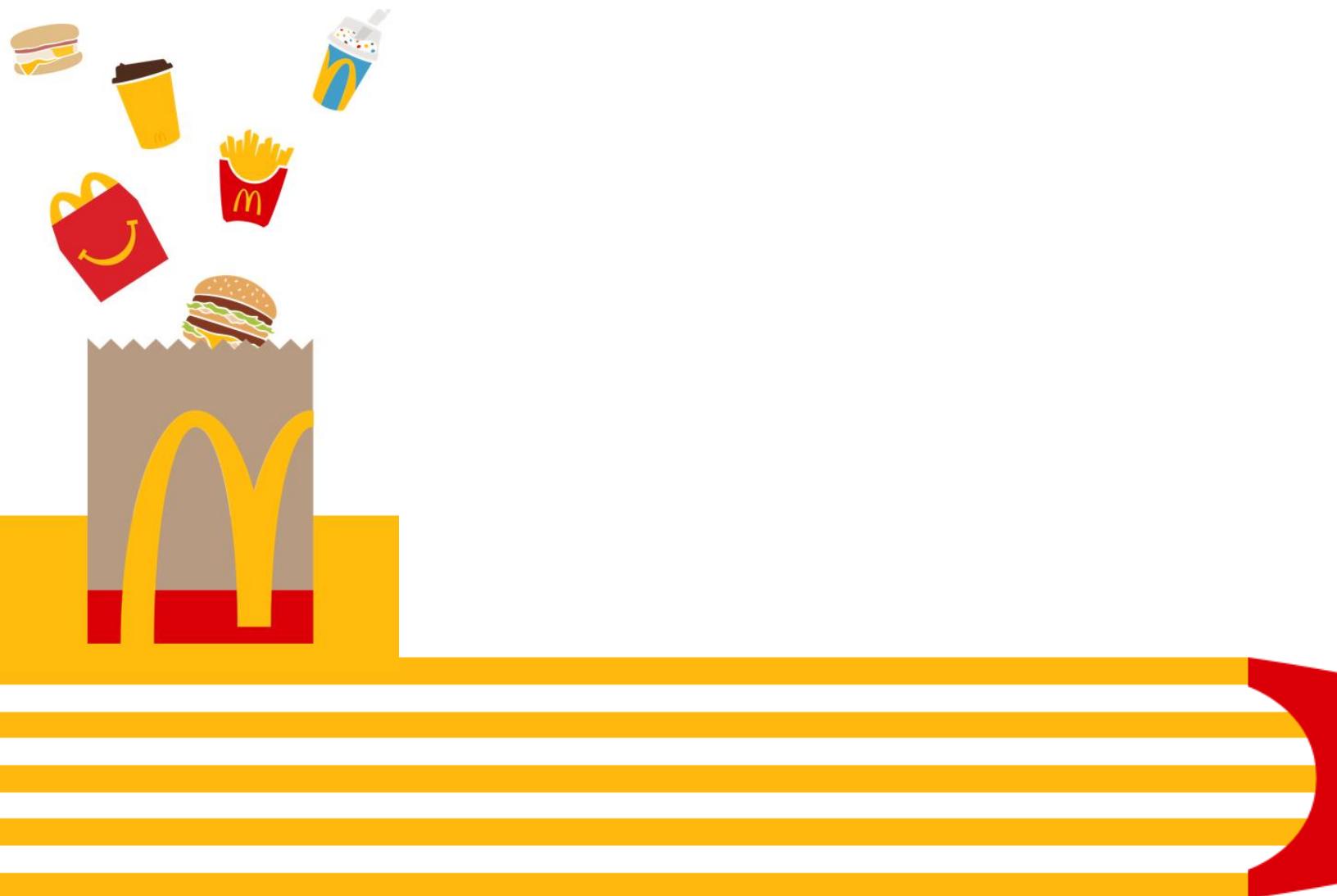


ABOUT McDONALD'S

McDonald's Corporation 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 and 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 Corporation went public with the company's first offering on the New York Stock Exchange. The legendary "Golden Arches" brand reached the UK's shores in 1974, with 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 with our customers and stakeholders.

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. Our values are:

1. We place the customer experience at the core of all we do

Our customers are the reason for our existence. We demonstrate our appreciation by providing them with high quality food and superior service, in a clean, welcoming environment, at great value.

2. We are committed to our people

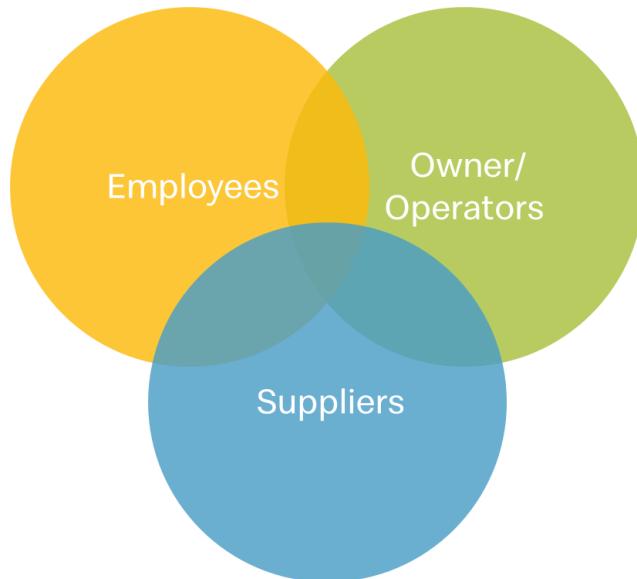
We provide opportunity, nurture talent, develop leaders and reward achievement. We believe that a team of well-trained individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to our continued success.

3. 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 amongst these three groups is key.



4. 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.

5. 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 charitable organisations such as Ronald McDonald House Charities, and leverage our size, scope and resources to help make the world and local communities a better place.

6. We grow our business profitably

McDonald's Corporation, the ultimate parent of McDonald's UK, 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.

7. We continually strive 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 as we as a business respond to the ever changing economic and environmental landscape, and the complex challenges that demand us 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 Corporation 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 UK Business

McDonald's Restaurants Limited (the "**Company**") is a private limited company incorporated in England and Wales with an ultimate US parent of McDonald's Corporation.

We are a franchise business with more than 90% of UK restaurants owned and operated by individual businessmen and women. The remaining restaurants are owned and run by the Company.

Today, approximately four million guests visit our restaurants across the UK every day. Our customers are at the heart of everything we do and we have a proud track record in investing in our people, our restaurants and our supply chain to ensure that we make a positive impact in the communities we serve.

> 90% franchised



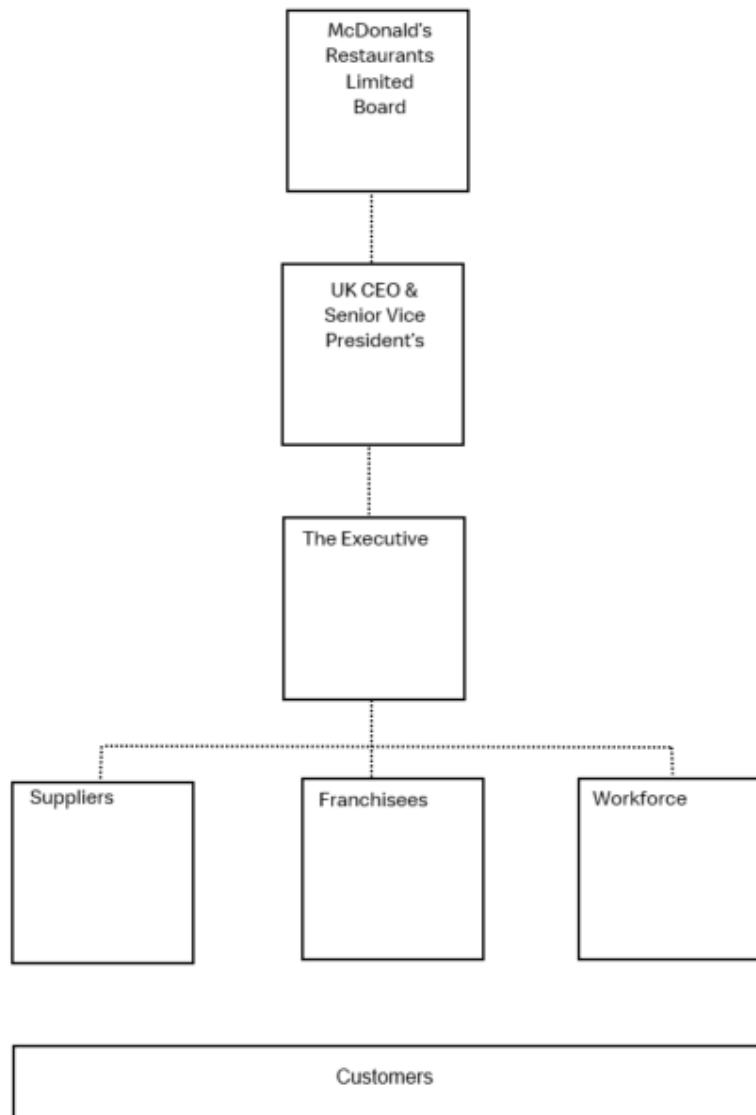
4 million guest visits every day



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 in combination with the Governance Framework. In addition the Company is also subject to reporting to McDonald's Corporation as part of the wider McDonald's System's requirements.





The Board

The Board is comprised of all local Senior Vice Presidents (“**SVP’s**”), the General Counsel (“**GC**”) and the UK Chief Executive Officer (“**UK CEO**”).



Paul Pomroy – CEO

Paul Pomroy was appointed CEO for McDonald’s UK in February 2015. He has been a part of the UK Leadership Team, helping to drive the sustained success of the UK business, over the past decade.

[More about Paul Pomroy](#)



John Park – SVP, Chief Financial Officer

John became SVP, Chief Financial Officer for McDonald’s UK in April 2016 and is responsible for the Finance, Supply Chain and Legal functions. John oversees the company’s annual spend with UK suppliers of almost £1billion.

[More about John Park](#)



Jason Clark – SVP, Chief Operations Officer

Jason was appointed Chief Operations Officer for McDonald’s UK&I in October 2016 and is responsible for the restaurant business, franchising and corporate operations.

[More about Jason Clark](#)



Gareth Helm – SVP, Chief Marketing Officer

Gareth joined McDonald's in May 2019 as SVP, Chief Marketing Officer and is responsible for Marketing, Food Development and Business Strategy and Insight.

[More about Gareth Helm](#)



Henry Tricky – SVP, Chief Development and IT Officer

Henry was promoted to SVP, Development and IT in 2016 having joined McDonald's UK in July 2008 as Vice President for Development. Henry is responsible for the asset management of the business' existing portfolio of property, leading restaurant openings and overseeing the IT and digital developments across the business.

[More about Henry Tricky](#)



Tina Dekker – GC

Tina is VP, Legal, Franchising & Compliance for McDonald's UK & Ireland and is responsible for advising on legal, compliance and franchise issues involving strategy and risk, as well as leading the Legal Team in supporting all business functions.

[More about Tina Dekker](#)

The responsibility for good governance lies with the Board. The Board is collectively responsible for the long term success of the UK business and achieves this through its oversight of the business and restaurants, generating value for McDonald's Corporation and its stakeholders as well as contributing to our wider communities.

In exercising its duty to promote the success of the Company, the Board is responsible for overseeing the management of McDonald's in the UK 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 – all with a view to enable senior management to execute their responsibilities fully and in the interests of McDonald's Corporation and its stakeholders.

Matters not specifically reserved for the Board have been delegated to the Executive for the day-to-day management of the business. The Executive will also lead on the direction of the business (as determined by the Board from time to time), with the exception of the following reserved matters which require the approval of the Board:

- 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 any acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
- d. execution of activities in line with the current Global Authorisation Matrix set by McDonald's Corporation;
- 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 oversight function, the Board is entitled to rely on the advice, reports and opinions of management, counsel, auditors and outside experts.

The Executive

The business of the Company is managed by an Executive team (the "**Executive**") lead by the UK CEO and SVP's. The Executive is made up of all SVP's and selected senior leadership covering all core areas of responsibility for the UK business. The role of the Executive and SVP's are separate to the positions of Directors of the Company, with a division of responsibilities between the running of the Board and executive responsibility for their core functions within the UK business.

2019 | The Executive met 18 times

Operation of the Board

The Board aims to meet formally twice 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.

- 2019** | The Board convened formally once, in September and approved:
- Updated Articles of Association and Directors Terms of Reference
 - The Business Plan and capital investment for 2020
 - The declaration of a dividend
 - All regulatory reporting
 - The sale of the Company's shares in 2 joint venture entities

The success of the Company, for the benefit of all its stakeholders, 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 the business on communities and the environments in which the Company operates. Due consideration is paid to McDonald's stakeholders, including but not limited to our customers, suppliers, employees and McDonald's Corporation. In all of its activities the Board and McDonald's Corporation requires that our employees and suppliers conduct business with the highest ethical and professional standards by adhering to our [Standards of Business Conduct](#) set by McDonald's Corporation.

Director Appointments

All local SVP's and the local GC are appointed to the Board. This ensures the Board are 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 Corporation 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 from the Company Secretary on the Governance Framework and the Wates Principles including training and development, as well as their duties as Directors on the Board.

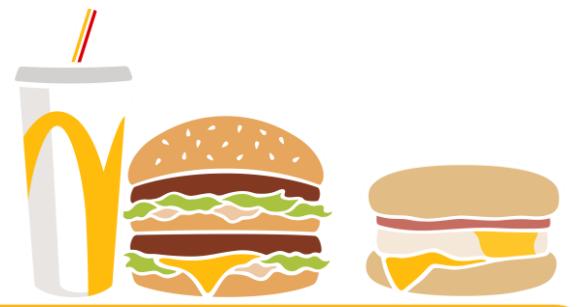
All employees' base and bonus remuneration, including Directors and the Executive, is benchmarked regularly against the market to ensure this is consistent with the industry and no Directors are involved in deciding their own remuneration. Directors are not compensated for their services as Directors.



2019

Tina Dekker was appointed Director and Company Secretary

Gareth Helm was appointed Director





RISK MANAGEMENT STRUCTURE

At McDonald's, we seek to maintain our high standards set by McDonald's Corporation 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 Corporation, as well as franchisee profitability. An example of this would be how we have proactively invested in the technology in our restaurants, in which the associated risks are assessed in proportion to the investment, to improve both the customers' experience as well as the environment for our employees.

All of McDonald's activities involve the measurement, evaluation, acceptance and management of risk or combinations of risks.

***The Board and the Executive, advised by
McDonald's Corporation, promote and support
the maintenance of a strong risk management
framework.***

In the UK all 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 future risks so that we may take decisions to prevent and limit risk while managing any material impact on our finances, reputation or business model.

The Board and Executive receive monthly reports from management on updates from all areas of the business including business strategy and insights, operations, corporate relations, IT & digital, franchising and finance, which it takes into account in its discussions and decision making. Additional non-financial disclosures detailing the policies pursued by McDonald's in relation to the workforce, the environment, social matters, human rights, anti-corruption and anti-bribery matters are also received by the Board and the Executive.

Our continual and thorough engagement with all three legs of the stool gives us a unique insight into all aspects of our business as well as the wider market, from a restaurant level all the way to market trends. This ensures we are able to quickly identify risks as well as opportunities for the wider McDonald's System.



Business Planning

The Plan to Win (“**PTW**”) process is the means by which we collate, consolidate and refine the Company's, future business plans. There is a three year planning cycle and ideas are generated and developed through four Planning Teams (called “**P Teams**”):

People | Restaurants | Food | Marketing and Brand Trust

These P Teams are cross-functional teams made up of subject matter experts from McDonald's departments, as well as four or five franchisee representatives. Each P Team also has an Executive sponsor and Executive National Leadership Group representative and holds a series of meetings throughout the year to continue the prioritisation of ideas and plan development, where insight is shared and ideas debated.

Our Supplier Plan To Win framework is a unique tool which aligns McDonald's and supplier strategies to deliver business benefit for the Company and its stakeholders. Food and paper suppliers submit a PTW document annually, setting out innovative projects that meet our business needs and supply chain priorities.

Where relevant, additional research is conducted and business cases developed to support decisions taken. The teams regularly report progress back at PTW meetings, at which members of the Executive and our franchisee community are present.

In 2019...

Brexit Preparations

McDonald's has taken a proactive approach to preparing for Brexit and managing the potential impacts on the System. Four key areas of risk have been identified: supply chain assurance; tariff impact; inflation and currency impact, and EU labour access.

Mitigations plans for each have been developed in partnership with supply chain partners, with the goal to prevent a gap in the supply of any product for our UK restaurants, and continue to provide a great service to our customers under a range of scenarios, including a no deal Brexit. The Executive and a cross-functional Brexit working group has developed recommendations and implemented robust action plans.



HOW WE COMMUNICATE

Our communications approach, set by McDonald's Corporation, the UK CEO 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 customers, franchisees, suppliers, communities, 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.

Customer Engagement

Our customers are at the heart of everything we do. We acknowledge the importance of keeping our customers engaged with our business and we do this in many ways:

McChat

We use this to assess new menu ideas etc. which also help shape some of the decision making and engagements that we have with our franchisees

Our website

To provide clear and concise information to our customers, we regularly keep our website updated with the latest news including offers, letters from our CEO and menu changes. Our website also contains sections that highlight McDonald's work with local communities, our efforts to become more sustainable as well as an about section on our food showing where our ingredients are sourced from.

In 2019:

- In an average month 2.47 million unique visitors visited our website

The My McDonald's App

Similar to our website, the My McDonald's app provides our customers with the latest information on menu changes, offers, as well as the work that we do within the



community. Our app also sends push notifications to customer who wish to receive these on their mobile phones letting them know of deals in their local area.

In 2019:

- Over 3.9 million people downloaded our app

The press and our newsroom

The [McDonald's UK Newsroom](#) is updated regularly to ensure both the media and the general public are aware of the latest announcements made by the business. The Press Office is also the best way for media to get in touch for interview and comment requests, or to ask for more information about a story they are looking to write.

Social Media

We deliver targeted, relevant social content and positive interactions that reflect the role that we play in our customers lives, to drive positive sentiment, engagement and affinity. Our aim is to make sure that every interaction, from content to customer service leaves people a little happier than they were before.

In 2019:



- On Facebook we had 2,209,540 followers and 2,227,268 likes
- On Twitter we had 217,639 followers
- On Instagram we had 154,479 followers
- On YouTube we had 32,000 subscribers

Newsletters

We engage with our customers who have signed up to receive our newsletter through emails and mobile push notifications and we use these communications to help keep customers up to date with McDonald's news, marketing campaigns, product launches and offers.

Market Quest

Market Quest is a customer closeness programme that feeds into our planning. Planning team leaders, the Exec NLG and the Executive have the opportunity to talk with, listen to, and see research from customers to help shape considerations for our planning. Keeping abreast of how customers are feeling and how their lives are evolving is central to the Market Quest objective.

In 2019

- There were three dedicated meetings held across the year (January, May and November)



Employee Engagement

Our people are absolutely key to our success. Whether they work in our restaurants or in head office, we wouldn't be able to run great restaurants without them. That is why we work hard to create jobs and opportunities for all our people, regardless of gender, age or life stage. Those who want career progression or simply a way to earn a wage 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. We have open door policies all year round but this is also done through a number of specific forums with results filtered back to the Board.

These procedures ensure that the Board and Executive engage regularly with both our office staff and our restaurant crew on a host of areas, including programmes relating to pay and benefits and are updated regularly on how everyone feels about working at McDonald's.

Employee Surveys

We undertake quarterly employee surveys to allow everyone in the business to comment on how they feel about their role at McDonald's and we have embarked on a "Big Conversation" with all our restaurant crew and managers to drive the conversation about how our people feel about their work. Some of the specific surveys we conduct include:

Love to Listen

We conduct these four times per year and are sent to all our office and operations teams. The aim is to regularly establish sentiment from all employees using 10 questions for our restaurant based employees and 12 questions for office and operations hierarchy. These surveys focus on giving employees the opportunity to feed back. This gives our leaders the opportunity to act on this feedback. The key measurement for these surveys is the question "How satisfied are you with your job at McDonald's?".

Global Pulse

Our Global team conducts these surveys two times per year and these are sent to our office based employees only. These results are used in conjunction with all other listening suites to develop action plans for better ways of working.

The Love to Listen OurLounge Poll

This gives all employees the opportunity to give regular feedback on how they're feeling. A



different question is asked every two weeks. Our restaurants are able to view their staff's feedback. A number of questions are aligned with Global but the UK has the facility to use local questions also. Questions are timed to correspond with events that are happening across the business and are bucketed into three main categories:

1. Crew Experience
2. People Promise
3. Crew Engagement

In 2019...

Throughout 2019, we have evolved our approach to employee listening and engagement and there are now even more ways to give our people a voice.

Love to Listen Meet Ups

In 2019 we rolled out our Love to Listen meet ups to all our restaurant teams. These are facilitated sessions held twice a year which serve as a temperature check on how well our desired culture is being lived. Listening to our people from their point of view to understand and acknowledge the feedback, solving a few business challenges along the way. It is interactive and inclusive. It is also being used as a follow up for office departments following the Love to Listen surveys.

Love to Listen

September Survey

- Restaurant employees – 52,320 participants, 79% satisfied or highly satisfied
- Office and Operations Hierarchy – 365 participants, 86% satisfied or highly satisfied

Love to Listen OurLounge Poll

- On average, there were over 16,200 participants
- On average, 70% of employees agreed or strongly agreed with the questions posed

UK Intranet

Our intranet is also a useful point of reference for everyone in the business, providing weekly office and operations updates, another opportunity for our people to share their opinions and to recognise our crew and teams. This is also a reference point for our Employee Assistance Program, to ensure that our people get access to any additional support they may need.

In 2019...

- An average of 500,000 hits per month
- An average of 51 500 unique users per month



OurLounge

OurLounge is an internal communication channel to help restaurant employees feel closer to our brand, to understand their role in achieving our vision and to help us engage employees from their very first day.

As our main channel of communication from the centre to our hourly paid restaurant employees, it plays a vital role in communicating key business priorities but also has an important role in raising awareness of company initiatives, news and messages as well as giving employees access to opportunities such as apprenticeships. Employee opinions and feedback are regularly collated through surveys, our suggestion scheme Bright Ideas and the Social Feed. It has steadily increased its user numbers through engaging and informative content as well as competitions to reward and recognise employees across all restaurants.

In 2019...

- OurLounge had 16,689,347 page views (a 20% increase from 2018)
- It averaged 76,134 monthly users

MYSTUFF 2.0 (Our HR System)

New for 2019

MYSTUFF2.0 is our new and improved people system. It was launched in November 2019 and is believed to be the largest HR software deployment of active employees ever undertaken within the UK. The system gives our people a mobile friendly platform to manage their own data, manage holidays and time off as well as view their wage slips. Each user has a unique ID (single-sign on) to access the vast range of McDonald's systems all in one place. These include Learning and Development, scheduling as well as our staying connected platform, OurLounge.

Since launching the system we have seen:

- 2.7 million logins to the system
- 118,000 employee users on the system
- 24,700 new starters on-boarded

Town Halls

Our Town Halls are a monthly business update, presented by the Executive and senior leadership teams at our East Finchley Head Office. Each Town Hall has a different theme and will give staff the opportunity to hear from other departments about their upcoming plans



and initiatives. We also announce our monthly service awards and the holiday awards at these meetings.

In 2019...

- We held 10 Town Halls
- McDonald's Global CEO Chris Kempczinski and the President of McDonald's international operated markets (including the UK), Ian Borden, were panellists in our December Town Hall and updated staff on global challenges and opportunities.
- Topics included:
 - June: Championing our people focused around our cultural pillars - Better Together, Committed to Lead and Customer Obsessed
 - August: Economic Impact Report: 'Serving the UK' – celebrating the social and economic contribution we make together at a national and local level

Regular Email Communications

We keep our employees updated regularly via email, which are tailored to their role within our business, these include:

Operations Update

The Operations Update is a 'To do list' for the week, focusing on operations excellence in order of priority, providing timely information to help restaurants focus on quality service and cleanliness. It includes a rolling 5-week Operations Calendar, and a Crew Operations Update and other necessary attachments. These are issued to our Business Managers and are sent weekly every Monday.

Heads Up

This is a monthly communication providing a 'Heads Up' on projects and business priorities for our operations teams - up to three months in advance. Giving our Operations and Franchisee Consultants plenty of notice to plan in time in their diaries to best support their restaurant teams. Heads Up is sent on the second Monday of every month.

Office Update

The Office Update is a weekly email newsletter providing relevant office and business information and events. It is issued to all our office based employees in the UK or tailored to specific regional offices.

In 2019...

- We issue 52 Office Updates and Operations Updates
- We issued 12 Heads Up



Culture Days and Events

We organise events throughout the year for our staff.

Our Leadership Team meets every 8-10 weeks to enable us to continue the conversation on our cultural evolution. The team look into leading this evolution in three ways: as individuals, with others and as part of the wider business. The team looks together looking through the lens of each of our three Culture Pillars; Committed to Lead, Customer Obsessed and Better Together. The leaders think about how they see their work, their teams and the business and consider the changes they could make individually, to collectively deliver our UK&I purpose.

In 2019...

National Inclusivity Week

During this week (23-29 September) we held a range of events to encourage inclusivity in our workplaces, both our restaurants and offices. This included webinars on accessibility, “InclusiviTEA” get togethers where colleagues can simply get to know each other and have a chat and running our Moving Beyond Bias sessions.

Diversity & Inclusion Policy

We rolled out the first iteration of our Diversity and Inclusion policy. Our policy sets out McDonald UK’s commitment to promoting equality and preventing discrimination at work. It includes our core beliefs and goals in this sphere as well as what everyone should be doing to create an inclusive working environment for all. This policy applies to all our people at all levels in our restaurants and offices and is regularly reviewed and monitored.

Franchisee Engagement

While McDonald's is a global brand, our franchise model means we are also a collection of small businesses, focussing on what is important to each local community. Of our UK restaurants, 90% are run by franchisees, and that number is growing. Our franchisees are the owners of their businesses; they live and work in the areas where their restaurants are located. They are our eyes and ears in the localities in which they operate, and share with us insights provided by their people, their customers and the communities they serve.

We engage with our franchisees on all decisions that affect restaurants, ensuring that decisions are appropriately debated before being implemented and are made for the long-term benefit of the wider system.

The Board has the responsibility, through core functions, to engage with local franchisees in initiatives and programmes. This local community presence is foundational to our brand and is crucial to our ability to both identify and respond quickly to risks for the business as well as proactively look for opportunities that will continue to drive the business forward.



The Board engages regularly with our franchisees along with the Executive across a range of channels, including:

Franchisee Engagement Sessions

Franchisee insight and input is gathered via our Franchisee Engagement Sessions. All franchisees are invited to sessions held across the UK. These sessions are led by the Business Strategy & Insight team and are a critical step in the planning process enabling franchisees to generate ideas and influence the creation of McDonald's business plans. Engagement Sessions take place every year.

The outputs from Market Quest and the Franchisee Engagement sessions are passed to our Planning Teams for further consideration and are then prioritised by the P Teams based on our strategic priorities and key business and consumer opportunities.

2019

- We held 6 sessions
- 142 of our franchisees attended these sessions

Executive National Leadership Group Meetings

The Executive National Leadership Group ("**Exec NLG**") is our franchisee leadership group. The Executive and Exec NLG together host meetings throughout the year to discuss the strategic direction of the business.

2019

- We held 5 Exec NLG Meetings



Finance Committee

The primary objective of the Finance Committee is to seek balance, fairness and flexibility to allow both franchisees as well as McDonald's to innovate, develop and grow their businesses.

The franchisees on the Finance Committee engage with McDonald's to represent the view of the franchisee community and communicate and consult appropriately with McDonald's on any UK business plans.

2019

- The committee met once every quarter

Live Calls

Progress on plan development is shared at the formal meetings across the year (March, June and September). These meetings are attended by the four P Teams and an update is later provided to all franchisees on a Live Call. Plans will be in draft format in March, be more developed by June and then close to final in September.

2019

- January: an Operator call was held in to provide franchisees with an update on changes to the 2019 plan as a result of supply chain fluctuations as the impact of Brexit continued to impact the market.
- April: our updated UK&ROI Strategy was presented to the franchisee community via a Live Call, sharing the insights from our customers and the plans to capture the opportunity that exists within our market.
- June: members of the Board shared some very early insights on our Breakthrough Restaurant Efficiency initiative.



Franchisee Roadshows

The Executive travel across the country to host Franchisee Roadshows. These Roadshows are an opportunity for the Executive to share key business updates and initiatives, to capture franchisee feedback and to answer questions.

2019

- There were three roadshows in 2019, visiting four locations across the country on each occasion – the Midlands, Manchester, Heathrow and Dublin.
- The sessions are always very well received, questions mainly steering around Finance, Delivery and IT, but we also answered questions on various other initiatives including the launch of MyStuff 2.0 and the timing of this.

Plan to Win

The Exec NLG meetings are complemented by the PTW process (further detail in the “Risk Management Structure” section above).

Where relevant, additional research is conducted and business cases developed to support decisions taken. The teams regularly report progress back at PTW meetings, at which members of the Executive and our franchisee community are present.

Through this process we continually generate, evaluate and refine our business strategy, and develop our Plan for the upcoming year. The Finance team evaluates this strategy to determine the overall affordability of the Plan which is then presented to Global Leadership for approval.

2019

- There were 4 PTW meetings held



Regular Email Communications

Franchisee News is a weekly publication, whose content is focused on providing timely updates relevant to the Franchisee community. It is issued to all franchisees. This publication was created to streamline the flow of information from the centre, ensuring important updates to our franchisees are contained and shared through one communication channel. The information shared across this medium originates primarily from the centre; all departments feed in to share details that include upcoming events, new initiatives, meeting notes, guidance documents and project updates. Third party organisations do from time to time communicate with franchisees via this channel.

2019

- We issued 52 “Fran News” email to our Franchising community

Our Franchisee Website

The “always on” Franchisee Website is a portal that houses a suite of support documents and information that is specific to our franchisee community. It’s designed to ensure our franchisees always have to hand the information and tools to structure their business and analyse outcomes, to support continuous growth. The content on the site includes information on operator representation and committees, meeting dates and notes, finance modelling tools and marketing resources, it also houses the information shared in Franchisee News.

2019

- The website averaged 1,300 hits every month

Franchisee Consultants

Each of our franchisees has access to the support of a Franchisee Consultant. Our Franchisee Consultants have on average twenty years of experience within the McDonald’s System, the majority of whom have worked in Operations for much of their career. F

Franchisee Consultant’s have an astute understanding of all commercial and operational aspects of the business including driving profitable sales, developing people strategies as well as having a rounded understanding of the wider business landscape, and are therefore well-equipped to support and consult our franchisees on both the day-to-day challenges their restaurants and organisations face, as well as their longer-term strategic investment decisions.

Supplier Engagement



As well as our franchisees, McDonald's relies on its suppliers for success. We are proud supporters of British and Irish agriculture, working with over 23,000 British and Irish farmers who supply quality produce for our menu, as well as businesses who help us create more sustainable packaging. We have an extensive supply chain across the UK and Ireland and we believe that the brand, franchisees and suppliers, all contribute to our success, our 'three legged stool' approach.

We have long-term partnerships with many of our suppliers, some extending over 40 years. Such long term partnerships encourage collaboration and enable suppliers to make decisions for the long term, giving them the confidence to invest in their businesses. In order to meet our continued volume growth, suppliers need to invest in future capacity, which involves significant capital investment in equipment and infrastructure. Long-term commitment to supply McDonald's in the UK has enabled our suppliers to grow with us and drive positive change within their own businesses.

Our Supply Chain and Sustainability function has a broad remit, from ensuring products and ingredients meet our high food safety, quality and traceability expectations from farm to front counter, to the transportation of goods from supplier to restaurant, procurement of all food and paper, as well as responsibility for our nutrition, sustainability, agriculture, packaging and recycling strategies across our supply base.

In addition to the Supplier Plan to Win framework we engage with our suppliers:

SAVES

SAVES is a supplier led council comprising of elected suppliers and McDonald's supply chain representatives. The SAVES group aims to leverage collective knowledge, scale and talent within the supplier community to drive forward McDonald's business plan and supply chain priorities. This is achieved through collaborative projects that deliver benefit across the system.

2019

- We have 7 suppliers on SAVES
- They meet quarterly, with interim calls as required
- Projects included: recycling solutions for packaging and managing capacity within our supply base.

Plan To Win

Our Supplier Plan To Win framework is a unique tool which aligns McDonald's and supplier strategies to deliver business benefit for the system. Food and paper suppliers submit a Plan



To Win document annually, setting out innovative projects that meet our business needs and supply chain priorities.

Supply Chain Conference

Our annual Supply Chain Conference is held every year in November for all food and paper suppliers. We set out our business ambition and priorities for the year ahead and recognise suppliers and individuals at our Supply Chain Awards Ceremony.

2019

- We had over 250 attendees

Supplier Roundtables

We host annual supplier roundtables inviting senior executives representing strategic supplier partners within our supply chain. Led by members of our Executive team, we encourage open discussion and transparency to understand challenges and opportunities facing businesses now and in the future.

2019

- Two Supplier Roundtables were held in October and December hosted by our CEO and CFO
- In total 20 suppliers were represented

Supply Chain Committee

The primary objective of the Supply Chain Committee is to seek and share opinion on Supply Chain priorities and operational activities. The franchisees on the Supply Chain Committee engage with McDonald's to represent the view of the franchisee community and communicate and consult appropriately with McDonald's on any UK business tactics.

Environmental and Sustainability Initiatives

We are committed to using our scale for good. As one of the UK and the world's largest restaurant businesses, we recognise that we have a responsibility and an opportunity to act on some of the most pressing social and environmental challenges in the world today. With our



unparalleled reach across the UK, in hundreds of communities, we are acutely aware that we have a real opportunity to create change. Our Scale for Good (which is McDonald's flagship global environmental strategy) targets are set at a McDonald's Corporation level but are implemented locally. At a market level, we have a number of local initiatives that complement our overarching goals.

Each of our Scale for Good priorities comes to life through leadership from local franchisees and crew, investments in local community partnerships, engagement in the communities of farmers and suppliers, and through the experiences of millions of customers in their local McDonald's restaurants. As part of our Global Scale for Good targets, we are taking a range of measures with targets on:

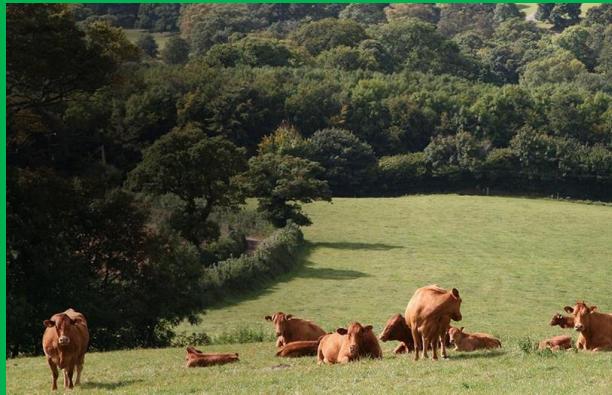
- Climate Action
- Beef Sustainability
- Packaging and Recycling
- Commitment to Families
- Youth Opportunity

In the UK we have progressed several initiatives that align with our Global Scale for Good goals and our UK Sustainability strategy.

[For more information on our environmental initiatives please visit our website.](#)

Beef Sustainability

All the beef we use in UK restaurants comes from British and Irish farms accredited by a nationally recognised farm assurance scheme, such as Red Tractor or Bord Bia. We work closely with our suppliers and the wider beef industry to collaborate on sustainability outcome measures and develop research to achieve progress with independent consultancies.



In 2019...

- **We launched our Packaging and Recycling Strategy. This outlined our long term vision to use less packaging, move all packaging to renewable, recycled or certified sources, provide recycling in 100%**

Packaging and Recycling

Aligned with our Scale for Good goals, we aim to source all packaging from renewable, recycled or certified sources by 2025. Currently, 87% of packaging is made from fully certified, sustainably sourced fibre. In 2021, we will stop using plastic cutlery and



of our restaurants, and enable recycling in communities by 2025.

- We removed the plastic from our McFlurry packaging, swapping the plastic lid will remove 383 metric tons of plastic annually.**
- We removed all single-use plastic from our salad ranges. All main meal and side salads will now be served in 100% sustainable and renewable cardboard containers, changing out the existing plastic bowl shaker salad cups and lids which will result in 485 metric tons of plastic removed annually.**
- We completed our transition from plastic to paper straws in all our restaurants.**

we are working closely with our suppliers to continue to find innovative solutions for packaging.

As part of our recycling strategy, aligned with Scale for Good, we have installed recycling units in all our UK restaurants and continue to develop messaging for consumers to raise awareness of recycling.

Organic Milk

We only use organic semi-skimmed milk in our teas, coffees, Happy Meal milk bottles and porridge which is sourced from UK dairies. In 2017, McDonald's achieved the Compassion in World Farming Good Cow Commendation for organic milk in the UK.

We work closely with our suppliers and farmers to continuously improve animal welfare and in 2018, we launched a Dairy Capital Grant Scheme to support the sustainability of individual farm businesses.





Progressive Young Farmer Programme

Our Progressive Young Farmer programme, now in its ninth year, offers up to nine students the opportunity to spend twelve months getting to know every part of the McDonald's supply chain. The programme aims to develop a progressive mindset via practical experience within the supply chain, from farm to front counter, focusing on innovation and the future of the sector.

Commitment to Families

Our UK and Ireland Public Health strategy is underpinned by three core principles:

1. reformulating our menu to reduce nutrients of concern;
2. offering customer's choice on our menu; and
3. providing customers with the information to inform their food choice.

As a result of this strategy we have continued to make good progress towards our Global commitment to families.

Over the last 5 years the average Happy Meal contains 14.9% less sugar, 7.6% less saturated fat and 4.5% less salt. As a result of this work, 75% of our Happy Meal Bundles meet the Global scale for good nutrition criteria, against a goal of 50% by 2022. We are also continuing to simplify ingredients, having removed artificial flavours and colours and are continuing to remove artificial preservatives, where possible. We



will also continue to provide nutrition information at point of purchase across our website, apps, trayliners and on our core menu packaging.



Thank you

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