

2020 Corporate Governance Framework

Capital Arches Group Ltd



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ABOUT CAPITAL ARCHES GROUP LIMITED

Capital Arches Group Limited operates a group of franchised McDonald's restaurants in London.

We opened our first central London restaurant in 2016 and currently operate grew the business to 30 restaurants across the West End and City of London, North, East and South London.

As a McDonald's franchisee we operate based on McDonald's philosophy of being consistent in all that we do, providing great service and high-quality food to our customers.

OUR APPROACH

The Capital Arches Group (CAG) Corporate Governance Framework (“**Governance Framework**”) is underpinned by our purpose/vision of:

To run a McDonald’s market that is the benchmark of the McDonald’s system and fit for the world’s famous Capital

As a key McDonald’s franchisee, we ensure our company priorities remain aligned to the McDonald’s local brand strategy.

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 business 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.

In addition, our employee strategies aim to create an environment grounded in diversity, equity and inclusion; continually evaluate and evolve compensation and benefits programs, while offering quality training and learning opportunities; and uphold a high standard of health and safety for our employees and customers alike.

3. We believe in the McDonald's System

The McDonald's business model, depicted by the "three-legged stool" of:

- owner/operators
- suppliers
- 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 Capital Arches Group 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 local communities a better place.

6. We grow our business profitably

We form part of a global McDonald's system. As such, we work as a system to provide sustained profitable growth for all our shareholders. This requires a continuing focus on our customers.

7. We continually strive to improve

We are a learning organisation that aims to anticipate and respond to changing customer and employee 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.

Capital Arches Group Limited (the "**Company**") is a private limited company incorporated in England and Wales. 51% of the Company is owned by McDonald's, with an ultimate US parent of McDonald's Corporation. The remaining 49% is owned by Claude Abi-Gerges

and his wife Samar Abi-Gerges.

Our employees and 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. In 2020 we had over 11 million guest visits to our restaurants.

OUR GROWTH PILLARS

As part of the McDonald's system, CAG has adopted the new growth pillars which are rooted in McDonald's Corporation and identity. Under direction and guidance from McDonald's Corporation, we will:

Maximise Marketing by investing in new, culturally relevant approaches to effectively communicate the story of our brand, food and purpose. This will focus on enhanced digital capabilities that provide a more personal connection with customers. We are also committed to a marketing strategy that highlights value at every tier of the menu, as affordability remains a cornerstone of the McDonald's brand.

Commit to the Core by leveraging customer demand for the familiar and focusing on serving delicious burgers, chicken and coffee.

Digital, Delivery and Drive Thru by leveraging competitive strengths, accelerate technology innovation, building a digital experience growth engine that provides a fast, easy experience for our customers.

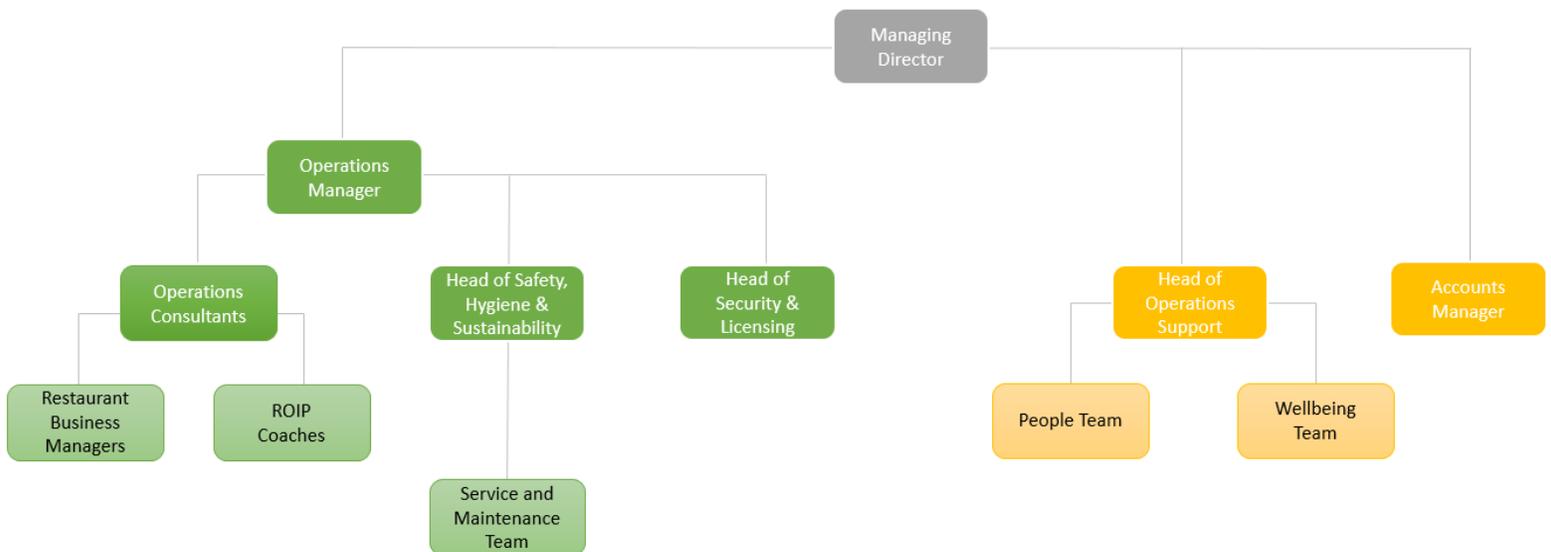
- **Digital:** The Company's new digital experience growth engine, "MyMcDonald's" will transform its digital offerings across drive thru, takeaway, delivery, curbside pick-up and dine-in. Through the digital tools across this platform, customers will receive tailored offers, be able to participate in a new loyalty program and order and receive McDonald's food through the channel of their choice.
- **Delivery:** Over the past three years, we have expanded the number of restaurants offering delivery and delivery sales have grown significantly. CAG will build on this progress and enhance the delivery experience for customers by optimising operations with a focus on speed and accuracy.
- **Drive Thru:** CAG has a number of drive thru restaurants and during the COVID 19 pandemic, this channel has heightened importance and we expect that it will become even more critical to meet customers' demand for flexibility and choice. We will build on our drive thru advantage and will support McDonald's in testing new concepts and technology to enhance the customer experience.

The Company's approach is underpinned by a relentless focus on running great restaurants, including improving speed of service to address customer needs. CAG believes this approach will build on our inherent strengths by harnessing our competitive advantages and investing in innovations that will enhance the customer experience and deliver long-term growth.

HOW WE ARE ORGANISED AND GOVERNED

The Company 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. As a Joint Venture, we are also subject to reporting to McDonald's as part of the wider McDonald's System's requirements.



THE BOARD

The Board is comprised of four directors:

- Claude Abi-Gerges - Managing Director
- Henry Trickey - Chairman
- Marc Cooper - Director
- Samar Abi-Gerges - Director and Company Secretary

The responsibility for good governance lies with the Board. The Board is collectively responsible for the long-term success of the Company and achieves this through its oversight of the business and restaurants, generating value for its shareholders 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 the Company 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 its stakeholders.

Matters not specifically reserved for the Board have been delegated to the Managing Director for the day-to-day management of the business. The Managing Director will also lead on the direction of the business as determined by the Board and certain matters relating to third party agreements, financing, litigation, amongst others, require Board approval.

In performing its oversight function, 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 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.

In 2020 | The Board convened four times as additional meetings were held in response to the COVID 19 pandemic.

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 the business on communities and the environments in which the Company operates. Due consideration is paid to our stakeholders, including but not limited to our customers, suppliers, employees and shareholders (including McDonald's).

In all of its activities the Board requires that our employees and suppliers conduct business with the highest ethical and professional standards, including adhering to the [Standards of Business Conduct](#) set by McDonald's Corporation.

Director Appointments

Senior management at McDonald's and the Managing Director 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 is also provided on Directors' appointments on an ad hoc basis.

Two of the Company's Directors also hold senior positions in McDonald's and are aware of the potential for conflicts of interest. All board directors of the Company from McDonald's are provided with conflicts of interest training as well as directors duties training on a regular basis in order to mitigate any conflict.

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

All employees' base and bonus remuneration 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.

KEY STAKEHOLDERS

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.

Stakeholders	Objectives	Engagement
McDonald's Corporation	To provide sustained profitable growth.	CAG's relationship with McDonald's is paramount to the overall successful performance of the Company and to protecting the McDonald's brand. McDonald's engages with its franchisees on all decisions that affect restaurants, ensuring that decisions are appropriately discussed before being implemented and are made for the long-term benefit of the wider McDonald's System.
Employees	To provide opportunity, nurture talent, develop leaders and reward achievement.	The Company's employees include those in our office and support teams as well restaurant employees. Our employees are absolutely key to the Company's success, enabling us to drive long-term value creation and further our purpose and mission. Employees are at the cornerstone of our business and an essential part our system. See section Employee Engagement for more details.
Suppliers	To work with our suppliers so that we can deliver for the customers and communities we serve.	As part of the wider McDonald's System, we purchase food, packaging, equipment, and other goods from numerous independent suppliers. See section Supplier Engagement for more details.
Customers	To provide high quality food and a superior service in a clean and welcoming environment at great value.	Our customers are at the heart of everything that we do. Our business strategy focuses on effective maintenance and strengthening customer appeal and capturing additional market share. See section on Customer Engagement for more details.
Communities and	To help our customers build communities,	As part of the wider McDonald's System and as an individual organisation, CAG prioritises progress across

Stakeholders	Objectives	Engagement
environment	support charitable organisations and leverage our size, scope and resources to help make local communities and the environment a better place.	a range of environmental and community matters, and endeavours to improve our long-term sustainability and resiliency, which benefits the Company and the communities it serves. See section on Local Community Engagement for more details.

Principal Decisions in 2020

Below we outline principal decisions made by the Board in 2020. We define principal decisions as those decisions that are of a strategic nature and that are significant to any of our key stakeholder groups as indicated above. The table below explains how the Board have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of the decision-making process.

Key Stakeholders	Principal Decisions	Impact on Business	Considerations	Outcomes and Actions
All groups	Numerous decisions made in response to Brexit	Brexit has created challenges for all business in the UK	Favourable for all groups as this will: <ul style="list-style-type: none"> - navigate through the impact of Brexit; - reduce the impact on employees in relation to our workforce; and - strengthen the relationship with all stakeholders. 	See the measures put into place under section Brexit on page 14.
All groups	Numerous decisions made in response to the COVID 19 pandemic	The COVID 19 pandemic has adversely affected consumer spending and confidence levels and supply availability and costs, as well as local operations.	Favourable for all groups: <ul style="list-style-type: none"> - responded to, and steered the business through, the impact of the pandemic; - protecting the health and safety of our employees and our customers; - mitigate cost and waste; - strengthen the relationship with all stakeholders; and - preserve financial stability for all 	See the measures put into place under the section COVID 19 on page 14.

Key Stakeholders	Principal Decisions	Impact on Business	Considerations	Outcomes and Actions
			stakeholders in so far as possible.	
Employees	Adopt a new Diversity and Inclusion policy locally in the UK	Compliment the McDonald's new global DE&I strategy designed to drive accountability across the McDonald's System to better represent the diverse communities in which McDonald's operates, to accelerate cultures of inclusion and belonging, and to further dismantle barriers to economic opportunity.	Favourable for employees as this will: <ul style="list-style-type: none"> - promote equality; - prevent discrimination at work; - create an inclusive working environment for all. 	The adoption of the policy. The roll out of the first iteration of the Diversity and Inclusion policy. This policy applies to all our employees at all levels in our restaurants and offices and is regularly reviewed and monitored

RISK MANAGEMENT STRUCTURE

At Capital Arches Group we seek to maintain our high standards set by McDonald's whilst balancing the risks. By carefully aligning our risk appetite to McDonald's strategy, we aim to deliver sustainable long-term shareholder returns for McDonald's and Claude Abi-Gerges. 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 the Company's activities involve the measurement, evaluation, acceptance and

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

management of risk or combinations of risks.

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 management culture, which is embedded through clear and consistent communication and appropriate training for all employees. This risk framework underpins our strategic priorities, reinforced by the Company 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.

In 2020 | We rolled out anti-bullying, harassment and discrimination training for all our employees and managers.

Employment Practices

We conduct our activities in a manner that respects human rights as set out in the United Nations Declaration of Human Rights, and we are committed to ethical recruitment in our employment practices as a component of our overall human rights approach. We prohibit direct or indirect fees or costs being charged to those seeking employment with or who are employed by the Company for the services directly related to recruitment for temporary or permanent job placement, unless legally permissible and within the legal limit. This includes where we may use private recruitment services or where we perform recruitment activities directly. Even where such fees or costs are legally permissible and within the legal limit, our policies and practices are designed to ensure that no one is indebted to the Company or to a recruiter in a manner that prohibits the individual from freely leaving their employment.

We do not retain an employee's identity document such as passports or work permits, as a condition of employment for longer than 24 hours and only do so for legitimate administrative reasons, including for immigration checks. The Company provides any agreements, whether oral or in writing, in a language understood by the person agreeing to be employed and expects that any recruiter, labour broker or employment agent will do the same and will be responsible for ensuring that the agreement is understood by the person agreeing to be employed.

We work alongside McDonald's Corporation to ensure that there are no modern slavery or human trafficking issues in our businesses, as well as utilising their guidance on recruitment practices. A People Review is carried out by either McDonald's or CAG as part of our restaurant operations improvement process ("ROIP"). The ROIP is a

comprehensive assessment of our restaurants to ensure guidance, including on modern slavery practices, is being followed as intended.

McDonald's frequently audits suppliers to ensure their employment practices are suitable and in line with our own employment standards. They do this with a particular focus on construction labour and delivery drivers and riders at our third-party operators. Our restaurant staff are told to report any concerning or suspicious behaviour that may suggest a third party is a potential victim of, or engaging in, modern slavery.

Business Planning

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

The Company's senior leadership also convene on an Annual Planning Meeting to discuss the activities of the Company as well as discuss the business plan for the upcoming year. This may include visiting Company restaurants as part of this meeting.

The Board receives updates from McDonald's on McDonald's decision making as well as updates and approaches in relation to how McDonald's deals with different policies and financial disclosures.

The Board of directors should determine the areas of the business that will require formal annual sign-off, including:

- Financial controls and reporting - an annual financial audit of the business is conducted
- Food hygiene, health and safety - annual audits are completed and published annually
- Insurance cover - an update on the parameters of the insurance schedule (including claims updates) is completed annually and reviews of premiums for the following year are completed
- Compliance with employment practices - our Managing Director presents an overview of the business employment practices on an annual basis

Our continual and thorough engagement with the 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 our company and the wider McDonald's system.

Brexit

Following the UK's exit from the European Union ("EU") on 31 January 2020, both parties entered a transition period until 31 December 2020. This arrangement retained the vast majority of trading rules that the UK adhered to as a Member State and was designed to allow for both the UK and the EU to adapt to a new trading relationship in future. This period also allowed both parties to negotiate a future relationship. On 24th December 2020, the EU and UK announced the Trade and Cooperation Agreement which came into force on 1 January 2021.

The Company took a proactive approach to preparing for the end of the Brexit transition period, and managing the potential impacts on the system in particular in relation to workforce planning and management. CAG worked with McDonald's in a number of ways to prepare for Brexit, and which are set out within the financial statements of McDonald's Restaurants Limited".

Covid 19 Pandemic

The COVID 19 pandemic has adversely affected and is expected to continue to adversely affect our financial results, condition and outlook. Health epidemics or pandemics can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can affect our financial results, condition and outlook. Importantly, the global pandemic resulting from the COVID 19 pandemic has disrupted global health, economic and market conditions, consumer behaviour and Capital Arches Group restaurant operations beginning in early 2020.

The COVID 19 pandemic may also heighten other risks, such as, but not limited to, those related to consumer behaviour, consumer perceptions of our brand, supply chain interruptions, commodity costs and labour availability and cost. Given the uncertainty that COVID 19 presents, on-going assessment by management, and engagement and communications with key stakeholders will continue.

In 2020 | We held various meetings with McDonald's and our CAG Leadership Team in response to the pandemic. These frequent engagements allowed us to continue assessing the impact of the pandemic on our business and our people, introduce changes in line with government guidance and consider the "road to a better normal" to allow the Company to emerge from the COVID 19 pandemic.

Operations and re-opening

The pandemic has impacted all aspects of business operations from health and safety; supply chain and distribution; restaurant operations and staffing; and customer demand. Throughout 2020, there have been varying degrees of government restrictions on operating hours, dine-in capacity and mandated full restaurant closures.

As such, we responded by adhering to local government, adjusting restaurant operating hours and closing restaurants in accordance with national lockdowns. Following the Company's engagement with government and trade bodies, restaurants reopened in a responsible and phased manner, with a limited menu, during limited hours and with modified operations procedures in place, including social distancing measures and the use of PPE, to help safeguard the health and safety of employees and customers.

In the summer of 2020, the Company also took part in the Government's scheme "eat out to help out", designed to draw customers back into hospitality venues over the summer to support the sector. The initiative offered a price discount on food and non-alcoholic drinks for customers from Mondays to Wednesdays in August 2020.

Workplace health and safety

CAG has always focused on protecting the health and safety of our employees and our customers. Throughout 2020, in response to the COVID 19 pandemic, the Company has made informed decisions with the guidance from McDonald's, the government as well as the World Health Organisation to develop new ways of working in the areas of hygiene and safety.

In addition, and through McDonald's, the Company engaged with a global leading public health expert consultancy to provide ongoing counsel and expertise on infection prevention and control, and to identify best practices to mitigate the spread of COVID 19. CAG also utilised the McDonald's set process to capture customer data for local Government's Track and Trace programmes.

Over the last year, elevated standards informed by this engagement have been executed in all restaurants and supplements the Company's priority on maintaining the safety and well-being of its staff and customers. We have implemented new safety measures for staff including but not limited to restricting number of staff at sites, redesigning kitchens and workflow to ensure the appropriate social distancing is in place, mandating all customer payments are made electronically rather than cash and screens within our kitchens to ensure the safety of our staff. Re-opening guidelines and checklists for restaurants and production facilities, protective equipment, new e-learning modules, health declarations, and many other controls have been implemented to effectively minimise the risks of infection and transmission of COVID 19 in our workplaces.

In accordance with local government guidance:

- the Company postponed or cancelled all in person non-essential business meetings were with business-critical meetings being held virtually from March 2020;
- from March 2020 the Company's office was closed and staff were required to work from home wherever possible in accordance with local government guidance; and
- all non-essential construction works were put on hold in all restaurants.

Employees

Throughout the COVID 19 pandemic our employees have been our priority. As the pandemic evolved, a number of measures were taken to ensure financial stability of our employees.

The Company agreeing to benefit from the UK Government Coronavirus Job Retention Scheme ("JRS") for as long as restaurants needed; dependant on the governments varying thresholds during the course of 2020.

HOW WE MEASURE PERFORMANCE

In line with McDonald's Corporation approach of analysing business trends, CAG

management reviews results on a regular basis and considers a variety of non-GAAP performance and financial measures, including comparable guest count growth, sales growth and customers feedback surveys.

In 2020 and as a result of the COVID 19 pandemic:

- Guest count decreased by 56% and sales decreased by 38.75% vs 2019
- Customer Feedback Surveys decreased by 0.5% vs 2019

HOW WE COMMUNICATE

Our communications approach, influenced by McDonald's, is driven by our guiding principles embedded in the Company Values:

- ✓ Dependable and committed to doing the right thing;
- ✓ Open to different ideas and cultures; and
- ✓ Connected to customers, 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 we work together with our suppliers 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. As a McDonald's franchisee we utilise McDonald's established customer communication channels, as well as our own tailored channels, to effectively communicate with our customers including:

McDonald's website

To provide clear and concise information to our customers, McDonald's regularly keeps its website updated with the latest news including offers and menu changes for our customer. The website also contains sections that highlight McDonald's efforts to become more sustainable, of which we contribute to, as well as an about section on our food showing where our ingredients are sourced from.

In 2020 | there were over 27 million unique visitors to the McDonald's website.

The My McDonald's App

The My McDonald's app provides our customers with the latest information on menu changes and offers. The app, which is operate by McDonald's, also sends push notifications to customers who wish to receive these on their mobile phones letting them know of deals in their local area.

The press and our newsroom

The [McDonald's Newsroom](#) is updated regularly to ensure both the media and the general public are aware of the latest announcements made by McDonald's, including our restaurants.

Social Media

McDonald's delivers targeted, relevant social content and positive interactions on our behalf 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 leaves people a little happier than they were before.

We also operate our own social media channel via Twitter to engage with our local customers.

Newsletters

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

Employee Engagement

Our people are absolutely key to our success. Whether they work in our restaurants or in our 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.

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. Supported by McDonald's, 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 the Company 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 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 the Company.

As a McDonald's franchisee we utilise McDonald's established employee communication channels, as well as our own tailored channels, to effectively communicate with our people.

Employee Surveys

McDonald's helps us undertake quarterly employee surveys to allow everyone in the business to comment on how they feel about their role at the Company and 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 conducted include:

Love to Listen

These are conducted four times a year and are sent to all our restaurant staff. The aim is to regularly establish sentiment from restaurant-based employees using 10 questions.

Whilst these surveys are normally conducted 4 times per year, the survey waves have been conducted bi-weekly for periods of 12 weeks. This approach has ensured that feedback given is reflective of not just a few points in time, but from across the whole year.

Questions have focused on satisfaction, safety, wellbeing and diversity, equity and Inclusion with employees encouraged to take surveys more frequently. The key measurements for these surveys are the questions:

-
- “How happy are you with your job at McDonald’s?”
 - “My health and wellbeing is a priority for my management team”

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 McDonald's.

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

We also undertake our own ad-hoc employee surveys as needed.

Newsbites

In April 2020 and through McDonald's, we benefited from a new all-audience channel enabling us to communicate feel-good stories and business updates with restaurant employees as well as office employees directly to their inboxes. Newsbites was designed to keep our restaurant employees and office employees connected and engaged during the pandemic by sharing good news stories from across the business and to recognise individuals who go above and beyond both at work and within their larger community. Newsbites has been well received within our restaurants with a consistent above average open rate and click rate and subscriber numbers continuing to grow.

In 2020

Throughout 2020 and in light of the global pandemic, we engaged with our workforce through different means and offered them the opportunity to make us aware of any support they might need during the lockdown periods as well as about their wellbeing and safety when returning to work.

Love to Listen 2020

Our approach to Love to Listen Surveys in 2020 has been fluid, an approach that has reflected the challenges that restaurant and office teams have faced through the

COVID 19 pandemic. It has remained imperative to provide our employees a platform that is “always on” to give feedback and this has been used to inform business decisions throughout the year, particularly related to restaurant and office reopening during the pandemic.

Restaurant employees:

- 541 participants
- 75% really happy or happy with their jobs

McDonald's UK Intranet

The McDonald's intranet, which our Business Managers have access to, is also a useful point of reference for everyone in the business, providing weekly 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.

MySTUFF 2.0 (HR System)

MYSTUFF2.0 is a new and improved people system managed by McDonald's and which we utilise. The system gives our people a mobile friendly platform to manage their own personal data and 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.

OurLounge

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

As a key channel of communication 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, the McDonald's 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 our restaurants.

Training via FRED

All of our staff have access to the online learning and development platform operated by McDonald's called FRED. FRED is a shoulder-to-shoulder training support tool that is mobile compatible, delivering e-book style resources such as:

- Interactive learning journals
- Leadership curriculum books
- Reference Materials
- QRG

Fred is the one-stop-shop for all learning reference materials, available to every employee with their own unique log on details.

Regular Email Communications and People Team Updates

We keep our employees updated regularly via regular McDonald's emails, which are tailored to their role within our business, these include:

Operations Update

The Operations Update, which is managed by McDonald's, 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.

In 2020 there were 130 Operations Updates

CAG Newsletters

We have also developed our own internal newsletter containing updates on activities from all our restaurants, group-wide events, training sessions and career opportunities. The newsletters are also a great opportunity for us to share results including customer praises and recognising the different restaurant teams as well as individual employees who have done particularly well.

People Team Updates

In addition, our People team often communicates with all employees via email updates. These communications range from various topics such as making employees aware of new policies, updating them on any changes as well as reminding them of training and

development opportunities which are available in CAG.

In 2020 we shared 16 newsletters and Employee Updates with our restaurant teams

Culture Days and Events

We organise various events throughout the year for our employees such as sports competitions and family fun days, AGM and team building activities, our Super Team competition and Christmas Party.

In 2020 due to the pandemic, we were unable to follow our normal events and engagement calendar.

Employee Engagement in 2020

During the national lockdown, as our restaurants closed, we evolved our internal newsletter to engage with our teams and keep everyone connected whilst staying at home. This included various online competitions and quizzes, tips to stay healthy as well as reminding everyone who they could contact if they needed any help.

In 2020 the Wellbeing Leads team support focused on our team's wellbeing during the pandemic and with their support, alongside our Head Office People Team, we set up a group of volunteers who were ready to help any employee who might be self-isolating or who might be feeling lonely and isolated.

We also maximised the benefits of online tools to hold frequent meetings with all levels of the business. These meetings were not only business focused, when we updated our teams on our reopening plans and safety measures, but also provided an opportunity to stay connected on a personal level. Furthermore, we offered those employees who wished to utilize that time to develop their skills the opportunity to join a range of virtual training sessions including:

- Allergen Awareness training: 338 employees
- First Aid at Work, both online and practical sessions delivered to 89 managers
- Accident Investigation training: 131

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- Fire Safety sessions: 98
 - Health & Safety training: 68
 - Crime Awareness: 45
 - Welfare & Vulnerability Engagement (WAVE): 47
 - Action Counters Terrorism (ACT): 57
 - Incident Management: 53
 - Licensing Training: 50

Shareholder Engagement

We work as a system to provide sustained profitable growth for our shareholders and the Board has the responsibility for engaging with our shareholders.

McDonald's expertise and resources are important in giving us the 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. We engage with McDonald's at various points throughout the year and on all major decisions that affect our restaurants, ensuring that decisions are appropriately debated before being implemented and are made for the long-term benefit of the Company.

The Board engages regularly with McDonald's across a range of channels, including:

- Franchisee Engagement Sessions
- McDonald's Franchisee Consultants
- McDonald's Franchisee Roadshows

Franchisee Live Calls

The gravity of the COVID 19 pandemic on the business, has meant that many changes were required to both our business plan and also the day-to-day operations. As a result, McDonald's introduced regular Franchisee Live Calls.

In 2020 a total of 34 held and all of which were attended by our managing director.

Franchisee Engagement Sessions

We provide insight and input to McDonald's via an annual Franchisee Engagement Session. This session allows us to provide ideas and influence on the creation of McDonald's business plans which we ultimately adopt.

The output from this session is passed to McDonald's Planning Teams for further consideration and are then prioritised by the P Teams based on strategic priorities and key business and consumer opportunities.

In 2020 we attended 6 sessions.

McDonald's Franchisee Consultants

Our business has access to the support of McDonald's Franchisee Consultants. Franchisee Consultants are experienced business and operational leaders within the McDonald's system. We regularly consult with our McDonald's Franchisee Consultant on both the day-to-day challenges within our restaurants as well as our longer-term strategic decisions with feedback regularly passed up the McDonald's hierarchy.

McDonald's Franchisee Roadshows

The McDonald's Executive Team travel across the country hosting Franchisee Roadshows. At these roadshows we provide feedback on McDonald's plans that may affect our business including Finance, Delivery and IT.

In 2020 given social distancing rules and travel restrictions in 2020, the Executive Team moved the Roadshow to a virtual platform. There were two virtual roadshows in 2020, both attended by our managing director.

Supplier Engagement

The Company relies on its suppliers for success. As a McDonald's franchisee, we primarily utilise McDonald's established supply chain who manage many of our suppliers on our behalf. We are proud supporters of British and Irish agriculture via McDonald's who work 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. Through McDonald's we have an extensive supply chain across the UK and Ireland and we believe that our suppliers contribute to our success.

We have long-term partnerships with many of our suppliers. 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, including our Company, has enabled our suppliers to grow with us and drive positive change within their own businesses.

McDonald's Supply Chain and Sustainability function has a broad remit, from ensuring our 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.

Local Community Engagement

Keeping Britain Tidy

We are actively involved in the Keep Britain Tidy Scheme in the area within which our restaurants are located. As well as regularly conducting litter picks outside our restaurants we join local Keep Britain Tidy events to ensure that our local communities are as clean and tidy as possible.

West End Community Trust Charity

We support the West End Community Trust on an ongoing basis, donating food and drinks for their community events and our employees holding smartphone workshop sessions for elderly residents.

Soho Angels

We continue to support the Soho Angels, who are designed to make London's nightlife safer for everyone. They will reflect Soho's roots as a place of cultural significance for

LGBT people and will work to ensure Soho nightlife remains a safe, inclusive and understanding space for everyone who visits.

Young Westminster Foundation

The Young Westminster Foundation is an exciting cross-sector partnership, creating a community of member and partner organisations who together shape opportunities and create the best services for children and young people in Westminster.

Capital Arches Group is a founding member of the Young Westminster Foundation.

Ronald McDonald House Charities (RMHC)

We are a proud supporter of RMHC. Throughout the year we hold events and encourage our customers to donate to this great cause all with the aim of funding the amazing work RMHC does in providing the families of sick kids with safe and clean accommodation near hospitals. In particular we support the Evelina RMHC house, near the Evelina London Children's Hospital.

Business Improvement Districts

As part of our involvement with local communities, Capital Arches Group is an active member of various Business Improvement Districts (BIDs):

- Heart of London Business Alliance (HoLBA)
- New West End Company
- The Northbank BID
- Marble Arch BID
- Camden Town Unlimited
- Midtown BID
- The Fitzrovia Partnership
- This is Clapham

Our Managing Director also sits on the Board of Directors for HoLBA, the Northbank and Camden Town Unlimited BIDs, as well as sitting on the Board of the Safer Business Network. He is a member of the Renewal Steering Group at the New West End Company and the Oxford Street Occupier Steering Group.

In 2020

- We supported the West End Community Trust by donating food and drinks to their socially-distanced community supper.
- Took part in the Marble Arch British Spring Clean when our employees spend a day clearing the soil for a new wildlife hedge in Hyde Park.
- Supported the Marble Arch BID by holding sessions for local elderly residents on how to use technology to remain connected during the pandemic.
- Joined Westminster City Council in support of the Unknown Warrior project, a collaboration between the Military Wives Choirs and the council.
- Capital Arches Group was a Finalist for the HSBC British Franchise Awards in the category of Multi-Unit Best in Class Leaders.
- Our excess stock in restaurants were distributed via the Company's chosen charitable channels following the decision to close restaurants in March 2020.
- We raised over £14,500 for RMHC

ENVIRONMENTAL AND SUSTAINABILITY INITIATIVES

As a McDonald's franchisee our environmental initiatives and goals are progressed in-line with McDonald's wider environmental strategy of which many McDonald's franchisees across the UK align with. We are proud to be an active participant in McDonald's flagship global environmental strategy, Scale for Good.

Being part of 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. In the local communities we serve, we are acutely aware that we have a real opportunity to create change. McDonald's Scale for Good includes targets set by McDonald's Corporation but these are implemented locally, including across our restaurant estate. We are involved in a number of local initiatives that complement McDonald's and our Company's overarching goals.

Each of the Scale for Good priorities comes to life through our leadership and crew and through the experiences of millions of customers in our local McDonald's restaurants. As part of the 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

We have progressed several initiatives that align with the Global Scale for Good goals and McDonald's Sustainability strategy.

[For more information on our environmental initiatives please visit the McDonalds UK 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.



2020 | McDonald's launched a project with FAI Farms to understand the benefits of 'Adaptive Multi-Paddock' grazing in working towards a regenerative beef system.

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.

As part of our recycling strategy, aligned with McDonald's Corporation's 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.

2020 |

- 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% 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. Straws can now be recycled alongside coffee and McFlurry cups in all Experience of the Future restaurants.
- In 2020 the Company partnered with litter organisations and local authorities to clamp down, urging people to take responsibility for their own rubbish in a new campaign, as was revealed McDonald's employees collectively travel 5,000 miles a week collecting irresponsibly dropped litter. Aimed at confronting personal responsibility, the campaign features the slogan 'Get in the Bin' usually used for someone who is talking rubbish. But with over-a-third of Brits (34%) calling out a stranger for littering, the Company is asking everyone to make a stand and Get in the Bin.

Sustainable supply

2020 |

Working alongside our potato supplier, McCain, in 2020 we launched our Sustainable MacFries Fund to increase the resilience of Britain's potato supply base. The Sustainable MacFries Fund enables growers to use new technology to improve

the understanding of soil quality and optimise water management. Together, the Company and McCain are providing £1 million in grants to British potato growers who produce the varieties that make McDonald's Fries.



There are 4 focus areas for the fund highlighted as key to improving water and soil sustainability:

1. Improving infiltration through the introduction of infiltration tines for MacFry planters. This technology helps breaks up soil after it has been padded down by a tractor, allowing water to infiltrate the ridges in fields and filter away more efficiently.
2. Introducing irrigation scheduling technology to ensure the right amount of water is being used on the crop, optimising their water usage.
3. Supporting a new sustainable soil and cover crop study to help understand the benefits to soil quality
4. Supporting individual grower capital projects to give farmers the unique opportunity to conduct their own research into soil and water usage in their fields, with a chance to invest in technology that could help them grow more sustainably.

Commitment to Families

The McDonald's 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 McDonald's Corporation's 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 McDonald's Corporation's 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.



Helping Farmers to be 'Ready for Change' - Prince's Countryside Fund

We established a 3-year partnership with the Prince's Countryside Fund, a charity founded by HRH The Prince of Wales.

Our partnership aims support the economic resilience of UK farming families through our 'Ready for Change' workshops. We co-designed these workshops to support livestock farmers in making informed decisions about change management on family farms.

This followed research by McDonald's and the Fund, which found that 71% of farmers want to make changes to their business over the next five years, but lack the confidence to do so.

2020 | We helped the Fund to deliver its much needed Rural Response Emergency Grants to farming and rural communities navigating the challenges related to the COVID 19 pandemic during 2020.

Reducing greenhouse gas emissions

As part of McDonald's Corporations Scale for Good commitment to sustainability, by partnering with franchisees and suppliers, its aim is to reduce greenhouse gas emissions related to its restaurants and offices by 36% by 2030 and globally, saving 150 million metric tonnes of CO2.

2020 |

- In June 2020 the Company announced it would introduce electric vehicle ("EV") rapid charging points as standard across new UK Drive-Thru restaurants, through a new partnership with InstaVolt. McDonald's ambition is to create a new nationwide charging network to support increasing demand for EVs, as the business looks to play its part in a greener economic recovery.
- The partnership with InstaVolt, the largest owner-operated network of rapid EV chargers in the UK, marks a huge stride forward for EV charging infrastructure, and will also include

the introduction of charging points at existing Drive-Thru restaurants within the McDonald's estate where possible.

- InstaVolt's new rapid charging points are capable of charging at 125kW and can deliver an 80% charge in less than 20 minutes, making EVs a more realistic prospect for drivers than ever before. The partnership, the first of its kind for a major UK restaurant chain, will increase accessibility of rapid charging for drivers across the UK by providing a network of convenient and recognisable locations beyond service stations, residential streets and workplaces.
- McDonald's commissioned new research to identify the current barriers to EV adoption, finding that more than half (54%) of people that don't own an EV directly cite a lack of convenient charging locations as a barrier to buying one. However, of this group, two thirds (67%) said they'd reconsider if this barrier is removed. In addition, seven in ten (70%) said they'd worry about struggling to find a charging point mid-journey. The partnership therefore hopes to alleviate these barriers, bringing a new UK wide network of charging points.
- Misconceptions around charging times were also found to be a barrier to owning an EV, with 57% of people currently believing EVs typically take an hour or more to fully charge. However, 43% of current non-EV owners would be more likely to consider purchasing an EV if they were able to reach 80% charge in 20 minutes.
- The introduction of rapid chargers across the McDonald's estate will help cater for increasing demand, and contribute to the UK's target of net zero emissions by 2050 in the UK. It comes as the UK economy starts to rebuild post the COVID 19 pandemic with a renewed focus on low carbon industries and infrastructure, and as more drivers than ever consider EVs due to the dramatic improvement in air quality witnessed during lockdown.

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Reducing Plastic

As part of McDonald's Corporations Scale for Good commitment to sustainability, by 2030, McDonald's has committed to source all packaging from renewable or recycled sources by 2025.

2020 |

- In July 2020, the Company pledged to remove non-sustainable hard plastic from its iconic Happy Meal. From 2021, the Happy Meal will only include soft toys, sustainable paper-based gifts or books as the Company works to find sustainable alternatives to hard plastic.



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- This represents the biggest reduction in plastic by the Company to date and is the next step in its mission to reduce its environmental impact across all areas of the business. The move will eliminate over 3,000 metric tons of non-sustainable plastic, whilst continuing to give customers the Happy Meal they know and love.
 - In March 2020, in a first for the UK business, McDonald's trialled paper packaging for any Happy Meal toy. The paper packaging was introduced for Happy Meal books from August, removing the plastic wrapping entirely from 2021 and a further 200 tonnes of plastic.
 - From May 2020, the Company offered everyone the choice of either a book or a toy with every Happy Meal in the UK. This gave families the choice to opt out of a plastic gift in every restaurant. This initiative builds on the successful Happy Readers promotion which has distributed over 90 million books with the Happy Meal in the last seven years.
 - From May 2020, McDonald's ran a five-week nationwide toy amnesty, collecting any unwanted plastic toys in its 1,350 restaurants and recycling the returned plastic into play equipment for Ronald McDonald House Charities across the UK.
 - In December the Company opened a brand-new playground, made using recycled Happy Meal toys, which was available for families staying at the Ronald McDonald House Oxford, located just moments away from the Oxford Children's Hospital. The playground is the first of at least fifteen to be made from more than one million recycled Happy Meal toys, which will be installed across the UK in 2021. The toys from the toy amnesty in May, along with surplus toys from when the restaurant business closed were given a new lease of life as part of this programme. Once the playground reaches its end of life, it has been designed to ensure it can be recycled again and again.



Thank you



CAPITAL ARCHES GROUP

