

# Tax Strategy

McDonald's Approach to Taxation

December 2017

## **Background and McDonald's Group Overview**

McDonald's Corporation ("McDonald's", "the Company" or "we") operates and franchises McDonald's restaurants in more than 100 countries. McDonald's restaurants serve a locally-relevant menu of quality food and beverages, sold at various price points. McDonald's global system is made up of both Company owned and franchised restaurants. McDonald's is primarily a franchisor, with more than 90% of McDonald's restaurants currently owned and operated by independent franchisees.

McDonald's business operations incur a substantial amount and variety of taxes, including corporate income tax on its profits across the globe, as well as social, real estate and other taxes. We strive to comply with all applicable laws, including the timely and accurate payment of the taxes that are owed in each country where we operate.

To support transparency of McDonald's approach to managing the Company's tax obligations, this document explains how we consider each of the following:

- Tax governance, risk management and compliance
- Tax planning and acceptable tax risks
- Interactions with Tax Authorities

## **Tax Governance, Risk Management and Compliance**

McDonald's global tax organization ("tax organization") includes highly qualified individuals whose skills are leveraged to contribute fully to the success of the Company. The tax organization is part of McDonald's Global Finance organization, and reports to the Chief Financial Officer ("CFO"). The tax organization regularly updates the CFO about significant tax matters including audits, cross border tax risks, and potential tax impacts of business plans. McDonald's Vice President—Corporate Tax provides an annual tax update to the Audit & Finance Committee of McDonald's Board of Directors. Other Board updates occur as necessary. These actions accompany development and execution of controls and processes identified as prudent or mandatory to meet external risk management regulations such as Sarbanes-Oxley and FIN 48.

The tax organization is responsible for ensuring that compliance obligations are known and has developed and implemented sufficient procedures and controls to understand and manage these obligations and ensure the overall integrity of the tax returns.

The Company adheres to tax and financial related disclosures and transparency requirements of the United States Securities and Exchange Commission, the New York Stock Exchange and other relevant authorities in each country where we do business.

## **Tax Planning and Approach to Tax Risk**

Tax planning at McDonald's is aligned with the objectives of business operations, and is designed to effectively comply with legal obligations and requirements in every country where McDonald's does business. The tax organization acts as business partners and provides analysis of relevant tax issues in key transactions or strategies. The tax function at McDonald's seeks to help create clarity and certainty around our tax obligations, which in turn helps the Company plan our business and invest, which leads to growth and an increase in the number of jobs that we offer.

Analysis is performed by in-house tax experts, with outside specialists utilized where appropriate. This includes situations where there is ambiguity or uncertainty regarding the interpretation of a law, as well as with significant or non-routine transactions.

McDonald's tax organization seeks to identify and mitigate tax risks. In addition to direct participation in various projects and initiatives, the tax organization is integrated within McDonald's broader Enterprise Risk Management ("ERM") working group. The ERM group includes representatives from many functions within the Company, who work together to identify and address significant business risks.

There is no predetermined level of tax risk that McDonald's is willing to accept. Rather, McDonald's takes decisions that appropriately balance the materiality of risks and benefits associated with transactions. This reflects the high level objective to remain aligned with the long-term needs of various stakeholders.

### **Interactions with Tax Authorities**

McDonald's works to develop and maintain transparent and professional relationships with the tax authorities in countries where we do business. We ensure there is adequate access to relevant and necessary information. We strive to comply with the law, and work with tax authorities to explain our position in order to resolve differences of interpretation in a timely manner. Where we are not able to resolve a difference of opinion, we pursue various dispute resolution mechanisms as appropriate.

If warranted, we may engage with tax authorities in advance of undertaking a transaction to gain certainty and assurance regarding the positions taken.

### **UK Specific Provision**

The publication of this document is regarded as meeting the statutory obligation, under part 2 of Schedule 19 Finance Act 2016, and sets out the tax strategy for the McDonald's UK group of companies.

McDonald's in the UK is subject to HM Revenue & Customs' ("HMRC") annual Business Risk Review process, and we comply with this in a transparent and productive manner. We meet and correspond with HMRC on a regular basis to discuss and agree on the status of tax risks in McDonald's business operations. We endeavour to make HMRC aware of business developments or transactions where they might present significant concern or uncertainty.

In addition, McDonald's requires its employees to comply with relevant laws and standards of conduct, including annual reviews of McDonald's Standards of Business Conduct document.