McDonald's UK Modern Slavery Statement 2022

At McDonald's, we believe we have a responsibility to respect and promote human rights and to act with due diligence to avoid infringing on the human rights of others and addressing any impacts on human rights if they occur. We take that responsibility seriously. We are committed to respecting human rights as set out in the Universal Declaration of Human Rights. Our Human Rights Policy ("Policy"), which is adopted by McDonald's Corporation and applies to its majority-owned subsidiaries worldwide, including McDonald's UK, is also guided by the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the principles set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

We strive to foster safe, inclusive, and respectful workplaces wherever we do business and respect the fundamental rights of McDonald's employees, which include freedom from slavery and child labour; freedom to associate or not associate and collectively bargain; equal opportunity for everyone; a safe and healthy workplace; and freedom from discrimination and harassment. Where McDonald's may impact the human rights of particularly vulnerable groups, such as migrant labourers, indigenous peoples, women, or children, we are also guided by other international standards that elaborate on their rights.

In 2022, McDonald's Corporation published its Responsible and Ethical Recruitment Principles, which apply to all its majority-owned subsidiaries and therefore define our approach on this issue, including how we will work toward five global standards. These five standards will apply to migrant labour recruiting practices and will be required across our corporate operations, Franchisees and International Developmental Licensees (DLs).

Introduction

This statement is published in accordance with the UK Modern Slavery Act. It outlines the approach we take to prevent modern slavery in our business and supply chains associated with the United Kingdom.

McDonald's Restaurants Limited ("**McDonald's UK**", "**Company**," "**we**" or "**our**") published its first Modern Slavery statement in 2017. We continue to build our knowledge of the risks of modern slavery and the areas of our business that could face some of these challenges. We work across our business and supply chain to put the right practices in place to prevent and respond to any potential risks.

Modern slavery is unacceptable within our business and supply chains. We have a responsibility to respect the rights of people who work for the Company, and to do business with franchisees, suppliers and business partners that respect human rights for their respective employees. We recognise there is no single solution to human rights issues, which is why it is critical that we engage with all of these stakeholders to build awareness and understanding.

Our business, structure and supply chains

Our Business

McDonald's by Numbers

UK

- >1,350 restaurants
- >150,000 employees
- circa. 200 franchisees

Global

- >40,000 restaurants
- >100 countries
- >150,000 employees in corporate and company-owned restaurants
- >2 million people who work in McDonald's franchised restaurants

UK

We are proud to have run our business in the UK for almost 50 years, having opened our first restaurant in Woolwich in 1974. We are a franchised business and today, we and our franchisees operate over 1,350 restaurants in all corners of the UK and employ over 150,000 people. Alongside the restaurants, we have a head office function based across three offices in regions across the country, with our main UK office in East Finchley, London.

Approximately 11% of McDonald's restaurants in the UK were owned and operated by the Company at the end of 2022 with around 89% owned and operated by franchisees. McDonald's UK, including its franchisees, have created over 2 million local jobs in the past 45 years and spent over £35 billion with UK businesses and contributed over £54 billion to the UK economy. Alongside this, and with our partnerships we and our franchisees collectively hold with national and local groups to support the causes that matter to local communities, we are passionate about contributing to the areas in which we operate.

McDonald's Corporation

McDonald's Corporation is the world's leading global foodservice retailer, serving 63 million people every day. McDonald's harnesses the power of our franchisees, suppliers and employees working together toward our purpose to feed and foster communities. Franchisees bring the spirit of entrepreneurship and commitment to communities; suppliers are dedicated to highest levels of quality and safety; and McDonald's Corporation facilitates learning and sharing across more than 38,000 McDonald's restaurants.

McDonald's Corporation and McDonald's UK (together, "McDonald's") work across all three elements of our business—the Company, the franchisees, and our supplier partners— to feed and foster communities. Our approach to modern slavery and ensuring human rights are underpinned by this same commitment.

Our supply chains

McDonald's has a complex global supply chain with thousands of direct suppliers who employ over a million people in more than 100 countries.

Suppliers are a critical component of McDonald's business. We build long-term relationships with our supplier partners and are proud that many of them have worked with us for decades. These

long-term relationships enable us to have open and honest conversations and to share best practices.

We know that a large part of the success of the McDonald's system lies in our trusted relationships with our supplier partners. In the contracts underpinning these relationships, we ask them to comply with our Supplier Code of Conduct and associated guidance, which include respect for human rights and following practices that protect their employees' health and safety.

Specifically, in the UK, we are proud to support the UK farming community, who supply us with quality ingredients, and we seek to source locally wherever possible.

All the ingredients on our menu are sourced from approved supplier partners who have to adhere to our high-quality standards, which are independently audited. Where possible, our supplier partners source ingredients from farms accredited by a recognised farm assurance scheme such as Red Tractor and RSPCA Assured, with regular audits taking place on the farms to ensure that these standards are upheld. In addition, many of our supply chains are vertically integrated, meaning that our supplier partners will often have control and oversight of every step of the supply chain.

Policies

McDonald's UK supports the goals of the Modern Slavery Act and takes seriously its responsibility to act with due diligence to avoid infringing on the human rights of others and address any impact on human rights if they occur.

Employment practices

McDonald's is committed to preventing forced labour and upholding responsible and ethical recruitment standards.

The Responsible and Ethical Recruitment Principles outline our commitment to working toward five global standards. These standards are to apply to migrant labour recruiting practices and UK McDonald's continues to review and consider how these practices can be implemented at a local level. The intention of McDonald's Corporation is that these practices will reach across McDonald's and its majority-owned subsidiaries, Franchisees and International Developmental Licensees (DLs), and consist of the following:

- Workers do not pay recruitment fees, whether to a private labour broker/employment agent or to the employer itself.
- Workers are provided contracts in a language fully understandable by the workers at the point of recruitment and prior to deployment.
- McDonald's and our Franchisees/DLs do not keep or withhold any government-issued identification, monetary deposits, bonding or other collateral as a condition of employment.
- If workers reside in employer-provided housing, there must be a plan for management of safe housing and accommodation, including that it is structurally sound and in good repair.
- McDonald's and our franchisees/ DLs apply these standards to themselves and to third parties recruiting and/or managing labour on their behalf. We make our Responsible and

Ethical Recruitment Principles available to other third-party contractors to educate them on our responsible recruitment standards and encourage them to develop similar policies and procedures for their own business operations.

In line with the UN Guiding Principles, McDonald's Corporation undertakes risk-based due diligence to identify, address and mitigate adverse impacts. Wherever practical, McDonald's hires workers directly. Where this is not possible, McDonald's will aim to select agencies that operate responsibly and abide by the same Responsible and Ethical Recruitment Principles outlined here. Furthermore, McDonald's intends to adopt practices and procedures to address hidden recruitment fees so that such fees are not paid by migrant workers, and that migrant workers are hired in accordance with Responsible and Ethical Recruitment Principles.

McDonald's intends to provide Franchisees and International Developmental Licensees with optional tools and resources that they may use to support their own good practices.

Human Rights

In 2018, McDonald's Corporation published a global Human Rights Policy, which reinforces McDonald's commitment to respect and promote human rights. The Policy was developed with input from expert third parties and is guided by the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the principles set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Where McDonald's may impact the human rights of particularly vulnerable groups, we are also guided by other international standards that elaborate on their rights. This Policy applies to McDonald's Corporation and its majority-owned subsidiaries around the world. McDonald's Chief Global Impact Officer, in partnership with the Chief People Officer, is ultimately responsible for our corporate human rights efforts, while the Public Policy & Strategy Committee of the Board of Directors also has oversight of human capital management matters affecting the Company.

The cross-functional McDonald's Human Rights Working Group was formed to work toward commitments made in our global Human Rights Policy and met throughout 2022 to coordinate learning activities and to enhance our human rights strategic planning and implementation.

A commitment to respect human rights is also set out in McDonald's Standards of Business Conduct, which apply to all employees of the Company. We strive to foster safe, inclusive, and respectful workplaces wherever we do business and respect the fundamental rights of McDonald's employees. McDonald's staff are trained annually on the Standards of Business Conduct and are required to certify their understanding of and commitment to upholding the Standards.

Employees may raise human rights issues, or report potential or actual human rights issues through a number of reporting channels, including contacting Human Resources or the Global Compliance Office. Reports received by the Global Compliance Office of alleged violations of the Standards of Business Conduct or other McDonald's policies by McDonald's employees are reviewed and addressed as appropriate.

We continue to work with external stakeholders to actively review our approach and global policies related to protecting human rights, to give greater transparency and clarity on our commitments and ensure they remain aligned with internationally recognised standards.

Assessing and Mitigating Risk in our Supply Chain

Supplier Code of Conduct & Supply Workplace Accountability Programme

The Supplier Code of Conduct ("**Code**") applies to McDonald's suppliers globally. It sets out our expectations for suppliers on critical topics including human rights, workplace environment, business integrity and environmental management. We expect supplier self-managed excellence in these four areas through the implementation of their own management systems.

McDonald's provides a Supplier Workplace Standards and Guidance Document to assist suppliers in meeting the standards. McDonald's launched the first Supplier Code of Conduct in 1993 and has evolved and strengthened it over time to reflect updated international human rights standards, consultations with external experts, a human rights gap analysis, and dialogue with suppliers.

We have supply chain standards that address:

- Nondiscrimination
- Maximum working hours
- Underage labour
- Freedom of association and the right to collective bargaining
- Corporal punishment/disciplinary practices
- Safe working conditions
- Forced labour

McDonald's expects all suppliers to meet the standards, and ensure that their facilities meet the standards, and promote the principles outlined in the Code. We also expect our suppliers to hold their own supply chain, including subcontractors and third-party labour agencies, to the same standards contained in the Supplier Code of Conduct. Fundamental to the Code is the expectation of ethical employment practices by suppliers and their supply chain, including subcontractors and third-party labour agencies. The Code prohibits any form of slave, forced, bonded, indentured or involuntary prison labour. Suppliers and third-party labour agencies are prohibited from retaining employees' government-issued identification, passports or work permits as a condition of employment.

The Supplier Code of Conduct is the cornerstone of the global Supplier Workplace Accountability ("**SWA**") programme, which aims to help suppliers understand McDonald's expectations, verify compliance with our expectations and work toward continuous improvement. As of the end of 2022, we had over 4,600 facilities participating in the SWA programme. The programme audits

many different types of facilities and products, such as food, packaging, uniforms and Happy Meal Toys.

The SWA programme is built on a model of continuous improvement and education. It includes guidance to suppliers on complying with our standards, including our expectation that our suppliers hold their own supply chains to the same high standards. We provide suppliers with training to understand the SWA requirements and how to comply with our standards. Suppliers can also choose to undergo online training to understand the expectations of SWA. Suppliers are required to complete a rigorous self-assessment questionnaire that appraises the supplier's current practices and management systems. After completing the self-assessment questionnaire, suppliers receive a report indicating areas of opportunity.

The SWA programme also includes on-site announced and unannounced audits conducted by third-party auditing firms to assess compliance with the Code. McDonald's works with third-party auditing firms that have expert knowledge, local insight and an understanding of local languages and cultures. On-site audits are physical inspections of the facility and include visits to housing and cafeterias for workers. Auditors also conduct private worker interviews and review facility records and business practices to assess compliance with the Code.

Modern slavery risks are addressed specifically as part of the audit, including a review of ethical recruitment practices to verify that workers are employed under voluntary conditions and have freedom of movement. This includes verification that workers are not charged illegal fees as a condition of employment; worker contracts are in local language and signed by the worker; and that suppliers do not retain workers' government-issued identification, passports or work permits.

Understanding and managing risk

Our human rights due diligence is incorporated into our Supplier Workplace Accountability programme. In addition to the audits described above, McDonald's assesses the potential human rights risks of our supply chains, including modern slavery risks, using desk-based research, supply chain mapping, and stakeholder engagement.

One key indicator of risk is the country of origin from which products or raw materials are sourced for the McDonald's system. Country-level human rights risk analyses are used to help inform the audit cycles for suppliers. Facilities situated in countries that are considered to be at high risk require more regular on-site audits, regardless of the outcome of previous audits.

Additionally, in 2018 McDonald's engaged an external provider to conduct a human rights impact assessment ("**HRIA**") at the farm-level. The assessment enabled us to identify that, of the commodities we source, palm oil, tea, coffee and timber present the greatest risk of exposure to human rights concerns, with occupational health and safety, migrant workers, and decent working time identified as the highest risk areas. In addition to the farm-level commodity assessment, the HRIA also included a stakeholder consultation with key non-governmental organisations to understand how industry experts view the human rights risks associated with the production of the various commodities, as well as their observations on how the risks can best be mitigated.

The HRIA findings, and the corresponding recommendations, help us strengthen human rights management frameworks to better identify, assess, prevent, mitigate and remediate salient human rights issues. For example, as we update our sustainable sourcing policies for specific commodities, we consider these recommendations in informing our human rights due diligence requirements for suppliers. We also use the HRIA findings to raise awareness of human rights risks among our supply chain staff who procure products for the McDonald's system and have taken steps to strengthen risk management procedures and improvement plans.

By identifying the most salient human rights issues within these supply chains, we aim to strengthen our risk management procedures, develop appropriate improvement plans, and increase awareness of these issues within our business. In the spirit of ongoing collaboration, McDonald's also shared the information from the HRIA with other brands that purchase similar commodities, and we are exploring further ways to work with the wider industry.

We want to ensure that our sustainable sourcing programmes drive lasting, meaningful outcomes on critical issues for people, animals, the environment and our business. McDonald's approaches sustainable sourcing through the lens of the three "**E"s — ethical practices, environmental sustainability and long-term economic viability** — and we've identified seven priority impact areas to support them. Although our long-term goal is to source all of our food and packaging sustainability, we have focused on six priority products (beef, chicken (soy in feed), coffee, fibre/packaging, fish and seafood, and palm oil) that were identified through independent analysis by the World Wildlife Fund as the products that carry the greatest sustainability impacts and where we have the most potential to create positive change. Part of our sustainable sourcing for these six priority products requires our suppliers to purchase sustainably certified products where such certifications exist. As part of the certification process, several of the certification bodies audit for social compliance at the farm-level.

Effective action

Since the SWA programme began, McDonald's has provided optional training for suppliers and engaged with thousands of suppliers and facilities. Over time, suppliers have taken on increased ownership over compliance processes — there are nine supplier-led compliance and reporting programmes — and we have been pleased to see an improvement in compliance overall.

Where non-compliance is identified through an on-site audit, suppliers work with a third-party audit firm to complete a corrective and preventative action plan to address the non-compliance. The plan must provide specific time frames within which corrective action will be taken, root causes analysed, and policies and procedures updated. In addition, the plan must be designed to avoid recurrence of the non-compliance and establish specific accountability. In instances of significant non-compliance, suppliers are subject to a follow-up audit to ensure that the non-compliances have been properly addressed.

The SWA programme is designed to support suppliers in meeting our standards. However, there are circumstances under which McDonald's will remove a supplier from the supply chain to address instances of significant non-compliance with the Supplier Code of Conduct.

In addition to training, auditing, and other aspects of the SWA programme, McDonald's requires that suppliers implement their own internal reporting mechanisms to ensure their employees have a confidential, safe, and timely way to report workplace concerns without the fear of retaliation.

The Code stipulates that suppliers must create internal grievance mechanisms and programmes for handling reports of workplace grievances, including anonymous reports. The Supplier Guidance Document provides a step-by-step best practice process to help suppliers establish an effective grievance mechanism, guided by the UN Guiding Principles on Business and Human Rights.

In addition, McDonald's Business Integrity Line and an email address are open to third parties, including suppliers and their employees, to raise concerns with breaches of the Code.

Training on modern slavery and human rights

To help employees understand human rights, we made training for staff on the Human Rights Policy available in 2019. Available in 15 languages, the training has a section on forced labour that identifies particularly vulnerable groups and outlines McDonald's commitments surrounding ethical recruitment. McDonald's UK employees are also trained regularly on the Standards of Business Conduct and are required to annually certify their understanding of and commitment to upholding the Standards. McDonald's Corporation's senior leadership has also received in-person training in partnership with an external human rights consultancy.

Given their important role in working with suppliers, McDonald's UK supply chain procurement employees undergo in-person and webinar trainings on supporting suppliers in meeting their expectations under the Supplier Code of Conduct and SWA programme. In 2020, McDonald's developed two new online training modules for procurement employees to enhance their understanding of human rights issues in global supply chains. Global training modules focused on: Health and Safety, Involuntary Labour (including recruitment and fee reimbursement) and Underage Labour.

For suppliers, the global SWA programme includes an online training platform where they can access materials that provide guidance on preventing modern slavery. Training modules include: Ensuring Eligibility to Work, Protecting the Rights of Migrant Labour, and Implementing Grievance Mechanisms. For example, the Migrant Labour training aims to educate suppliers on the risks related to modern slavery when sourcing migrant labour and some key actions they can take to ensure they are protecting the rights of migrant workers in their facilities.

Additionally, McDonald's Supplier Workplace Standards and Guidance Document ("**SWSGD**") is shared with all suppliers and provides detailed guidance on each aspect of the Code and how suppliers and their supply chains can meet our expectations. For example, the SWSGD clearly explains that all suppliers should:

- ensure their hiring process, and that of their recruitment agencies, provide people employment under voluntary terms;
- maintain legally accepted age verification records to demonstrate all workers are of legal working age when they started work;
- respect employees' rights to associate, or not, with any group of their choice, as permitted by law, without fear of reprisal, intimidation or harassment; and
- respect the rights of people to bargain collectively where such rights are established by law or contract.

In 2021, McDonald's updated the SWSGD and hosted training sessions on the updated standards. These reached more than 4,000 suppliers and McDonald's staff and featured interviews with external experts.

Since the launch of the SWA programme, McDonald's has engaged with thousands of suppliers and facilities to ensure respect for human rights. We are proud that our suppliers take their commitments seriously and, in some cases, have their own equally robust compliance and reporting programmes that have been evaluated and approved as equivalent to McDonald's SWA programme. We have seen an improvement in compliance overall since the SWA programme began and, as of the end of 2022, more than 4,600 facilities are actively participating in the programme.

McDonald's also offers optional live training sessions for suppliers with external human rights and supply chain experts. The company has partnered with other brands and external consultancies across the industry to develop and train suppliers. For instance, McDonald's teamed up with other AIM-PROGRESS brands to train suppliers on the importance of responsible sourcing. Through this coalition, suppliers around the world received training on critical human rights issues, including:

- training on responsible recruitment for suppliers in the Middle East in 2022;
- training on forced and child labour, wages and working hours, and health and safety for suppliers in Brazil in 2019;
- sessions on health and safety, forced labour, working hours and social insurance for Chinese suppliers in 2018; and
- training suppliers in Malaysia on forced labour, grievance mechanisms, and managing migrant labour in 2017.

Partnering to improve standards and identify emerging issues

McDonald's is committed to engaging with stakeholders to continue to advance our approach to human rights.

McDonald's Corporation engages with stakeholders in our system in a variety of ways. For example, within our Company, McDonald's employees provide feedback through multiple reporting mechanisms, including via people managers, human resources and through

participation in surveys. Within our supply chain, external monitoring firms conduct on-site audits of supplier facilities through the SWA programme (including on-site interviews); and, at farm, through the McCafé® Sustainability Improvement Platform ("**SIP**"), through which we collaborate with coffee producers to design and implement programmes and deliver optional tools and resources that aim to address needs specific to farming communities and improve the performance of the farms. The McCafé SIP programme also includes needs assessments at the farm-level.

McDonald's Corporation seeks feedback from human rights experts and advocates. In 2019, McDonald's convened a multi-stakeholder roundtable of human rights experts and advocates on the sidelines of the UN Forum on Business and Human Rights. The group included stakeholders from civil society, academia, the public sector, peer companies and international organisations. The group received an update on McDonald's supply chain human rights activities and provided feedback and advice on how to advance the SWA programme.

We believe that real, systemic change throughout the supply chain requires partnership with industry. We recently joined two multi-sectoral initiatives that focus on human rights and forced labour prevention: the Leadership Group for Responsible Recruitment and the Centre for Sport and Human Rights. McDonald's has also been a member of the ICTI Care Programme for Happy Meals toys since 2016, bringing together industry partners to support a sustainable supply chain for the toy and entertainment industry. To ensure our supplier programme addresses emerging human rights issues and risks, we also participate in initiatives such as AIM-PROGRESS, a business initiative focused on responsible sourcing, and Business for Social Responsibility's Human Rights Working Group, which supports implementation of the UN Guiding Principles on Business and Human Rights in a shared-learning forum of more than 40 companies.

Looking forward

We know that there is no single solution to the challenges of modern slavery and human trafficking, and we must therefore continue to learn and understand the associated risks and warning signs. By working across all elements of our business and supply chain, we can continue to build our knowledge of these issues and take steps to improve our collective awareness. We will engage these different elements of our organisation, as well as expert third parties, to identify areas for improvement.

Statement approval

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31 December 2022. The Board of McDonald's Restaurants Limited approved this statement on 28 June 2023.

Alistair Macrow

Chief Executive Officer, McDonald's UK