



Alistair Macrow
Chief Executive Officer,
UK & Ireland

Darren Jones MP
Chair, Business & Trade Select Committee
House of Commons
London
SW1A 0AA

11 August 2023

Letter sent by email

Dear Mr Jones,

Thank you for your letter dated 20 July 2023 in relation to the culture and working conditions at McDonald's franchises in the UK. In this letter I explain actions relating to McDonald's Restaurants Ltd (MRL) which is the franchisor entity. I also explain actions relating to the 192 franchisees who own and operate 89% of the McDonald's restaurants in the UK & Ireland. This includes 29 restaurants in the UK that operate under a developmental licensee agreement with Roadchef. The remaining 11% of restaurants are run by MRL.

The disturbing allegations that have been reported recently are personally and professionally shocking. It has been devastating to hear from people who describe conduct and behaviours of employees within MRL and/or employees of our franchisees that fall far, far below McDonald's values and standards. I commend the bravery of all those who have come forward and I would like to repeat my sincere and unreserved apology to all who have shared their story.

I have made the investigation and resolution of their experiences my personal priority. I will ensure that any allegations will be fully investigated, and all proven breaches of our standards will be met with the most severe measures we can legally impose, up to and including dismissal – that is my personal commitment.

To help us achieve that, on Friday 21 July, I announced and shared with you three areas of immediate action for enforcing our zero-tolerance approach to harassment, abuse, and discrimination. This work has evolved, and my Executive Team and I are committed to delivering on this plan as quickly as possible working together with our franchisees and external investigators. To update you on the progress since my last correspondence:

1. Establishing a new Investigation Handling Unit

Additional people have been appointed to bolster our investigation process and support the increased number of allegations, many of which are historic cases. Three additional external law firms have also been appointed to lead and conduct independent investigations of cases coming through the Investigation Handling Unit that relate to franchisee employees. External counsel will also be utilised for all highly sensitive investigations relating to MRL employees.

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2. Independently evaluating our safeguarding policies and protocols

We will appoint an external consultancy imminently to review our existing processes and policies, audit their implementation and interview our people and, franchisees, on where we can improve. We will consider all recommendations in full and will work quickly to implement improvements that will help us enforce our zero-tolerance approach.

3. Ensuring everyone has the confidence to Speak Up

Following on from the review of our processes and culture, we have included a specific and dedicated workstream assessing our Speak Up channels. Crew members will have the opportunity to feed into this process to ensure that everybody at McDonald's trusts that they will be heard, and that action will be taken if they have concerns of any kind.

Earlier this year we signed a legal agreement with the Equalities & Human Rights Commission (EHRC) where we committed to undertaking several actions including enhancing policies and procedures, delivering new anti-harassment training, and monitoring progress towards a safe, respectful, and inclusive working environment. We have been making good progress on these commitments but, considering recent allegations, are keen to accelerate this work to help enforce our zero-tolerance approach.

In response to the four specific questions that you raised, I hope the below information provides some reassurance about the standards we set and expect of all franchisees.

1) What provisions McDonald's has within its franchise agreements relating to compliance with UK labour laws?

Franchise agreements

- 1.1. Franchises are independently owned businesses and are their own legal entity. All staff employed within a franchise organisation are employed by the franchisee and/or their company. Our franchise agreements require franchisees to comply at their own expense with all legislation, byelaws, and regulations and orders of competent authorities applicable to or affecting their restaurant(s) or its operation.
- 1.2. More broadly, franchisees are held to account through our National Franchising Standards. As part of those National Franchising Standards, all franchisees are required to adhere to our Global Brand Standards.
- 1.3. Under the conventional franchise agreement, franchisees are under contractual obligations to:
 - i. Comply with all applicable laws & regulations. This includes all employment and health & safety laws.
 - ii. Comply with all standards set by the McDonald's System which includes both our National Franchising Standards and our Global Brand Standards.
- 1.4. As the franchisor, McDonald's Restaurants Ltd retains the right to take enforcement and/or termination action in situations where the franchisee fails to comply with the standards prescribed by McDonald's or engages in conduct which reflects materially and unfavourably on the reputation of McDonald's.



National Franchising Standards

1.5. Our National Franchising Standards are used to assess the performance of a franchisee and their compliance with our expectations as their franchisor. There are five core elements to the National Franchising Standards in the UK, against which each franchisee is assessed:

- Operations
- Finance and Investment
- People Culture
- Customer Satisfaction
- Franchisee Involvement

1.6. Every franchisee is assessed as having a positive People Culture if they meet the following definition: *"Each restaurant creates and promotes a diverse workplace culture where all employees feel valued, respected, and supported. The franchisee is recognised as a good employer, by having a progressive and effective people strategy that supports recruitment, development, and retention of engaged employees to operate and grow the McDonald's business whilst complying with employment law."*

Global Brand Standards

1.7. All company-owned and franchised restaurants are also expected to follow our Global Brand Standards. The Global Brand Standards prioritise actions in four people related areas:

- **Prevention of harassment, discrimination, and retaliation:** procedures in place for reporting claims of harassment, as well as policy and training established to prevent harassment and discrimination.
- **Prevention of workplace violence:** procedures in place for incident reporting, as well as policy and training established to mitigate the risk of violence in the workplace.
- **Restaurant employee feedback:** at least one crew and manager survey completed each year in each restaurant, with an accompanying action plan. In the UK the McDonald's system exceeds this requirement and carries out four surveys per year.
- **Health and safety:** annual health and safety audits with action plans to reinforce a culture of safety.

2. What monitoring and enforcement action McDonald's takes to ensure that franchisees are working in compliance with any such requirements?

2.1. To monitor and support franchisees in complying with our standards we have several procedures and teams in place including:

- **Business Reviews:** carried out with each franchisee on an annual or bi-annual basis.
- **Operations Performance & Customer Excellence (PACE) process:** an "always on" consulting platform that identifies people management as one of three core areas to be assessed.
- **A network of Franchisee Consultants:** a team of around 50 McDonald's consultants that are based across the UK and support franchisees in an ongoing basis to run successful operations and evaluate performance against our standards.

- 2.2. McDonald's Restaurants Ltd retains the right to take enforcement action (up to and including termination) due to non-compliance or should a franchisee engage in conduct which reflects materially and unfavourably on the reputation of McDonald's.

Business Reviews

- 2.3. Business Reviews assess franchisees against the National Franchising Standards to reinforce McDonald's values and protect the brand and our standards.
- 2.4. They form the basis on which franchisees receive guidance and support to help them deliver continuous improvement. They are also how franchisees are judged as to whether they can expand their business and/or be offered new franchisee terms. Business Reviews are conducted with every franchisee every 12 to 24 months.

Operations Performance and Customer Excellence (PACE) process

- 2.5. PACE is an operations platform that provides an 'always-on' assessment of both our franchised and company owned restaurants to assess how guidance, including on people practices, is being followed. It is focused on: i) Putting People First ii) Food Safety iii) Operations.
- 2.6. 'Putting People First' includes assessing a franchisee's people practices, health & safety measures and wellness.
- 2.7. There are times when franchisees or restaurants may be considered to not have fully complied with our standards. As a responsible franchisor, we will always try at first to work with franchisees to help them improve and identify what, if any, additional support is required.
- 2.8. Where improvements are needed, franchisees are required to develop the right action steps for improvement, with guidance from their Franchisee Consultant. Any serious issues must be rectified immediately. We set a clear expectation that actions are put in place from that point to ensure our standards are met. Depending on the severity of the issue, these must be corrected within 30 to 90 days with progress followed-up on and assessed by our Franchisee Consultants.

Supporting & evaluating franchisees through a network of Directors of Franchising and Franchisee Consultants

- 2.9. All franchisees are supported by a network of Directors of Franchising and Franchisee Consultants. We currently have a team of around 50 McDonald's consultants supporting on average four franchisees each. It is their role to support franchisees on an ongoing basis to run successful operations.
- 2.10. Through delivering the Business Review process and their ongoing dialogue with franchisees, they help protect the McDonald's brand by supporting franchisees to operate in accordance with our expectations. They will challenge their franchisees to help drive business performance in all areas, including supporting franchisees with their efforts to ensure that their People Strategy meets the needs of their business and their people. This includes consideration of how franchisees are working to ensure their employees feel valued, respected, and supported.
- 2.11. In addition to the Business Review process, they engage regularly with franchisees – typically two to three check-ins a month, in person and over the phone – and are providing continuous insight and analysis. They complete routine announced and unannounced visits to franchisee restaurants and support the sharing of people strategy best practice between franchisees.



2.12. It is critical that a franchisee is always aware of their consultant's view as to whether the National Franchising Standards are being met.

3. What complaints processes are in place for any McDonald's employee in the UK to raise complaints with McDonald's UK?

Reporting and tracking procedures to-date

3.1. It is evident that some employees of McDonald's-owned and franchise-owned restaurants have not had confidence in our complaints processes. I am absolutely determined to understand why and am committed to making any necessary improvements to our processes. We will appoint an external consultancy imminently to review our existing processes and policies, audit their implementation and interview our people and, franchisees, on where we can improve.

3.2. Our existing processes include several ways that an individual can report an incident or raise a concern. This includes:

- **Reporting concerns directly to the Restaurant Management Team**
This would include an individual speaking to the Business Manager, People Manager, or another member of a restaurant's management team.
- **Visiting our People Services Portal**
An online tool available to all employees
- **Calling the UK People Services Help Desk directly**
A dedicated team of people that are available to speak with any individual and will support and guide them through the complaints process.
- **Using the Anonymous Reporting Form**
A vital whistleblowing option for any individual that wishes to raise a concern. All complaints through this form will go directly to our subject matter experts within McDonald's Restaurants Ltd. Access to the Anonymous Reporting Form is available to all employees via our online internal channel, and via QR codes on Anti-Harassment posters displayed in all crew bathrooms across all restaurants.
- **Calling the Global Business Integrity Line**
Reporting directly to the McDonald's Global Compliance Office. It is a confidential, third-party managed helpline run by a team of call handlers to assess and report any instances of wrongdoing within the McDonald's system (franchised or otherwise) The helpline is staffed 24/7. Details of the Business Integrity Line are shared via internal communications channels with crew members through Workplace (from Meta) and/or through posters displayed in restaurant crew areas.

3.3. When a case of sexual assault or sexual harassment is reported to McDonald's Restaurants Ltd, we will ensure, by any and all means, that the person raising the concern is encouraged to report the incident to the police. This approach is also applied when people use these reporting channels to report incidents that occurred outside of work. Similarly, if a situation was to take place within a McDonald's premises, we expect the police and all relevant authorities to be informed.

- 3.4. Our 'handling serious and sensitive cases' guidance is designed to provide any member of a restaurant management team an understanding of the correct questions to ask. This is to ensure that both parties (both the victim and the person receiving the information) are treated appropriately and the issue is handled with the sensitivity it deserves. The training additionally provides guidance on police reporting. Training on this guidance has been delivered to all McDonald's consultants and franchisee consultants and the guidance document has been shared with all franchisees.

A new Investigation Handling Unit

- 3.5. To further strengthen our existing processes, we have moved quickly since recent allegations to establish a new Investigation Handling Unit (IHU). Previously, all contacts and complaints that were received by the McDonald's UK People Services Help Desk and overseen by HR specialists. With the establishment of the new unit, all complaints are now sent directly to the IHU by the UK People Services Help Desk. The IHU will review for further consideration and classification.
- 3.6. Following a review by the IHU Lead, each case is categorised based on the complexity of the complaint. All highly sensitive cases received from McDonald's Restaurants Ltd operated restaurants are now automatically referred to independent external counsel to investigate.
- 3.7. For complex cases at franchise restaurants, the franchisee is strongly advised to use one of the recommended external and independent law firms to complete the investigation. McDonald's Restaurants Ltd has provided all franchisees with a recommended list of independent law firms that meet our expected standards as their franchisor that they are strongly encouraged and advised to use.

4. How many enforcement actions there have been at McDonalds UK, and how many franchisees have lost their franchise as a consequence of breaches in UK labour law in the past five years?

- 4.1. McDonald's Restaurants Ltd retains the right to take enforcement action (up to and including termination) in situations where a franchisee fails to comply with the standards prescribed by McDonald's or engages in conduct which reflects materially and unfavourably on the reputation of McDonald's.
- 4.2. Over the last five years, there have been no instances where a franchisee has had their franchise agreement terminated due to a breach of UK labour law.
- 4.3. However, within the same timeframe, 33 franchisees have left the McDonald's system. 12 of those were classified as 'underperforming' and subsequently exited the system following our actions and processes. 6 of that 12 were classified as underperforming due to a failure to meet our people-related franchising standards.
- 4.4. As I have set out above, I am personally committed to ensuring all allegations are fully investigated, and all proven breaches of our standards will be met with the most severe measures we can legally impose, up to and including dismissal of individuals and termination of franchise agreements. We have now established new investigation processes and will take whatever action is necessary to deliver on our approach to zero-tolerance. I am fully aware the actions we have taken recently may result in further enforcement actions and/or terminations.



I would like to again commend the bravery of all those that have come forward and would encourage any current or former McDonald's employees and employees of franchisees to speak up. My Executive Team and I will be working closely with our franchisees to ensure that any individual that wishes to speak up in good faith, now or in future, should be confident that their complaint will be taken seriously, and there will not be any form of retaliation or victimisation. Those that come forward will be supporting our work to identify, address, and root out any behaviour or conduct that falls below the high standards of respect, safety, and inclusion we demand of everyone at McDonald's.

I hope that my response provides you and the committee with some reassurance about our determination and absolute commitment to address the very serious and disturbing allegations that have been raised.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Alistair Macrow', with a large, sweeping initial 'A'.

Alistair Macrow
Chief Executive, McDonald's UK & Ireland