



Rt Hon Liam Byrne MP
Chair, Business & Trade Select Committee
House of Commons
London
SW1A 0AA

8 February 2024

Letter sent by email

Dear Mr Byrne,

Thank you for your further letter dated 18 January 2024 requesting additional detail on our managed moves policy and our Franchise Agreement.

As I said at the committee hearing, the success of our business is underpinned by our people. They are the face of our brand for the millions of customers that choose to visit McDonald's each day. That is why I am so determined to identify and root out any behaviours that fall far below our standards and expectations. There is simply no place for anyone at McDonald's if they threaten our culture and/or put at risk the safe and respectful working environment that we and our franchisees work towards.

Managed Moves policy

McDonald's has a zero-tolerance approach to bullying, harassment, discrimination, and victimisation. Disciplinary action will be taken in all cases where a complaint is upheld. Critically, our expectation is that allegations of discrimination, sexual harassment, harassment, or victimisation which are upheld will lead to the most serious disciplinary sanctions available including dismissal where appropriate.

It is critically important for the legal employer (either McDonald's Restaurants Ltd or our franchisees) to investigate all complaints fully. The Advisory, Conciliation and Arbitration Service (Acas) Code of Practice on disciplinary and grievance procedures provides advice on handling such situations in the workplace and guides both MRL and our franchisees. McDonald's disciplinary and grievance procedures always reflect as a minimum the best practice recommended by Acas in its Code of Practice. The current Acas code has been in effect since 2015.

Our Managed Moves policy is now a core part of our commitment to zero-tolerance and is a core component of our agreement with the Equalities & Human Rights Commission (EHRC) signed in February 2023. Whilst MRL had introduced its own Managed Moves policy before this date, evolving and embedding it over time is one of the commitments we have made to the EHRC. Every franchisee or representatives from their organisation have had the opportunity to receive training on the policy. For those that have not yet received this training, we would expect them to have done so soon. They also all have access to a range of materials that supports them in understanding our expectations and are regularly reminded through our internal channels about the policies and standards we set.

Under our policy, if an employee is accused of misconduct that person should not be permitted to move to another restaurant. Our policy is designed to prevent people that have been accused from moving restaurants without addressing the issue and prevents them moving from one franchised organisation to another.

Where a move is necessary, the policy ensures that, **where an employee has been accused of misconduct**, including in relation to allegations of bullying, harassment, discrimination and victimisation, a move to another restaurant or department will only be permitted where there has been an investigation and the allegations have not been upheld, and the accused has asked to transfer to a different restaurant or department.



A complainant will only be moved to a different restaurant or department (regardless of whether their complaint is upheld or not) if they request a move.

Individuals accused of discrimination, sexual harassment, harassment, or victimisation will most commonly be suspended immediately, pending that investigation. That is our expectation. If, following a thorough investigation, an allegation is not upheld, then both we and our franchisees are conscious of the need to sensitively manage the situation for both the people involved and the teams that they work with. This is why the Managed Moves policy is so important. In some cases where allegations are not upheld, employees may no longer feel they can work together or will be concerned about how their reputation has been adversely affected. Therefore, separating people, and ensuring they do not work together (which may sometimes not be achievable by simply scheduling different shift patterns) by moving restaurants, is the best approach.

As I said to the committee, I recognise and accept that moving people was something that has occurred in some circumstances historically without clear guidance from ourselves as franchisor.

Following our agreement with the EHRC, commitments we have made to evolve and embed the policy will allow us to continue to build consistency across the McDonald's system with the support of our franchisees. It is now clear to both our franchisees and anybody that works in a McDonald's restaurant what the expectations are. As I say above, every franchisee or representatives from their organisation have had the opportunity to receive training on the policy and have access to a range of materials that supports them in understanding our expectations.

Today, as part of our wider governance and reviews of franchisees, we regularly check that a Managed Moves policy is being implemented in line with our standards and expectations. These checks include annual completion of a Putting People First Visit in every UK restaurant as part of our Operations PACE process. We have partnered with an independent third party, PWC, to conduct the visits this year.

Failure to demonstrate evidence of a policy being in place will result in a restaurant failing the whole visit, with immediate remedy required. This will be followed up within 30 days by McDonald's with the expectation that it has been rectified. Failure to comply within that timeframe would be a significant issue and result in a wider review led by our Franchising and Field Services teams.

As set out in my letter dated 11 August 2023, 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, and iii) Operations. 'Putting People First' includes assessing a franchisee's people practices, health & safety and wellness measures.

We do not retain the level of data requested on the Managed Moves policy. Nevertheless, further information in response to your questions is included in Appendix A.

Franchise Agreement, National Franchising Standards & Global Brand Standards.

The Franchise Agreement is a critical part of our relationship with our franchisees. However, it is important to recognise that the Franchise Agreement is one part of how we, as a franchisor, hold franchisees to account. Not only do franchisees have to comply with the Franchise Agreement, but they must also follow our National Franchising Standards and, as part of that, are required to adhere to our Global Brand Standards both of which in turn are an integral part of the standards and McDonald's System referred to in the Franchise Agreement. All three are critical in the successful operation of a McDonald's franchise and form the basis on which a franchisee is regularly assessed and judged as to whether they can expand their business and/or be offered new franchisee terms.



I have included in Appendix B the relevant clauses from the standard Franchise Agreement that pertain to our people practices and best demonstrate the legal responsibilities between franchisee and franchisor, building on the correspondence and information shared to-date.

By signing the Franchise Agreement, every franchisee (under clause 3) commits to comply with the entire McDonald's System, all legislation (clause 3.12) and all terms and conditions set out in the lease and any other agreements with respect to the restaurant and its operation (clause 3.13). This would include compliance with both the National Franchising Standards and Global Brand Standards. You will see at clause 17.1, 17.5 and 17.11 that non-compliance of the standards prescribed by the McDonald's System and/or by McDonald's as franchisor, engaging in conduct which reflects materially and unfavourably on the reputation of McDonald's and/or failure to strictly comply with any other provision of the Franchise Agreement are all grounds for termination of the Franchise Agreement.

We will always act where there is a clear breakdown of trust and are confident our processes identify franchisees that are underperforming against our expectations. As stated before, in the last five years, 12 franchisees have left the McDonald's system who were classified as 'underperforming' with six of those underperforming due to a failure to meet our people-related franchising standards.

Further information on the Franchise Agreement, National Franchising Standards and Global Brand Standards is included below.

On the Franchise Agreement specifically, this is an extensive, confidential, and commercially sensitive agreement. It is a mutually agreed legal contract which governs our commercial relationship with our 192 franchisees in the UK & Ireland, and for McDonald's globally, thousands of other businesses around the world. These trusted relationships are fundamental to our operation and the foundation upon which our performance is built. It is for these reasons we feel it appropriate to only share the clauses pertaining to the matters at hand (included in Appendix B).

Franchise Agreement

Under the conventional Franchise Agreement, franchisees are under contractual obligations to:

- Comply with all applicable laws & regulations. This includes all employment and health & safety laws.
- Comply with all standards set by the McDonald's System which includes both our National Franchising Standards and our Global Brand Standards.

National Franchising Standards

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

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."*

McDonald's network of Directors of Franchising and Franchisee Consultants are in ongoing dialogue with our franchisees. They complete routine announced and unannounced visits to franchisee restaurants and support the sharing of people strategy best practice between franchisees. It is critical that a



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

Business Reviews are also used to assess franchisees against the National Franchising Standards to reinforce McDonald's values and protect the brand and our standards. The reviews form the basis on which franchisees receive guidance and support to help them deliver continuous improvement and are how franchisees are judged as to whether they can expand their business and/or be offered new franchisee terms.

Global Brand Standards (incorporating our People Brand Standards)

These prioritise actions in four people related areas:

- **Prevention of harassment, discrimination, and retaliation:** policy and training established to prevent harassment and discrimination alongside procedures being in place for reporting claims of harassment.
- **Prevention of workplace violence:** policy and training established to mitigate the risk of violence in the workplace alongside procedures in place for incident reporting.
- **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.

As you will see from the clauses below within the Franchise Agreement, McDonald's Restaurants Ltd (as franchisor) 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.

Once again, I hope that my response provides you and the committee with the relevant information to better understand the legal responsibilities between franchisee and franchisor.

Yours sincerely,

Alistair Macrow
Chief Executive, McDonald's UK & Ireland



APPENDIX A: RESPONSE TO COMMITTEE QUESTIONS RELATING TO MANAGED MOVES POLICY

(a) When the practice of moving managers ended and what procedures were put in place in (i) corporate and (ii) franchised restaurants to prevent it from happening again.

Our Managed Moves policy is a core part of our commitment to zero-tolerance and a central component of our agreement with the Equalities & Human Rights Commission (EHRC) signed in February 2023.

Whilst MRL had introduced its own Managed Moves policy before this date, evolving and embedding it over time is one of the commitments we have made to the EHRC. Every franchisee or representatives from their organisation have had the opportunity to receive training on the policy. For those that have not yet received this training, we would expect them to have done so soon. They also all have access to a range of materials that supports them in understanding our expectations and are regularly reminded through our internal channels about the policies and standards we set.

(b) How many restaurant staff members facing ongoing disciplinary action were moved or relocated to other areas of the business during that period.

We do not hold any data that records whether people were moved or relocated while facing a disciplinary action for McDonald's Restaurants Limited (MRL) or for employees of franchisees. As I said to the committee, I recognise and accept that moving people was something that occurred in some circumstances historically without clear guidance from McDonald's Restaurants Ltd. That is something we have learnt from and have worked hard to address with the introduction of our current Managed Moves policy and with the support of the EHRC.

McDonald's has a zero-tolerance approach to bullying, harassment, discrimination, and victimisation. Disciplinary action will be taken in all cases where a complaint is upheld. Critically, our expectation is that allegations of discrimination, sexual harassment, harassment, or victimisation which are upheld will lead to dismissal. Individuals accused of discrimination, sexual harassment, harassment, or victimisation will most commonly be suspended immediately, pending that investigation. That is our expectation. For other disciplinary matters, a first written warning would remain active for six months, with a final written warning active for twelve months.

It is critically important for the legal employer (either McDonald's Restaurants Ltd or our franchisees) to investigate all complaints fully. The Advisory, Conciliation and Arbitration Service (Acas) Code of Practice on disciplinary and grievance procedures provides advice on handling such situations in the workplace and guides both MRL and our franchisees. McDonald's disciplinary and grievance procedures always reflect as a minimum the best practice recommended by Acas in its Code of Practice. The current Acas code has been in effect since 2015.

If, following a thorough investigation, an allegation is not upheld, then both we and our franchisees are conscious of the need to sensitively manage the situation for both the people involved and the teams that they work with. This is why the Managed Moves policy is so important. In some cases where allegations are not upheld, employees may no longer feel they can work together or will be concerned about how their reputation has been adversely affected. Therefore, separating people, and ensuring they do not work together (which may sometimes not be achievable by simply scheduling different shift patterns) by moving restaurants, is the best approach.



(c) How many restaurant staff members with past or present disciplinary actions relating to sexual harassment, victimisation and/or abuse against the protected characteristics of an individual remain in the business to date.

We do not have the data that provides a full response to this question.

However, what I can say is that since the Managed Moves policy was introduced, no crew or managers have been relocated in response to a disciplinary finding resulting from a sexual harassment complaint. As part of our commitment to the Equality and Human Rights Commission (EHRC), we assess all restaurants regularly on the execution and adoption of this policy. These checks include annual completion of a Putting People First Visit in every UK restaurant by a third party as part of our Operations PACE process. Failure to demonstrate evidence of the policy being in place will result in a restaurant failing the whole visit, with immediate remedy required. This will be followed up within 30 days by McDonald's with the expectation that it has been rectified. Failure to comply within that timeframe would be a significant issue and result in a wider review led by our Franchising and Field Services teams.

Our expectation is that allegations of discrimination, sexual harassment, harassment, or victimisation which are upheld will lead to dismissal.

(d) Whether McDonald's UK has retained data on the current location, role and status of any restaurant staff members who were previously moved, and if so, how many remain in employment at (i) corporate-owned and (ii) franchised restaurants.

We do not hold any data that records this information.

Today, our Managed Moves policy ensures that where an employee has been accused of misconduct, including in relation to allegations of bullying, harassment, discrimination and victimisation, a move to another restaurant or department will only be permitted where i) there has been an investigation and the allegations have not been upheld, and ii) the accused has asked to transfer to a different restaurant, or department.

A complainant will only be moved to a different restaurant or department (regardless of whether their complaint is upheld or not) if they request a move.



APPENDIX B: RELEVANT CLAUSES WITHIN FRANCHISE AGREEMENT

Below we share the relevant clauses from a standard Franchise Agreement that will help the committee to better understand the legal responsibilities between franchisee and franchisor regarding our people practices, building on the correspondence and information shared to-date.

Importantly, by signing the Franchise Agreement, every franchisee (under clause 3) commits to comply with the entire McDonald's System, all legislation (clause 3.12) and all terms and conditions set out in the lease and any other agreements with respect to the restaurant and its operation (clause 3.13). This would include compliance with both the National Franchising Standards and Global Brand Standards.

You will see at clause 17.1, 17.5 and 17.11 that non-compliance of the standards prescribed by the McDonald's System and/or by McDonald's as franchisor, engaging in conduct which reflects materially and unfavourably on the reputation of McDonald's and/or failure to strictly comply with any other provision of the Franchise Agreement are all grounds for termination of the Franchise Agreement.

...

McDonald's System: means a comprehensive restaurant system for the retailing of a limited menu of uniform and quality food and beverage products emphasising prompt and courteous service in clean, wholesome and attractive surroundings with strictly controlled standards and specifications and which (i) was developed by McDonald's and is operated and advertised by McDonald's through others, in the U.K., the U.S.A. and a number of other countries, (ii) includes, as integral characteristics proprietary rights in certain valuable trade names service marks and trademarks design and colour schemes for restaurant buildings signs equipment layouts formulae and specifications for food products methods of inventory and operation control bookkeeping and accounting and manuals concerning business practices and policies as such system may be modified or varied from time to time and so that the Franchisor's determination at any time as to whether any matter forms part thereof shall be conclusive

...

3. Compliance with Entire System and Other Obligations of The Franchisee

The Franchisee shall comply with the entire McDonald's System and each component and feature thereof from time to time and in particular, but without limitation, the Franchisee agrees:

3.12

To comply at his own expense with all legislation, byelaws, and regulations and orders of competent authorities applicable to or affecting the Restaurant or its operation.

3.13

To comply at all times and in all respects with all of the terms, conditions and stipulations set forth in the Lease and each other agreement from time to time with respect to the Restaurant and/or its operation between the Franchisee and the Franchisor or any other subsidiary of McDonald's or McDonald's.

3.14

To permit the Franchisor and its authorised agents to inspect the Restaurant and each part thereof and all records in relation thereto at all reasonable times whether with or without notice to verify the Franchisee's compliance with each of the terms of this Agreement.

...



17. Termination

The Franchisor shall be entitled without prejudice to any of its rights or remedies at law or in equity, to terminate this Agreement forthwith by notice in writing to the Franchisee, if:

17.3

Any event or circumstances shall occur or arise which constitutes, or with the passage of time giving of notice or other condition would constitute, a breach of the Lease on the part of the Franchisee or of any other agreement between the Franchisor (or McDonald's or any of its subsidiaries) and the Franchisee or entered into by the Franchisee with others in connection with the operation of the Restaurant.

17.5

The Franchisee shall fail to comply strictly in all respects, and in due time, with any of the other provisions in this Agreement on the part of the Franchisee to be observed and performed, which failure is capable of remedy and shall fail to remedy such failure to the satisfaction of the Franchisor within seven days of having been required in writing by the Franchisor to do so (or such longer period as the Franchisor may stipulate in writing);

17.6

The Franchisee causes suffers or permits a breach of any of the provisions of this Agreement which is not capable of remedy.

17.11

The Franchisee shall engage in conduct which reflects materially and unfavourably on the operation of the Restaurant, the reputation of the McDonald's System or the goodwill associated with trade or service marks of the McDonald's System.

17.12

The Franchisee shall fail to devote his full time and best efforts to the operation of the Restaurant.

...

18. Effect of Termination

18.1

Upon the termination of this Agreement for any reason, the Franchisor shall have an immediate right to operate the Restaurant itself or by its authorised agents in order to maintain continuous operation of the Restaurant, to provide for orderly change of management and disposition of personal property, and otherwise to protect the Franchisor's interest in the Restaurant.