

2022 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 grew the business to 31 restaurants across the West End and City of London, North, East and South London.

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

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 Governance Framework continues to 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.

OUR APPROACH

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

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 brand strategy.

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.

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:



Serve

We put our customers and employees first. 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.



Inclusion

We open our doors to everyone. 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.



Family

We get better together. The McDonald's business model, depicted by the "three-legged stool" of:

- owner/operators;
- suppliers; and
- company employees

is our foundation, and the balance of interests amongst these three groups is key.



Integrity

We do the right thing. Sound ethics is good business. At McDonald's we hold ourselves, and conduct our business, to high standards of fairness, honesty and integrity. We are individually accountable and collectively responsible.



Community

We are good neighbours. 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 the world and local communities a better place.

GROWTH PILLARS

As the consumer landscape shifts, we are using our competitive advantages to further strengthen our brand. As a franchisee, CAG will follow the McDonald's growth strategy and will:

Maximise Marketing

- Brand
- Affordability

As customers' expectations are constantly shifting, McDonald's can build equity in our brand and trust by clearly articulating what we stand to do in the world: feed and foster communities.

Through investment, actions and communications we will deliver on our purpose and mission and ignite our brand as a growth driver by taking a global, unified approach to building trust; creating a stronger connection to our customers to drive advocacy and continuing to offer great value and everyday affordability available to everyone.

Commit to the Core

- Burger
- Chicken
- Coffee

Our customers love our iconic food and our core customer favourites make up a significant proportion of our sales. With expected growth in lunch and dinner occasions, we will focus on our two largest categories: beef and chicken. We will leverage our familiar favourites and create new ones to make our menu even more craveable. At the same time, we will use coffee to boost morning visits and build a foundation for future growth.

Double Down on the 3Ds

- Digital
- Delivery
- Drive-Thru

Digital: We are building on our digital foundation by enhancing our digital platform to provide more personal, more convenient, and better experiences for our customers. We have introduced MyMcDonald's, a unified suite of compelling offerings that provide our customers multiple, complementary reasons to engage with us digitally, whether through mobile ordering, payments, delivery, rewards or deals.

Delivery: We aim to be the global leader in food delivery. We have a strong starting point and momentum in delivery and are prioritising key actions to continue growth, including integrating delivery into our Global Mobile App.

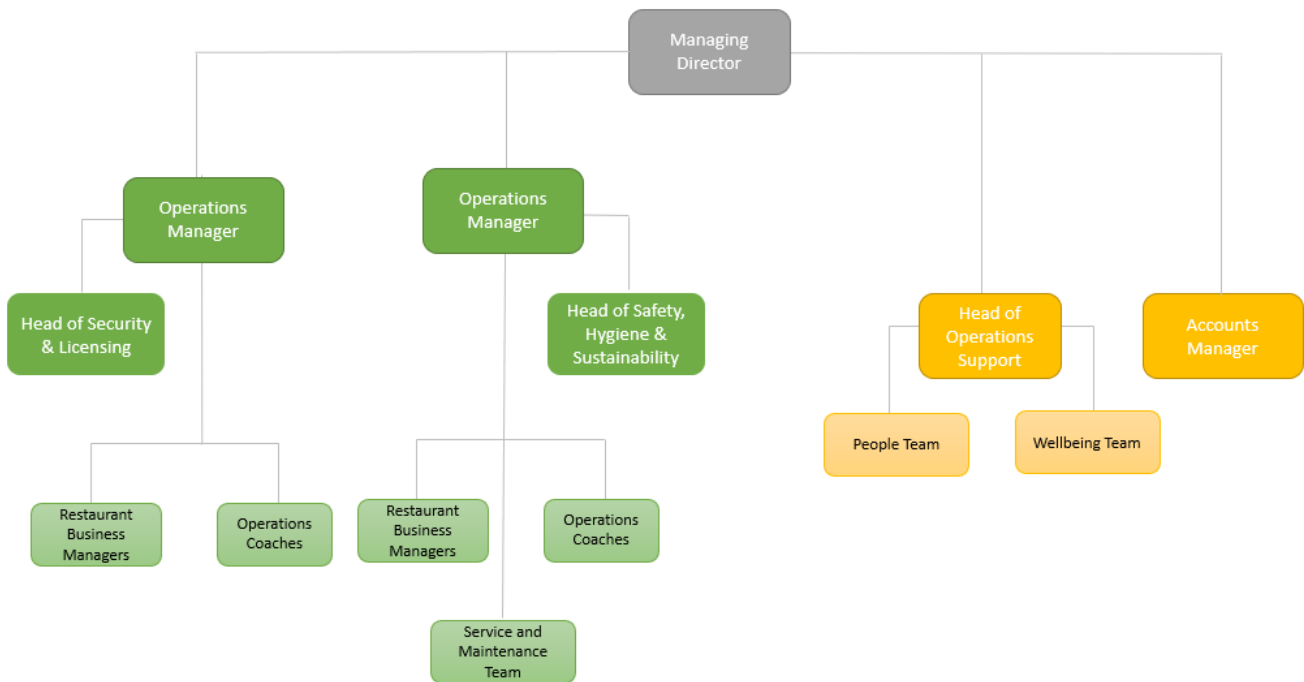
Drive Thru: We will define the future of drive thru, an area where we already have a significant advantage as nearly 65% of McDonald’s global restaurants have a drive thru and McDonald’s has drive thru locations in 981 restaurants in the UK. We plan to extend this leadership by continuing to make the customer experience even faster, testing new concepts and technology and having nearly all new UK restaurants fully drive-thru enabled.

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.

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 Samar Abi-Gerges.



THE BOARD

The Board is comprised of four directors:

- Claude Abi-Gerges - Managing Director
- John Park - Chairman
- Alison Gillham - 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 the restaurants. 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 2022 | The Board convened three times, twice formally with one extraordinary meeting.

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. Director appointments are made in accordance with the provisions of the Company's joint venture agreement.

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 an as required basis in order to mitigate any conflict. Directors also receive guidance on Governance Framework and Wates Principles, including training and development, as well as their duties as Directors on the Board.

The Board are not compensated for their services as directors.

In 2022

- Henry Trickey resigned as a director and board member in July 2022
- Alison Gillham was appointed as a director and board member in July 2022

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 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.
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 environment	To help our customers build communities, support charitable organisations and leverage our size, scope and resources to help make local communities and the environment a better place.	As part of the wider McDonald’s System as well as an individual organisation, CAG prioritises progress across 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 2022

Below we outline principal decisions made by the Board in 2022. 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.

Key Stakeholders	Principal Decisions	Impact on Business	Considerations	Outcomes and Actions
All groups	Launch of MyMcDonald's Rewards	Investment leading to revenue growth and profit for the business.	The principal decision is favourable for all groups as this will: <ul style="list-style-type: none"> • generate additional profit for stakeholders; • lead to an increase in rewards and benefits for customers; and • strengthen engagement with kiosks in store, drive-thru, front-counter and McDelivery. 	Launch of MyMcDonald's Rewards to customers
All groups	Continued decisions relating to environmental initiatives.	Implementing its overall strategic environmental plan.	Favourable for all groups as this will: <ul style="list-style-type: none"> • help our customers build better communities; • support charitable organisations; • leverage our size, scope and resources to help make the world and local communities a better place; and • strengthen the relationship with all stakeholders. 	See the measures put in place under section Sustainability and Communities.
Employees	Continued decisions relating to its people, diversity, equity and inclusion ("DEI").	Implementing its overall strategic DEI plan.	Favourable for employees as this will: <ul style="list-style-type: none"> • promote equality; • mitigate the risk of discrimination at work; and • promote an inclusive working environment for all. 	See the measures put in place under section Employees.

RISK MANAGEMENT STRUCTURE

At Capital Arches Group we seek to maintain our high standards set by McDonald's whilst balancing the risks and are committed to conducting business ethically and in compliance with the letter and spirit of the law. By carefully aligning our risk appetite to McDonald's strategy, we aim to deliver sustainable long-term shareholder returns.

Further, we strive to foster safe, inclusive and respectful workplaces wherever we do business whilst respecting the fundamental rights of McDonald's employees, which are: freedom from slavery and child labour; freedom to associate or not associate with any lawful group of their choice and to bargain collectively; equal opportunity for everyone; a safe and healthy workplace; and freedom from discrimination and harassment.

Understanding and managing risk

All the Company's activities involve the measurement, evaluation, acceptance and management of risk or combinations of risks.

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

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. 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.

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 necessary and only do so for legitimate administrative reasons, including for immigration checks.

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.

In 2022

Alongside McDonald's we fully introduced Operations Performance And Customer Excellence ("PACE"), a new Global operations improvement and consulting platform, replacing the restaurant operations improvement process, to greater support the Company's culture of operations and QSC excellence and to close the gap more quickly between top and bottom performing restaurants.

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

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, and finance, which it takes into account in its discussions and decision making.

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.

HOW WE MONITOR 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 2022

- Guest count increased by 48.4%% and sales increased by 44.5%
- Customer Feedback survey results improved by 5.1% vs 2021

HOW WE COMMUNICATE

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

- ✓ 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.

Customer Engagement

We acknowledge the importance of keeping our customers engaged with our business and 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

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.

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 operated 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.

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.

CAG also operates its own social media channel via Twitter to engage with our local customers.

In 2022 we also started to engage with customers and external stakeholders via social media pages on Facebook, Instagram and LinkedIn.

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. We invest time and resources communicating with our employees, designing programmes to educate and encourage the highest standards of conduct. This reflects our vision to run great restaurants, renowned for our food, employees 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.

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 surveys on a regular basis to allow everyone in the business to comment on how they feel about their role at the Company. Some of the specific surveys conducted include:

Love to Listen

For restaurant teams our Love to Listen surveys are completed on a quarterly basis, with all restaurant-based employees invited to take part.

The aim is to regularly establish sentiment, using core questions which align to McDonald's mission.

In 2022 the length of each of the survey waves has been brought back to two weeks and new questions have been added focusing on our safe, respectful, and inclusive working environment.

The Love to Listen OurLounge Poll

This gives all employees the opportunity to give regular feedback on how they're feeling. Questions are timed to correspond with events that are happening across the business and are bucketed into three main categories: Crew Experience, People Promise and Crew Engagement.

CAG 2022 Love to Listen

We continued to make use of the Love to Listen Surveys in 2022, providing our employees a platform to give feedback.

- 1,597 participants vs 915 in 2021
- Really happy or happy with their jobs +7% vs 2021

CAG Listening Sessions and HiG Chats

In 2022 we introduced HiG Chats across all our restaurants, in addition to the Listening Sessions which continue to take place. These meetings, held by our Wellbeing Leads, offer all employees an opportunity to join an online or face-to-face session and discuss any matters relating to their employment with us.

During the HiG chats, our team speaks to employees individually to gather their feedback about their role and their restaurant.

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 Programme, to ensure that our people get access to any additional support they may need.

Workplace

Workplace by Meta replaced Ourlounge as McDonald's primary employee engagement platform at the end of 2022. Its launch provided us with an exciting opportunity to transform the way we communicate with our people, introducing two-way engagement via a social feed that looks and feels familiar. This platform allows communication from McDonald's as well as CAG directly with our people to share news, exclusive content, prizes and giveaways; reward and recognise the fantastic work done by our teams; and capture employee sentiment through the use of live polls and surveys.

A Knowledge Library is also available, replacing information which was previously available and/or hosted through Ourlounge. Restaurants are able to manage their own groups, tailoring content to their individual needs and pulling content directly from central feeds to create a truly connected platform.

Each of our restaurants also has their own page on Workplace. Workplace also provide users with direct access to MYSTUFF, FRED and the Rewards Gateway.

In 2022

- All of our restaurants were provided with access to the Workplace platform.
- Levels of interaction and engagement continues to grow and we are currently exploring different avenues to expand our Workplace usage further.

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.

CAG People Team: We continue to develop our own internal communication methods including email updates and crew room posters for all our employees to read company news. We have also started to include these updates on our Workplace page.

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, recognition events and Christmas parties.

In 2022

- We held three different AGMs for the different levels of restaurant management
- Employee of the Quarter celebration meetings
- Service Awards Celebration Dinner for employees who marked 30 years+ service milestone
- Restaurants Team Outings over the summer
- CAG Sports and Fun Day for our employees and their families
- Employees Christmas Party
- Managers Christmas Dinner

Shareholder Engagement

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 Roadshows

In 2022

- There was one virtual franchisee engagement session.
- There were 3 Franchisee Executive Roadshows.

CAG Local Community Engagement

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.

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 and in 2022 continued to support and donate to the charity.

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 children who are in hospital with safe and clean accommodation near hospitals. In particular we support the Evelina RMHC house, near the Evelina London Children's Hospital.

CAG Community Fund

We continue to work with the Action Funder platform which allows businesses to launch a community fund to support various local projects. The platform allows charities and groups to apply for funding and businesses can then select which causes they would like to fund.

The CAG Community Fund has continued into 2022 with our employees being asked to vote for which projects they would like us to support.

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
- Clapham Junction BID

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 and being a member of the Oxford Street Occupier Steering Group.

In 2022

- CAG donated food and drinks to the West End Community Trust community events.
- We supported the Young Westminster Foundation Brighter Futures Fund which awarded 24 grants to youth organisations across Westminster.
- We provided support to Mousetrap, a charity that supports young people with disabilities or from disadvantaged backgrounds to have access to more opportunities through drama and theatre.
- We partnered with Westminster City Council to launch the Night Stars initiative in the West End.
- We continued to support the Mayor of London's Women Night Safety Charter (WNSC) and took part in the WNSC's summit.
- CAG raised over £261,000 for RMHC in 2022
- Through the CAG Community Fund on the Action Funder platform, in 2022 we provided financial assistance to two local projects: *Reducing food poverty in East London*, based in Hackney; and *Support into employment for the most disadvantaged in society*, based in the City of London.



Thank you