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# Report on McDonald's Corporation Civil Rights Audit

August 30, 2024

## I. Introduction

McDonald's Corporation, together with its subsidiaries ("McDonald's," or the "Company"), is the leading global foodservice retailer and one of the world's most recognizable brands. Founded in 1955 and headquartered in Chicago, Illinois, McDonald's franchises and operates over 42,000 restaurants around the world, including nearly 13,400 restaurants in the United States. Approximately 95% of McDonald's U.S. restaurants are franchised, rather than Company-owned, with over 2,000 franchisees operating nearly 12,800 restaurants in the United States. Altogether, McDonald's Company-owned and franchised restaurants serve more than 65 million customers daily around the globe.

In May 2022, during McDonald's annual stockholder meeting, an advisory shareholder proposal requesting a third-party audit of the civil rights impact of the Company's policies and practices received majority support. McDonald's engaged our law firm, Wilmer Cutler Pickering Hale and Dorr LLP ("WilmerHale"), to conduct the Civil Rights Audit.

McDonald's subsequently authorized WilmerHale to undertake a far-reaching audit that broadly assessed the Company's U.S. operations and civil rights impact in key areas:

**Internal Workforce.** The audit assessed the civil rights impact of McDonald's policies and practices on employees who work at corporate offices and in Company-owned restaurants in the United States, with particular focus on internal diversity, equity, and inclusion ("DEI") efforts; talent management; workplace policies and trainings; and the process for handling workplace misconduct investigations.

**Franchisees.** The audit assessed certain areas of civil rights impact on franchisees and their businesses, which comprise the vast majority of McDonald's U.S. restaurants, including the Company's practices for recruiting and selecting franchisee candidates; its efforts to promote safe, respectful, and inclusive workplaces in franchised restaurants; and its efforts to engage with and address the concerns of franchisees.

**Suppliers.** The audit assessed McDonald's civil rights impact on its suppliers, including the Company's business diversity efforts in the United States and its efforts to promote DEI practices among its suppliers.

**Community.** The audit assessed McDonald's approach to community impact and philanthropy in the United States, with a focus on efforts to promote equity and opportunity in the communities it serves.

For each area of review, we assessed McDonald's relevant policies, procedures, practices, and initiatives and also considered the governance, accountability structures, and resources in place to support the Company's efforts. We sought feedback from a wide range of internal and external stakeholders, including corporate and restaurant employees, franchisees,

suppliers, and external organizations. The Company met with the proponent of the shareholder proposal and other McDonald's investors to describe the planned scope of the audit and hear their perspectives on the audit.

As a consumer-focused company with broad national and global reach, McDonald's views promoting the principles of diversity, equity, inclusion, and opportunity as a business imperative, particularly given the very broad range of backgrounds of the millions of customers who enter a McDonald's restaurant every day and the hundreds of thousands of employees who work in those restaurants. As detailed in this Report, we found that McDonald's has dedicated significant resources to its varied and carefully designed initiatives, both within and beyond its System, resulting in meaningful progress on the Company's DEI priorities. McDonald's has developed exemplary policies and guidance for its workplace, designed innovative initiatives focused on franchisees and suppliers, and pursued a range of community-facing efforts—all of which have promoted inclusion and opportunity—while maintaining a strong focus on legal compliance.

We also identified recommendations for McDonald's to consider moving forward, including to prioritize managerial skills and accountability, continue its efforts related to franchisees and suppliers, and pursue additional engagement with external groups such as civil rights and community-based organizations. Many of these suggested enhancements build upon the positive steps the Company has already taken. We have discussed our recommendations with the Company and the Board of Directors, which conveyed that McDonald's remains committed to its efforts to represent the communities it serves and promote inclusion and opportunity, and will strongly consider our recommendations in the context of the Company's broader business strategy and priorities.

## **II. Methodology**

The Civil Rights Audit took place over the course of approximately 18 months. During that time, we conducted over a hundred interviews with McDonald's employees across the Company, including key members of the senior leadership team and employees familiar with relevant policies, practices, and initiatives. We also reviewed extensive written materials and data relevant to each of the areas under review and benchmarked certain practices and initiatives against peers. We coordinated with McDonald's Legal Department to make interview and document requests and received cooperation from the Company throughout the process.

### **A. Scope of Work**

Each area of our review included the scope of work described below.<sup>1</sup>

*Internal Workforce.* We interviewed a cross-section of stakeholders across the Company, including leaders and process owners responsible for overseeing McDonald's DEI efforts, talent management, policies and trainings, and investigations. We also spoke with leaders of most of

the Company’s employee resource groups, referred to as Employee Business Networks (“EBNs”). We reviewed documents related to the Company’s DEI ambition and strategic initiatives; talent management strategies and processes; pay equity and total rewards; results of employee surveys and related assessments and action plans; workforce policies and related training documents; and documents related to the Company’s recently revamped investigations function. To ensure that the audit was informed by the perspectives of McDonald’s employees, including those who work in Company-owned and operated (“McOpCo”) restaurants, WilmerHale partnered with a consultant, Perception Strategies (“Perception”), to solicit employee feedback. Perception conducted a climate and belonging survey of hundreds of employees who work in McOpCo restaurants and facilitated dozens of focus groups for corporate leaders and employees as well as managers and crew members in McOpCo restaurants. We also benchmarked the Company’s DEI resources, employee benefits, workplace policies, and investigations procedures against peer companies.

*Franchisees.* We interviewed members of McDonald’s U.S. franchising team, including those responsible for franchisee recruitment, selection, and engagement, as well as leaders of the Company’s U.S. field offices. We reviewed documents reflecting franchisee recruitment strategies and selection processes; franchisee-facing policies and optional resources, including with respect to McDonald’s standards for franchisee operations; aggregate results of franchisee employee surveys and related assessments; and materials related to the Company’s channels of engagement with franchisees. To ensure that the audit was informed by the perspectives of McDonald’s franchisees, Perception facilitated several focus groups with franchisees across a range of geographic locations and demographic groups. We also benchmarked McDonald’s efforts to address barriers to entry and create franchising opportunities against practices used by other franchisors.

*Suppliers.* We interviewed employees responsible for enterprise-wide business diversity efforts, employees responsible for procurement within several McDonald’s functions, and members of the Company’s U.S. marketing team, which works with the marketing agencies that are responsible for selecting partners for McDonald’s marketing campaigns. We reviewed documents reflecting McDonald’s business diversity efforts across the Company; the Supplier Code of Conduct and related supplier-facing guidance; and materials related to the Company’s Mutual Commitment to Diversity, Equity, and Inclusion program. We met with representatives of several McDonald’s suppliers, including diverse-owned and non-diverse-owned suppliers and members of the Black-Owned Supplier Association. We also met with several members of the Company’s Diverse Marketing Advisory Council, which advises McDonald’s on its marketing initiatives, including with respect to business diversity. We benchmarked McDonald’s business diversity strategies and efforts against those of peer companies.

*Community.* We interviewed members of McDonald’s Global Impact team, including those responsible for key community-facing initiatives in the United States, as well as employees responsible for engaging with McDonald’s external partners. We reviewed materials reflecting

McDonald's charitable giving and community-based initiatives, including materials related to its Chicago Community Impact Grants Program. We met with national and local civil rights organizations, advocacy groups, and chambers of commerce representing a range of constituencies, including the Black, Hispanic, Asian, and LGBTQ+ communities, women, and individuals with disabilities. As part of our external outreach, and to ensure that the audit was informed by a range of perspectives, we also met with academics who hold varying viewpoints on the role of DEI in organizations.

## **B. Audit Team**

The audit team was led by WilmerHale partners Ronald Machen, Debo P. Adegbile, Brenda Lee, Laura Schneider, and Tania Faransso. Mr. Machen is the Chair of WilmerHale's Litigation and Controversy Department; Mr. Adegbile is the Chair of the Anti-Discrimination Practice; Ms. Lee is the Vice Chair of the Anti-Discrimination Practice; Ms. Schneider is the Chair of the Labor and Employment Practice; and Ms. Faransso is a partner in the Anti-Discrimination Practice. The WilmerHale team has significant experience conducting civil rights and racial equity audits and other similar reviews for dozens of companies across a wide range of industries. As noted, Perception supported the WilmerHale team in assessing sentiment among corporate employees, McOpCo employees, and franchisees.

## **III. DEI Ambition and Governance**

In 2020, building on its previous efforts, McDonald's announced a global aspiration to use its scale and influence to accelerate meaningful societal change. The Company updated its global DEI ambition to focus on three key pillars, through which the Company aims to: (1) represent the diverse communities in which it operates; (2) accelerate cultures of inclusion and belonging; and (3) dismantle barriers to economic opportunity.

McDonald's believes that its global DEI ambition, including its efforts to provide inclusive opportunities across its System,<sup>2</sup> is true to its core values—Serve, Inclusion, Integrity, Community, and Family—and crucial to the long-term success of the business. That belief is supported by studies suggesting that companies with robust DEI efforts enjoy positive performance across a range of metrics, including with respect to talent attraction and retention, innovation, and brand recognition and reputation.<sup>3</sup> The Company has announced several aspirational goals and commitments, including with respect to its employees, franchisees, suppliers, and the broader community, in connection with its global DEI ambition.

McDonald's Global Leadership Team is responsible for driving progress on the Company's DEI priorities, under the oversight of McDonald's Board of Directors. To incentivize leaders to take ownership over the Company's DEI efforts, McDonald's has tied a portion of certain executives' annual bonuses to these efforts since 2021. As another means of holding itself accountable, the Company has reported on its progress since 2021, including representation figures with respect to its workforce, Board of Directors, and franchisees, as well

as data regarding its spend with diverse-owned suppliers. Consistent with McDonald's commitment to legal compliance, key stakeholders consult with the Legal team regarding the Company's DEI ambition and initiatives.

McDonald's internal infrastructure for executing its global DEI ambition has changed over time. When the ambition was first launched, a team of dedicated DEI professionals within the Company's Global People team oversaw bringing a strategy to life across the five key stakeholder groups (People, Franchisees, Communities, Customers, and Suppliers). Given the team's People-focused expertise, this approach led to significant progress on implementing workforce-related initiatives, and those efforts remain the most mature at the Company.

The Company recognized an opportunity to drive similar progress in areas where efforts were underway but more nascent. As a result, in 2023, McDonald's revised its DEI governance structure in two ways. First, it further embedded DEI-focused personnel within the five key stakeholder groups, thus enhancing the structural support for its commitments. Second, the Company established a Global DEI Center of Excellence within its Global Impact team, which is enterprise-wide, to facilitate collaboration and ensure alignment in approach. Now led by McDonald's Global Chief Diversity Officer, the Global DEI Center of Excellence is charged with providing strategic direction with respect to DEI efforts, overseeing a holistic communications strategy for those efforts, aligning those efforts across the Company's functions and markets, and promoting accountability through oversight and measurement of each function's efforts while ensuring equity, fairness, and compliance with the law.

Looking ahead, it will be critical to provide the Global DEI Center of Excellence with the resources it needs to execute its role, support efforts across McDonald's, and measure the impact of those efforts. Doing so will enable the Global DEI Center of Excellence to advise the Company on the effectiveness of its initiatives and how to improve them going forward, which will be key to sustaining McDonald's efforts and increasing its positive impact well into the future.

#### **IV. Internal Workforce**

McDonald's has over 150,000 employees worldwide (and approximately 55,000 in the United States), including corporate employees and those who work in McOpCo restaurants.<sup>4</sup> Central to the audit was evaluating the Company's efforts to foster a safe, respectful, and inclusive workplace and to have a workforce that represents the communities it serves. To assess the civil rights impact of McDonald's internal workforce strategies, goals, and initiatives, we reviewed the Company's internal DEI efforts, talent management processes and practices, workplace policies and trainings, and investigations function in the United States.

## A. Internal Workforce DEI Efforts

### Overview

McDonald's has been successful in promoting the principles of diversity, equity, and inclusion within its workforce. In connection with its global DEI aspirations, McDonald's established the following people-focused ambitions:

- **Represent:** To embed inclusion at each stage of the talent life cycle (recruitment, retention, rewards).
- **Accelerate:** To create a learning culture that builds inclusive competencies and deepens accountability and transparent communication.
- **Dismantle:** To provide enhanced support and resources and to remove potential barriers to employees' professional success.

The Global People DEI team has led the planning and implementation of the Company's initiatives to support these ambitions. These include developing aspirational goals to increase the representation of women and underrepresented groups in senior roles;<sup>5</sup> driving strategies in furtherance of these goals, including educating senior leaders on inclusive leadership skills; enhancing governance and support of EBNs; seeking and acting on employees' feedback regarding their experience at McDonald's; and enhancing disability inclusion efforts.

McDonald's has made substantial progress on its workforce-focused goals and initiatives. The Company will now need to adjust its approach so that it can continue to sustain its progress as DEI oversight moves outside of Global People to the Global DEI Center of Excellence. McDonald's is already focused on ways to continue its momentum, and we identified additional areas of opportunity, including by focusing on managerial development, disability inclusion for employees, and efforts to further support McOpCo employees.

### Findings

- **The Company has made admirable progress toward its representation goals for gender and underrepresented groups.**

McDonald's has long aspired to represent the diverse communities in which it operates. In 2020, McDonald's established aspirational goals to increase representation of women and underrepresented groups at senior leadership levels, striving to more closely align with the diversity that exists more broadly at the Company, both in its corporate workforce and at McOpCo restaurants. We found these aspirational goals to be thoughtfully developed, including the Company's assessment of both its historical representation data and external labor market data. We also found these goals to reflect an organization focused on driving meaningful, sustained change in a legally compliant manner. As the Company works toward these goals, it

has undertaken substantial efforts to expand the pipeline of candidates, support the development and retention of Company employees, and ensure selection processes that are inclusive and equitable.

As of the end of 2023, the Company had made progress toward its aspirational goals for women and underrepresented groups, as reflected in the figures below.

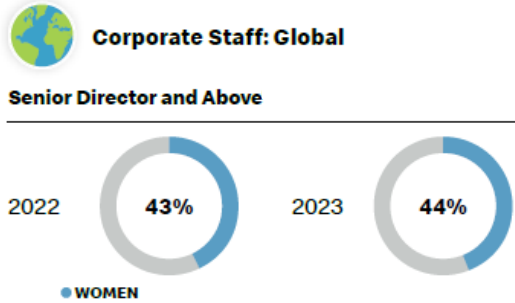


Figure 1: Corporate Staff (Global)<sup>6</sup>

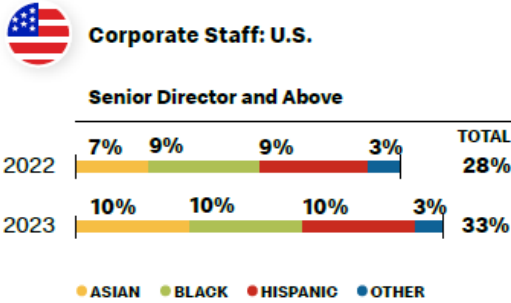


Figure 2: Corporate Staff (U.S.)<sup>7</sup>

➤ **The Company strives to have a diverse Board of Directors.**

We likewise found the Company’s aspiration to have a diverse Board of Directors to be thoughtfully developed. As noted in the Company’s Director Selection Process guidelines, McDonald’s endeavors to enhance the diversity of the prospective director pool, including with respect to gender, racial, and geographic diversity, to identify potential directors who could benefit the Board with a range of diverse experiences and perspectives. In selecting candidates for nomination to the Board, the Governance Committee looks at the entirety of a candidate’s experience and skills, so that the Board has an appropriate mix to advise on and implement the Company’s strategy. As of the end of 2023, 58% of directors were women or from underrepresented groups, up from 53% at the end of 2022.

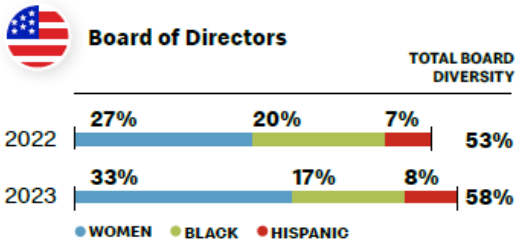


Figure 3: Board of Directors<sup>8</sup>

➤ **The Company has made significant investments in learning and development programming to foster an inclusive culture.**

McDonald’s has implemented numerous learning and development opportunities focused on inclusive leadership. We found the trainings and guidance available to employees to be



strong and consistent with best practices. For example, in 2022, the Company instituted an inclusive leadership training that is detailed and thorough in its interactive elements and sample materials. The Company has engaged in efforts to support and encourage all corporate employees at the Director level and above to complete this training. Also in 2022, McDonald's launched an internal Diversity and Inclusion Education page on its Intranet with on-demand courses and other learning resources. Those materials have been accessed by thousands of corporate employees around the world.

The Company also continues to make other optional inclusion-focused learning modules available, such as training on allyship, leading with empathy, building an inclusive environment, and bystander intervention. Some trainings are held for different audiences or specific functions or teams. The Company has also increased collaboration among the Global People DEI, Talent, Learning and Development, and Legal teams to integrate the concepts of inclusion and equity throughout the Company's curricula. For example, the Global People DEI team is assisting with refreshing McDonald's annual Safe and Respectful Workplace trainings, which are mandatory for all employees (both corporate and McOpCo).

➤ **McDonald's EBNs play an essential role in building community, advancing inclusion and belonging, and supporting career development and mentorship.**

McDonald's has nine voluntary, U.S.-based Employee Business Networks.<sup>9</sup> Every EBN is open to all employees, not just those who identify as members of the community of focus. McDonald's provides a variety of resources to EBNs and their leaders. This includes annual funding and support from the Global People DEI team. Based on our interviews, and consistent with the sentiment expressed in employee focus groups, the Company's EBNs are a strong source of employee support and mentorship. EBNs also provide programming to members and the broader McDonald's community.

Recently, McDonald's has worked to standardize EBN governance. Starting in 2022, the Company began taking a more active role in the management of EBNs. Among other changes, McDonald's has instituted a process to identify and approve EBN leaders, encouraged EBNs to establish a tiered management structure (a national leadership team and local chapter leads), and formalized the role of EBN executive sponsors, who are members of McDonald's U.S. and Global Leadership Teams.

The Company periodically solicits EBN feedback on business decisions or proposals to help advance inclusion and belonging efforts both internally and externally. This has included consulting with the Disability Inclusion Group on accessibility-related issues. Suggestions to improve the Company's systems, such as extending parental leave, allowing for flexible work arrangements, and revising attire policies, have surfaced through feedback from EBNs. Participants in employee focus groups noted that leading EBNs requires a substantial amount of time and energy, and this work is not consistently recognized by managers or leadership.

➤ **McDonald’s actively solicits feedback from employees and performs thorough analyses of the results.**

We found that the Company has a strong commitment to soliciting and assessing feedback from its corporate employees regarding their experiences in the workplace. McDonald’s receives employee feedback through a detailed annual survey, shorter “pulse” surveys, listening sessions with senior leaders, and feedback shared by EBNs.

McDonald’s annual survey of corporate employees yields a wealth of valuable information on the employee experience. The survey is developed by a cross-functional team and includes questions related to employee engagement and experience as well as questions assessing how employees perceive McDonald’s is performing against its core values (Serve, Inclusion, Integrity, Community, and Family). Historically, there has been strong survey participation across the Company.

The Global People Insights team analyzes the annual survey results across a number of dimensions, including race and gender, and that analysis is used to inform the Company’s workforce strategy. Individual McDonald’s officers also receive a summary of the annual survey results for their teams. While officers are encouraged to share the results with their teams and develop action plans, there is no requirement that they do so, leading to variation in the approaches taken by officers.

Overall, annual survey results have indicated that employees primarily have positive perceptions of the Company living up to its values, including that it continues to build a speak-up culture, emphasize learning, and prioritize the broader community. Further, the 2023 survey results reflected that employees were more likely to feel that they could bring their entire selves to work as compared to the previous year. The 2023 survey results also highlighted the importance of McDonald’s clearly communicating to employees their opportunities for career growth and success at the Company.

Senior leaders have periodically conducted listening sessions with small groups of employees beyond their own functions. These sessions have provided valuable feedback and context for the Company’s more quantitatively focused surveys. A member of the Human Resources (“HR”) department helps facilitate the sessions and reports employee feedback to HR leadership. During recent listening sessions, feedback from employees reinforced that career advancement—including fairness and consistency in career advancement decisions—was top of mind to employees.

➤ **The Company has expanded disability-related efforts in recent years.**

McDonald’s has identified disability inclusion as an area of focus in recent years. The Company established a dedicated disability-focused position within the Global People DEI team

and launched the Disability Inclusion Group EBN. In addition, an accessibility team within Global Technology works on digital platforms.

When compared to other inclusion efforts, McDonald's disability inclusion efforts are relatively nascent, though the Company has made meaningful progress in recent years. For example, the Global People DEI and Talent Acquisition teams partnered on disability-inclusive hiring practices and tools and instituted a disability inclusion training for recruiters and members of HR. Importantly, the Company revamped its reasonable accommodations request process, so that prospective hires and employees can more easily request accommodations, and established a centralized fund for accommodations.

➤ **McDonald's is developing its DEI strategy for Company-owned restaurants.**

McDonald's has taken steps to promote a culture of inclusion and belonging at McOpCo restaurants, but these efforts are less developed than its efforts to support its corporate workforce. Among McDonald's McOpCo-focused efforts is the launch of a pilot program in Chicago that partners with the state vocational rehabilitation center to increase recruitment of people with disabilities to apply for job opportunities at the restaurant level. The Company is considering whether to expand this program to other Company-owned restaurants. McOpCo restaurants also distribute an annual survey to all restaurant employees (the Restaurant Listening Survey). Along with the results of the survey, McOpCo leadership receives a guide that suggests specific actions they may take to respond to employee feedback. Individual restaurants also receive reports with their specific results, identifying areas of success as well as areas for focus, for use in action planning to drive improvements.

**Recommended Enhancements**

We identified the following areas of opportunity related to McDonald's internal DEI efforts, including considerations for the Global DEI Center of Excellence. Our recommended enhancements include increased communications to employees regarding the Company's initiatives, more education for all managers, and further development of efforts related to disability inclusion as well as efforts specific to McOpCo employees.

- *Partnerships with Talent and Legal.* As the Company seeks to embed DEI personnel across functions, it should focus on maintaining strong partnerships and open lines of communication among DEI personnel, the Talent team, and the Legal Department. These close partnerships support the Company's efforts to integrate the principles of equity and inclusion throughout the employee life cycle, and thus provide all employees with an equal opportunity to succeed, consistent with the Company's commitment to legal compliance.
- *Enhanced Internal Communications.* The Company should continue its efforts to increase and improve communications to employees about its inclusion-focused

initiatives, including action plans coming out of the annual survey and other feedback. We support the Company's plans for the Global DEI Center of Excellence to oversee a holistic communications strategy.

- *Continued Focus on Inclusive Leadership.* The Company's inclusive leadership training for employees who are Director level and above is very strong. The Company should consider adapting its inclusive leadership training to train *all* managers, not just the most senior, on how to manage inclusively.
- *EBN Support.* Support for EBNs is a priority for McDonald's in 2024. As part of those efforts, and consistent with feedback shared during employee focus groups, McDonald's should consider ways to recognize EBN leaders for their efforts, ensure that EBN leaders do not feel overburdened in their roles, assess the annual budget provided to each EBN, and provide additional guidance and support for EBN mentoring efforts.
- *Survey Results and Action Planning.* McDonald's has developed a robust process for analyzing annual survey results and providing officers with resources and specific steps they could take in response to the results. The Company should develop a mechanism to hold officers accountable for addressing employee feedback. McDonald's should also consider whether team-specific results should be shared with more junior managers and/or whether a high-level, aggregate summary of the results should be shared Company-wide.
- *Continued Focus on Disability Inclusion.* The Company should continue to develop a comprehensive strategy and specific initiatives for disability inclusion, including training for managers on how best to engage employees with disabilities. McDonald's should also assess the efficacy of its new centralized accommodations process for potential and current employees. The Company should consider, for example, tracking metrics on response times for requests and assessing whether funding for requests is adequate. As initiatives for people with disabilities develop, McDonald's should continue to assess whether additional resources are required, as well as opportunities to expand the use of such resources.
- *Emphasis on McOpCo Initiatives.* The Company should continue to develop specific initiatives or strategies to foster inclusion in McOpCo restaurants. In designing these efforts, the Company should focus on initiatives tailored to the restaurant employee population and take into consideration the results of the Restaurant Listening Survey, including results related to McOpCo employees' workplace experiences.

## **B. Talent Management**

### **Overview**

McDonald's has developed effective talent management strategies, aligned with its DEI strategic pillars, that guide how the Company recruits, hires, assesses, promotes, and compensates its employees. We found the guidance documents and training materials available to employees and managers on key talent management processes to be of the highest quality and demonstrative of a thoughtful approach. McDonald's has taken numerous steps to grow the pipeline of diverse talent that it considers for open positions and to promote an inclusive and equitable hiring process. The Company has also made concerted efforts to develop talent management processes that emphasize transparency, consistency, and regular dialogue between employees and their managers. Additionally, McDonald's pay gap analyses confirm that McDonald's has substantially achieved pay equity for women (globally) and employees from underrepresented groups (in the United States), and the Company's process to assess and update the compensation and benefits it provides to employees is comprehensive and well-executed.

We observed that—as in many organizations—it can be challenging to consistently align practices with the Company's strong procedures, trainings, and guidance. Accordingly, some of our recommendations focus on supporting the role of the manager in leading talent processes, and others are intended to promote consistency in talent processes, including in assessing managers' performance and readiness for promotion.

### **Findings**

- **The Company has developed a comprehensive and thoughtful talent management philosophy—the BEST Model—that guides all aspects of talent management.**

In recent years, McDonald's has invested considerable resources into developing a bespoke talent management philosophy and framework, aptly named the BEST Model (**B**uilding Blocks, **E**xecution Proficiency, **S**trategic Proficiency, and **T**alent Proficiency). At a high level, the BEST Model defines the characteristics and behaviors (i.e., Building Blocks) that make employees successful at McDonald's. These include curiosity, thinking agility, resilience, and connection. The BEST Model also identifies three proficiencies that employees must demonstrate: Execution (translating strategy into priorities and actions); Strategy (planning for the future based on customer insights); and Talent (developing teams and communicating transparently).

The BEST Model is intended to serve as a framework and guiding philosophy for all aspects of talent management at McDonald's—from interview questions tailored to determine how a candidate's strengths align with the BEST proficiencies, to career planning templates that allow employees and managers to align on what an employee needs to do to advance. As

described in more detail below, we found the BEST Model to be comprehensive, well-designed, and tailored to help achieve McDonald’s workforce-related priorities.

➤ **The Company has designed and implemented an extensive set of initiatives to attract a diverse talent pool.**

Over the last few years, the Company has implemented a number of talent attraction initiatives to aid in the recruitment and equitable consideration of a diverse pool of qualified applicants from which McDonald’s selects the best candidates. These strategies and efforts are showing early signs of success. The Company has seen growth in the overall proportion of corporate employees from underrepresented groups—from 32% in 2020 to 40% in 2023.<sup>10</sup> It has also seen growth in the proportion of female corporate staff, from 54% in 2020 to 55% in 2023, including significant growth in women at the Senior Director level and above, from 37% in 2020 to 44% in 2023.<sup>11</sup>

- *Partnerships:* For over a year, McDonald’s Talent Attraction team has collaborated with the Global People DEI team to formalize partnerships with a number of organizations that provide networking and development opportunities for diverse groups, including the National Black MBA Association, Hispanic Alliance for Career Enhancement, Ascend – Pan Asian Leaders, Catalyst, Out & Equal, and Disability:IN. McDonald’s utilizes these partnerships to advertise open positions through these organizations’ networks and to support career development opportunities by encouraging Company employees to participate in these organizations’ conferences and trainings.
- *University Outreach:* McDonald’s has expanded its collaboration with Historically Black Colleges and Universities (“HBCUs”) and other Minority-Serving Institutions (defined by the U.S. government as institutions of higher education that serve minority populations), including by recruiting candidates from these schools and supporting on-campus programming for HBCU students.
- *Diverse Slates:* The Company strives to have diverse candidate slates when recruiting for Senior Director and Director roles. Some departments and functions have similarly implemented diverse slate efforts for open positions for other roles.
- *Inclusive Job Descriptions:* The Company has sought to promote inclusivity in the hiring process, including by providing an artificial intelligence writing platform to hiring managers and recruiters to assist them in drafting gender-neutral, inclusive job descriptions.

There have been instances where better coordination and collaboration among Talent Attraction, Global People DEI, and EBNs could have resulted in more successful outreach efforts. Recently, McDonald’s has made efforts to improve coordination between the Talent

Attraction and Global People DEI teams, including by clarifying ownership of the various recruiting strategies and initiatives and providing additional support for certain partnerships or event participation.

➤ **The Company has designed a thoughtful and inclusive hiring process.**

McDonald's has devoted significant resources to developing high-quality, thoughtful guidance and trainings for recruiters, hiring managers, and interviewers. These materials promote a structured and inclusive process, from initial applicant screenings through the offer decision, to hire the most qualified candidates.

The Company makes available several trainings on inclusivity and legal considerations in the hiring process. These include a three-day training for recruiters on unconscious bias mitigation in interviews and methods of sourcing diverse talent, as well as a dedicated training on disability inclusion in the interview process. The Company's trainings and guidance materials are largely optional, although the Company plans to require certain trainings for interviewers over the next year.

As discussed above, the BEST Model is used to assess candidates for the qualities and behaviors that enable high performance at McDonald's. In addition to training materials that cover interviewing best practices and techniques, the Company has created additional tools to facilitate the interview process consistent with the BEST Model, including structured interview guides, a standardized ratings scale for candidate responses, and a question bank that interviewers can customize as appropriate. These documents also recommend calibration mechanisms—procedures to promote an equitable hiring process—such as a structured debrief among the hiring manager, interviewers, and the recruiter to ensure that interviewers are applying ratings consistently across candidates. Because these procedures are recommendations and not requirements, we understand that, in practice, use of these calibration mechanisms may differ by team.

➤ **The Company has designed a talent development system that provides employees with numerous opportunities to receive constructive feedback and discuss career goals.**

McDonald's has made extensive efforts to develop its internal talent by providing employees with career advancement opportunities. As with hiring, the BEST Model is the cornerstone of McDonald's approach to talent development and assessment. For example, the BEST Model outlines leadership expectations at each level of an employee's progression—from being an individual contributor, to leading others as a manager, to leading managers, and ultimately, to leading the System—and it provides examples of core competencies and strengths to be developed at each level. The Company also provides detailed guides and resources to managers and employees on how to give and receive feedback. We found that there are

opportunities for the strong practices envisioned in McDonald’s procedures, trainings, and guidance documents to be implemented more consistently.

*Career Planning.* McDonald’s empowers employees to take ownership of their career development, with their managers’ support. The Company encourages employees to develop a “BEST Action Plan” based on a self-assessment, guided by conversations with managers, that sets forth an employee’s career goals and aspirations and outlines the developmental opportunities needed to get there. It appears, however, that many employees do not have a formal action plan in place, which limits the effectiveness of this initiative.

*Performance Reviews.* McDonald’s has designed a performance review process that envisions four career development conversations—called the Four Cs—between managers and their direct reports throughout the year:

- The **Commit** conversation to align managers and their direct reports on goals for the year;
- The **Career** conversation for employees to discuss career aspirations with their mentors and managers;
- The **Connect** conversation, or a mid-year performance check-in, where employees and their managers discuss progress toward goals, adjust goals as needed, and discuss upward feedback for managers; and
- The **Conclude** conversation, or an end-of-year performance review, where managers discuss performance ratings and feedback with their direct reports.

From the Company’s most recent annual survey results, 89% of respondents stated that they had a Career conversation with their managers, a gain of 5% from the prior year. But the Company does not track completion of the other three Cs, nor are there mechanisms to assess the quality of these discussions. In addition, although there is guidance that describes calibration discussions prior to providing performance reviews, we understand that these discussions focus more on identifying high performers rather than calibrating or aligning on performance ratings across a team to ensure consistency in approach.

*Global People Modernization.* McDonald’s is currently undergoing a significant Global People Modernization effort—a key component of which is implementing a centralized Human Resources Information System (“HRIS”) that will enable better documentation and tracking of performance-related metrics. We expect that the new HRIS will facilitate increased visibility into performance ratings and job postings as well as better tracking of training completion and career development conversations. The Global People Modernization effort should thus help promote consistency and equity in talent management across the Company. The new HRIS is expected to roll out in the United States in 2025.



- **The Company has enhanced its efforts to grow the internal pipeline of talent and prepare the next generation of leaders.**

We found McDonald's to be focused on developing its internal talent pipeline, which should help efforts to increase diverse representation among senior leaders given the diversity of the workforce at more junior levels. In recent years, the Company has taken a number of steps to build succession planning strategies that focus on consistency and inclusivity. Most significantly, McDonald's launched the Officer People Goal in 2022 to drive accountability for talent development at the highest levels of the Company. The Officer People Goal calls for all corporate leaders (including all Vice Presidents, Senior Vice Presidents, and Managing Directors) to undertake four key actions: (1) develop succession plans; (2) design development plans for the employees identified as their potential successors; (3) mentor employees; and (4) build their personal inclusive leadership capabilities. Beginning in 2023, the Officer People Goal accounts for 15% of senior leaders' overall performance ratings and thus can impact compensation.

Though the Officer People Goal is relatively new, we found that it represents a significant, concrete step toward prioritizing thoughtful, proactive succession planning strategies. We heard in our interviews, for example, that leaders have become more intentional about ensuring that they are considering a diverse pool of candidates to build potential succession slates and are having specific discussions about how to build employees' capabilities where gaps have been identified.

McDonald's recently implemented two training programs intended to strengthen the skills of its managers and help grow the internal talent pipeline. First, McDonald's created Inspire, an optional training course for newly promoted managers that covers key aspects of effective management, including leading teams thoughtfully, providing effective feedback, and career development and talent planning. Second, McDonald's established People Manager Connections, an optional leadership development series with regular trainings on key issues, including fundamentals of being a people leader, managing performance, assessing and rewarding talent, supporting career planning and development within teams, and managing through significant transitions. Roughly 70% of managers participated in at least one session of this series in 2023.

- **At McOpCo restaurants, the Company is taking steps to roll out a tailored talent management philosophy based on the same principles that guide efforts focused on corporate employees.**

McOpCo restaurants are a significant pipeline of diverse talent for the Company at large. As of the end of 2023, 57% of all McOpCo staff in the United States were women, and 71% were members of underrepresented groups; 68% of U.S. McOpCo managers were women, and 66% were members of underrepresented groups.<sup>12</sup> Efforts to support the career development and

internal advancement of McOpCo employees thus help drive the Company’s desire to have a workforce that represents the communities it serves.

Over the last two years, McDonald’s has rolled out a modified version of the BEST Model to guide talent management for McOpCo employees. The McOpCo BEST Model uses the same core proficiencies as the model utilized for corporate employees, but the strengths and opportunities that exemplify each area are specifically tailored to restaurant employees. For example, this model specifically calls out, as examples of strengths, skills like delivering thoughtful plans for shift changes and demonstrating understanding of local customers’ unique needs and desires. The Company has also taken steps to enhance the performance management process for McOpCo, such as implementing the Four Cs conversations for restaurant employees. McOpCo managers receive guidance on facilitating these discussions, and employees are encouraged to develop their own BEST action plans.

A strong internal talent pipeline is particularly important within McOpCo, as the vast majority of restaurant managers come up within the Company’s restaurants. Opportunities for internal advancement are posted in crew rooms, and McOpCo employees have access to a “career ladder” that helps them identify possible career paths and steps to advancement. More broadly, there are biannual succession planning discussions to identify up-and-coming talent who may be ready for additional career opportunities.

McDonald’s has also undertaken efforts to provide McOpCo management with training and development opportunities. Past offerings have included voluntary implicit bias training, trainings on inclusive leadership and “creating belonging” among teams, and development programs for top talent to prepare them for potential leadership roles on the corporate side.

➤ **McDonald’s utilizes rigorous processes to promote fairness in total rewards.**

*Pay Equity and Benchmarking.* McDonald’s pay equity audit results are impressive. In 2023, the Company identified an adjusted gender base pay gap in aggregate of only 0.04% globally, meaning that women’s base pay was on average 99.96% of what men were paid for similar work.<sup>13</sup> This was an improvement over gender base pay gaps in 2022 of 0.09% and in 2021 of 0.15%.<sup>14</sup> McDonald’s has consistently achieved pay equity for underrepresented groups in the U.S. market. In 2021, 2022, and 2023, there was no base pay gap disfavoring employees from underrepresented groups in aggregate in the United States.<sup>15</sup>

The pay equity audit process that McDonald’s undergoes annually is thorough and regularly enhanced. In 2022, the Company expanded its audit to include an analysis of total pay, which includes base pay and incentive pay, as well as an analysis based on intersectionality of race and gender.

As far as external benchmarking, the Company partners with industry experts to compare the compensation of corporate and McOpCo restaurant positions against peers at least twice per

year. In addition, McDonald's has partnered with a third-party expert to refresh its leveling of positions within the Company. This analysis started with executive-level roles in 2021 and has extended to other positions over the past couple of years. McDonald's benchmarking and leveling efforts, collectively, demonstrate a strong commitment to ensuring fairness in compensation.

*Employee Benefits.* McDonald's offers generous benefits to both its corporate and McOpCo employees. In particular, the Company has prioritized offering its restaurant employees access to enhanced educational opportunities through the Archways to Opportunity program, a flagship program that provides tuition assistance and discounts at certain colleges to eligible employees at both McOpCo restaurants and participating franchised restaurants. Between 2015 and 2023, McDonald's awarded more than \$200 million in tuition assistance to more than 65,000 restaurant employees.

Over the past several years, the Company has made a concerted effort to increase the benefits it offers. For example, the Company has increased the amount of paid sick leave it provides to McOpCo employees, as well as the amount of paid parental leave it provides to McOpCo management and corporate employees. The Company has also expanded its offerings based on the employee feedback it solicits, including through meetings with EBNs and a Total Rewards Survey administered to U.S. employees every few years, to ensure that its compensation and benefits programs are aligned with employee values and needs. Among other changes, the feedback received through these avenues has helped the Company expand its offerings to provide flexible family planning assistance and adoption assistance. In the 2023 Restaurant Listening Survey, 88% of McOpCo restaurant employees responded that they were satisfied with the benefits the Company offers.

### **Recommended Enhancements**

McDonald's has invested significant resources into developing mature, well-designed talent management processes at every stage of the employee life cycle, for both corporate and McOpCo employees. A key focus of our recommendations is to ensure that the optimal methods envisioned by the Company's procedures, trainings, and guidance are consistently translated into practice. Given the central role of managers in implementation, it is essential that the Company continue to educate managers on the importance of their role and how to lead and manage their teams inclusively and effectively.

- *Continued Focus on Learning and Development for Managers.* McDonald's robust talent management strategies and guidance reflect a genuine commitment to promoting equity in recruiting, hiring, compensation, assessment, and promotion. Strong trainings are available to managers (e.g., the Company's Inspire training and People Manager Connection series) to inform their understanding of how to lead these critical talent-related processes, but these trainings are not required. Given the central role that

managers play in these processes, McDonald's should require training for *all* managers on their talent management responsibilities. Such trainings should include topics such as effective management techniques, feedback delivery, performance management conversations and documentation, succession planning, mentorship, bias mitigation, and non-discrimination in selection decisions. Eventually, the new HRIS should help facilitate accountability by enabling easier tracking of talent processes.

- *Emphasis on Assessing Managers.* Given managers' central role in leading and supporting employee advancement, McDonald's should give considerable weight to managerial skills in assessing managers' performance. The Company has already begun doing so with the Officer People Goal and should look for mechanisms to implement a similar accountability system throughout the Company. As part of emphasizing accountability for effective management, McDonald's should also prioritize core managerial competencies in assessing managers' readiness for promotion.
- *Strategy for Talent Attraction Efforts.* To continue building on its diverse array of talent attraction strategies, McDonald's should memorialize a comprehensive strategy that clearly identifies the Company's key talent attraction priorities and areas of focus; outlines the events, partnerships, and activities of most importance to the Company; and assigns responsibility for execution of each of these areas, in coordination with EBNs or business units within the Company as necessary. Memorializing a cohesive strategy will help ensure clarity and consistency in the Company's approach to talent attraction, in turn promoting more effective implementation and accountability.
- *Continued Assessment of Recruiting Initiatives.* The Talent Attraction team should continue to track the effectiveness of its recruiting initiatives and adjust strategies and resource allocations to maximize impact, including with respect to attracting diverse pools of candidates. The Company's current effort to track the success of particular recruiting partnerships through unique codes for specific job postings is an excellent example of how such assessments may yield valuable insights. The Company's implementation of a new HRIS should be beneficial to such efforts as well.
- *Calibration Mechanisms in Talent Management Processes.* In some instances, calibration mechanisms are already contemplated by McDonald's existing trainings and guidance, and the Company could take steps to ensure that these mechanisms are consistently implemented. For example, the Company could require structured debrief sessions after each interview process to ensure that recruiters have an opportunity to understand the rationale for hiring decisions, provide guidance to hiring managers, and promote consistency across teams. Similarly, the Company could require calibration discussions for performance ratings by department and/or team.

- *Assessment of Performance-Related Data.* In connection with the implementation of a new HRIS, McDonald’s should look for opportunities to review aggregate data to assess the fairness and consistency of the Company’s various talent processes. Such data and analyses would help inform and focus the Company’s continued efforts to promote equity throughout the employee life cycle.
- *Continued Focus on Benefits Eligibility for Restaurant Staff.* McDonald’s recognizes the importance of providing generous benefits to its employees, including McOpCo restaurant employees. McDonald’s should continue to review its offerings, as well as the feedback it receives from employees, and consider opportunities to further differentiate itself as the “gold standard” among quick service restaurants with respect to employee benefits.

### C. Workplace Policies and Trainings

#### Overview

McDonald’s has developed and implemented a comprehensive suite of workplace policies and trainings that we found to be thorough, user-friendly, and accessible to a multilingual and diverse workforce comprised of employees working at McOpCo restaurants, in corporate offices, and remotely. The few recommendations we have identified related to McDonald’s workplace policies and trainings are intended to build upon this already strong foundation.

#### Findings

- **McDonald’s has robust policies focused on promoting a safe, respectful, and inclusive workplace for all employees.**

We found the Company’s policies to be thorough, legally compliant, clear, and customized to McDonald’s unique workforce. Key policies include the following:

*Policy Against Discrimination, Harassment, and Retaliation.* The Company’s core workplace conduct policy is the Policy Against Discrimination, Harassment, and Retaliation, which applies to all U.S. employees, including McOpCo employees. This policy conveys the Company’s long-standing commitment to creating a safe, respectful, and inclusive work environment. Its FAQ format is reader-friendly, with helpful definitions of key terms and instructions for raising concerns. The policy is tailored to the restaurant environment (e.g., it includes a section on what to do if a customer makes a restaurant employee feel uncomfortable). Further, it focuses on promoting a safe, respectful, and inclusive workplace, rather than merely addressing conduct that rises to the level of a legal violation:

We care about you and the experience you have working here. This Policy Against Discrimination, Harassment, and Retaliation (the “Policy”) describes our expectations for all employees, supervisors and managers as we work together to maintain a respectful workplace, free from discrimination, harassment, and retaliation. McDonald’s is committed to supporting this Policy because it is important to us that you work in a safe, respectful, and inclusive workplace.

The policy emphasizes the importance of raising concerns, provides a number of reporting channels (including options for reporting anonymously), and articulates the Company’s commitment to supporting employees throughout the reporting process.

*Workplace Violence Prevention Policy.* McDonald’s Workplace Violence Prevention Policy, which covers both McOpCo and corporate employees, details the Company’s strict prohibition on violence, threats of violence, and other conduct that jeopardizes or harms the safety of employees or others in the workplace. The policy conveys McDonald’s strong commitment to violence prevention, a central focus given the size of the Company’s workforce and the millions of interactions that McDonald’s employees have each day with members of the public. The policy identifies a non-exhaustive list of prohibited behaviors, including threatening harm and engaging in any aggressive, intimidating, or bullying behavior that makes others concerned for their physical safety. The policy is notably thoughtful in its attention to intimate partner violence, demonstrating a concern for employee safety even outside of the workplace. McDonald’s addresses this sensitive issue with care and encourages employees to utilize the Company’s resources if they need assistance.

*Standards of Business Conduct.* McDonald’s Standards of Business Conduct policy, which similarly covers both McOpCo and corporate employees, is also laudable. It highlights the Company’s commitment to fostering inclusion across its System and the importance of delivering on that commitment:

McDonald’s welcomes and celebrates difference and understands that rather than *hear* that we care about diversity, equity and inclusion, our communities need to *experience* it. McDonald’s is committed to a diverse, equitable and inclusive environment for all. This includes respecting, valuing and learning from the unique characteristics and perspectives of each other and our franchisees, business partners and customers, including those from underrepresented groups.

- **McDonald’s has a series of practical and informative workplace conduct training courses that promote a safe, respectful, and inclusive workplace.**

The Company’s trainings and eLearning courses not only cover legally required content and behaviors that are prohibited by Company policy but also emphasize the Company’s commitment to promoting a safe, respectful, and inclusive workplace more broadly. For example, the mandatory Safe and Respectful Workplace training for McOpCo managers states: “Throughout the course, we will rarely talk about what is legal or illegal, or what does or does not break the law. Instead, we will stay focused on our policy and how we can use it as a set of guidelines to set a culture of respectful behavior in the workplace.” The Company also provides informative, practical trainings designed to prevent and address workplace bullying, including content designed specifically for restaurant workers, with separate Bullying Intervention courses for McOpCo crew members and managers.

- **McDonald’s uses thorough processes to update its policies and trainings.**

McDonald’s has sound processes for updating its policies and trainings to reflect changing legal requirements, evolving best practices, and the needs of its workforce. This includes periodically holding listening sessions to solicit employee feedback regarding policies and trainings. Consistent with employee feedback, the Company is working to refresh its Safe and Respectful Workplace training content to simplify the language further and create more memorable, realistic scenarios to improve employee recall of key concepts. Employee feedback related to HR policies and practices is, in general, strong; for example, in McDonald’s 2023 Restaurant Listening Survey, 89% of McOpCo employees stated that they were satisfied with McDonald’s HR policies and practices.

The Company also has engaged outside experts to review its policies and trainings. For example, McDonald’s partnered with the Rape, Abuse & Incest National Network (“RAINN”) to help revise the Company’s Policy Against Discrimination, Harassment, and Retaliation.

- **McDonald’s has demonstrated a commitment to promoting safe, respectful, and inclusive workplaces by adopting the U.S. People Brand Standards.**

In 2021, McDonald’s announced the rollout of its Global Brand Standards, which apply to both Company-owned and franchised restaurants, with the objective of promoting safe, respectful, and inclusive workplaces in McDonald’s restaurants. Through the Global Brand Standards, the Company prioritizes, among other action areas, the prevention of workplace violence as well as harassment, discrimination, and retaliation—including through policies, training, and the use of reporting mechanisms—and the collection of feedback from employees. In connection with the rollout of the Global Brand Standards, the Company developed the U.S. People Brand Standards, which prioritize the same action areas and apply to restaurants in the

U.S. market. These Brand Standards set an expectation for safe, respectful, and inclusive workplaces, including for franchised restaurants, as discussed in more detail below.

### **Recommended Enhancements**

Considering the strength of the Company's policies and trainings and the process for updating them, we have limited recommendations for enhancements in this area.

- *Policy Guidance Regarding Workplace Bullying.* While some trainings and eLearning courses cover workplace bullying, the Policy Against Discrimination, Harassment, and Retaliation does not directly address this topic. We recommend that the Company clarify that the remedial procedures delineated in the policy apply to bullying and other abusive conduct, even where such conduct is not based on a protected characteristic.
- *In-Person and Engaging Trainings.* Consistent with the Company's current goal of providing more engaging and memorable workplace trainings, we encourage McDonald's to consider, where feasible, conducting trainings in person. We also support the Company's efforts to infuse more memorable, realistic scenarios and engaging content into its trainings.

#### **D. Process for Addressing Concerns of Discrimination, Harassment, and Retaliation**

### **Overview**

In 2022, to centralize its U.S. workplace investigations function, McDonald's launched the Workplace Investigations Team (the "WIT"), a team of investigators focused on resolving workplace conduct concerns involving alleged discrimination, harassment, retaliation, or workplace violence in the United States. The impressive design of the WIT, which sits within the Legal Department, is consistent with best practices to promote a safe, respectful, and inclusive work environment. Specifically, a well-designed investigations function can help foster a culture where employees, regardless of background, feel comfortable speaking up and confident that their concerns will be taken seriously. Based on our review, the recently launched WIT is working effectively. In its early stages, the WIT has leveraged the data it collects to refine and enhance its own processes, demonstrating an adaptability that will serve the team and the Company well going forward. Accordingly, our recommendations here are few and intended to build on the WIT's success to date.



## **Findings**

- **The WIT has strengthened McDonald’s process for investigating and resolving workplace conduct concerns.**

Centralizing the investigations function has introduced a more consistent and deliberative process resulting in well-reasoned, thorough, and well-documented investigations. The WIT’s investigations are conducted by experienced investigators pursuant to a standard process with clearly defined steps.

The WIT has developed useful process documents and templates that guide investigators throughout an investigation, but also allow for discretion as appropriate. These models enable the WIT’s investigators to move swiftly, focus on substance, and promote consistency across investigations. These materials contemplate that investigators will adjust their approach as necessary, based on the facts and issues at hand, striking the right balance between direction and flexibility. We found that, in practice, the WIT’s investigators consistently use these materials.

Prior to the launch of the WIT, disciplinary decision rights sat within individual business units or with individual managers. Now, the WIT is vested with decision-making responsibility for disciplinary action resulting from its investigations. This change aligns with best practice and promotes fairness and consistency in investigation outcomes. Business units have the option to escalate the WIT’s findings, but we understand that this has happened on very few occasions to date.

- **McDonald’s employees have several clear options for submitting workplace concerns, including anonymous options.**

Several options for reporting workplace concerns are described in Company policies and employee trainings, as well as on the Company Intranet. All employees can submit concerns through People Place, McDonald’s centralized case management system. Additionally, corporate employees are encouraged to share concerns with their manager, their manager’s manager, or a member of the HR team, while McOpCo employees are encouraged to share concerns with their restaurant’s General Manager, Ops Consultant, or HR contact. Employees can also report concerns to a Company hotline, with the option of remaining anonymous. Notwithstanding its breadth of reporting options, the Company has also made progress toward its goal of ensuring that all concerns, regardless of how they are raised, are logged into People Place.

- **Employees overwhelmingly report feeling comfortable raising concerns and being satisfied with the investigations process.**

Employee survey results in 2023 indicated that 85% of corporate employees felt they could voice concerns without fear and that 83% felt comfortable reporting behaviors. For

McOpCo restaurant employees in 2023, 93% responded that they felt safe to be themselves in their work environment; 92% that they knew how to report issues; and 89% that they felt satisfied with HR policies and practices. These excellent results are consistent with feedback from the focus groups with corporate and McOpCo employees and Perception’s survey of McOpCo employees. Together, these results speak to the Company’s efforts to encourage employee reporting and to address and resolve concerns in an effective and efficient manner.

➤ **The WIT is conducting additional assessments of trends, which informs comprehensive reporting to senior leadership and the Board.**

The WIT utilizes People Place to aggregate key information, identify insights, and detect and address issues proactively. For example, following several allegations that employees at a particular McOpCo location had violated a Company policy, the WIT determined that all employees at that location should be re-trained on the policy. By identifying an emerging pattern, the Company was able not only to address the allegations at hand but also to take action to mitigate against similar misconduct in the future. McDonald’s is also utilizing People Place to report on investigation trends to senior leadership and the Board.

➤ **The WIT is assessing its own processes to promote investigations that are effective, efficient, and conducted with care.**

To support the WIT, the Company established a Governance Committee consisting of internal stakeholders representing various teams and functions, including the Legal Department and HR. The WIT’s leadership confers with the Governance Committee on a regular basis to provide updates and seek guidance or feedback on key issues.

We found that the WIT’s leadership is continuously reflecting on how the WIT can best meet the needs of employees who raise concerns, including by consulting with the Governance Committee and implementing changes accordingly. For example, the WIT has considered ways to accelerate resolution for certain categories of cases that typically are less factually complex but high in volume. Additionally, to better support the WIT within the McOpCo structure, the Company is in the process of establishing a cross-functional working group to provide McOpCo-specific feedback and guidance. The WIT’s commitment to assessing and adapting its policies and practices is laudable and strengthens the Company’s ability to promote a safe, respectful, and inclusive workplace.

### **Recommended Enhancements**

We found the design, structure, and approach of the WIT to be fundamentally sound, consistent with best practices, and effective. Our recommended enhancements primarily focus on continuing the progress that the Company has already made in deploying the WIT.

- *Continued Assessment of Staffing and Resources.* The success of the WIT depends on appropriate staffing to meet demand, which, given the size and complexity of the Company’s operations, may be substantial and may fluctuate over time. Over the past year, the WIT has brought on additional investigators and supplemented with contractor support as necessary. McDonald’s should continue to assess the needs of the WIT periodically, particularly if the WIT’s scope is expanded.
- *Continued Focus on Investigator Training.* As the WIT grows, and to promote consistency across investigations, McDonald’s should continue to provide regular training to the WIT’s investigators regarding the Company’s investigation protocols and best practices. In addition to training new investigators as they are onboarded, the Company should provide refresher training for existing investigators, as needed.
- *Intake Process.* By design, the WIT is not an intake team. As described above, McDonald’s employees can report concerns through a Company hotline, to managers, or to HR. We support having a variety of available reporting mechanisms but also recognize that this can create administrative challenges, as it can take time for concerns to be routed to the appropriate team. The Company has made progress toward establishing People Place as a central location for all employee workplace concerns, and we support its continued emphasis on this resource. Further to these efforts, the Company should regularly assess the intake process and ensure that concerns are routed to the correct investigative team in a timely and efficient manner.
- *Employee Communications.* The 2023 annual employee survey results indicated that the vast majority of employees were comfortable raising concerns. To continue to foster a speak-up culture, the Company should consider ways to share information about the WIT, how the investigations process works, and the resources and support available to employees during and after an investigation. The Company could also look for opportunities to solicit targeted feedback from employees regarding their experiences with workplace investigations.

## **V. Franchisees**

### **Overview**

McDonald’s has over 2,000 franchisees (also known as “owner/operators”) in the United States, who own and operate the vast majority of McDonald’s U.S. restaurants. The audit took into account McDonald’s franchising model, in which franchisees are business owners who operate their restaurants independently from the Company, subject to obligations in their franchising agreements and core standards required for the McDonald’s brand. While franchisees operate their businesses independently, McDonald’s establishes metrics for success

and provides them with resources and support to help them run their businesses in a manner consistent with McDonald's values and standards.

The Company has a well-established focus on attracting franchisees who are committed to excellence and helping support them as independent business owners and operators. In recent years, McDonald's has sought to increase ownership opportunities for a broad and diverse group of qualified franchisee candidates, including through enhanced recruiting strategies and applicant selection processes. The Company has also updated its standards for franchisees' workplace practices and developed resources to support franchisees in satisfying those standards. Finally, as part of its efforts to support franchisees as they run their businesses, the Company has multiple channels for engaging with franchisees, both at the national and local levels.

We found that McDonald's has developed effective strategies for recruiting qualified franchisee candidates of all backgrounds, running a consistent applicant selection process, and promoting safe, respectful, and inclusive workplaces in franchised restaurants. We also found that the channels the Company has developed for engaging with franchisees provide a critical means to receive feedback from franchisees and identify areas of concern. Our recommendations focus on increasing outreach to external groups regarding McDonald's franchisee recruitment initiative; continuing attention to the process for identifying candidates for financing alternatives; continuing support for franchisees as they work to create safe, respectful, and inclusive workplaces in their restaurants; and enhancing existing communications with franchisees.

## **Findings**

### ***Franchisee Recruitment and Selection***

- **McDonald's franchisee recruitment initiative to increase the number of franchisees from all backgrounds is well-designed and well-resourced.**

As part of McDonald's longstanding interest in having franchisees who represent the communities it serves, McDonald's has enhanced its efforts to reach potential franchisee candidates from a range of demographic groups. In December 2021, McDonald's announced a global recruitment initiative to increase the number of franchisees from all backgrounds, including underrepresented groups. The initiative was intended to focus on expanded outreach to potential franchisee candidates, as well as on lowering a key barrier to entry—limited access to capital—that they might face. McDonald's thus announced, in 2021, a commitment of \$250 million over five years to provide alternatives to traditional financing for qualified candidates in the U.S. market who face socioeconomic barriers to becoming franchisees. In announcing this commitment, McDonald's explained that it sought to reduce upfront equity requirements and leverage its network of banking partners to increase access to financing solutions.

We found that the strategies McDonald’s has pursued in connection with its franchisee recruitment initiative are well-designed. McDonald’s has focused on enhancing its marketing and external outreach to make potential candidates from a range of backgrounds aware of franchising opportunities. These efforts have included promoting such opportunities among external groups, including university alumni associations, diverse chambers of commerce, and other organizations, as well as through McDonald’s diverse owner/operator associations.<sup>16</sup> As part of these efforts, McDonald’s has worked with an external consultant to develop recruiting and marketing content aimed at speaking to audiences from different backgrounds in engaging ways. McDonald’s has also focused on recruiting interested McDonald’s employees—including by promoting franchisee opportunities among its internal EBNs—as a means of expanding the pipeline of candidates from all backgrounds.<sup>17</sup> In addition, through its five-year, \$250 million commitment, the Company has supported qualified franchisee candidates who have limited access to capital, including those from underrepresented groups, in securing the financing they need to buy and operate their restaurants.

McDonald’s recruitment initiative reflects a focus on attracting strong candidates whom McDonald’s may not have otherwise reached and a shift away from a historical reliance on individuals independently seeking out franchising opportunities with the Company. These efforts have been effective at growing the total number of external candidates<sup>18</sup> who have successfully completed the selection process and been deemed qualified to buy a franchised restaurant. In the time since the recruitment initiative was announced in December 2021, the representation of women and underrepresented groups among franchisees has grown as well. As of the end of 2021, 29% of franchisees were women, and 31% of franchisees were Asian, Black, or Hispanic.<sup>19</sup> As of the end of 2023, those numbers had risen to 30% for women and 33% for Asian, Black, or Hispanic franchisees, as reflected in the figures below.

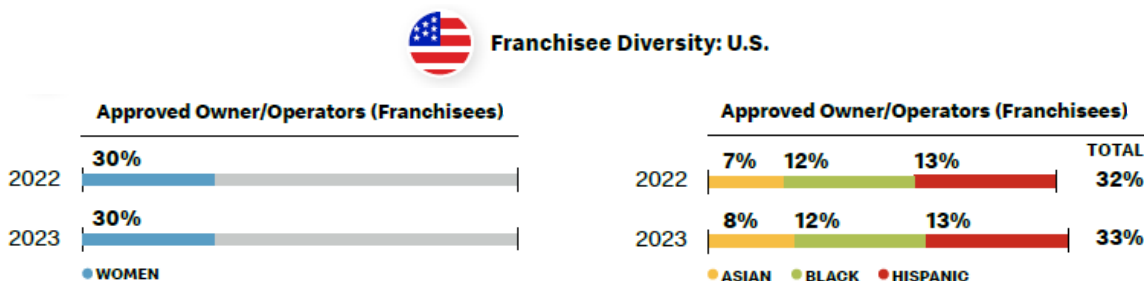


Figure 4: Franchisee Diversity (U.S.)<sup>20</sup>

The Company has recognized the need to invest sufficient resources to carry out its recruitment initiative, and particularly to conduct active and sustained external outreach to a wide range of potential franchisee candidates. Indeed, some of the McDonald’s partners we met with during our audit expressed an interest in helping the Company increase awareness of franchising opportunities among different communities. The Company has made additional

resource and staffing investments in this area, including by creating a new position in 2023 to further develop recruitment efforts and coordination with external partners.

Finally, McDonald's also continues to enhance the non-financial support it provides to franchisees—including new franchisees, many of whom may be new to the foodservice industry—to help them operate their restaurants successfully. The Company has thus prioritized providing resources and training related to restaurant operations, both to candidates in training and on an ongoing basis to franchisees.

➤ **McDonald's has updated its franchisee application and selection process to help level the playing field for all candidates.**

Franchisee candidates seeking to join the McDonald's System include "Next Generation" and "Spouse" applicants (those who are either the child or spouse of an existing franchisee) and "Registered Applicants" (those who have no such connection to the System). All candidates undergo a months-long application and selection process consisting of several stages, including written application materials, multiple rounds of interviews, credit and background checks, and asset verification. A candidate must successfully proceed through all of these stages before they are selected to enter candidate training, which typically lasts twelve to eighteen months. Upon successful completion of this training, a candidate is approved to become a franchisee and deemed qualified to buy a franchised McDonald's restaurant. The Company's franchising team then works with the McDonald's field offices<sup>21</sup> across the United States to identify opportunities for newly qualified franchisees to purchase restaurants.

We found that McDonald's has focused on making this process equitable for all candidates. Previously, McDonald's had different application processes and training requirements for Registered Applicants as compared to Next Generation and Spouse candidates. In January 2023, seeking to level the playing field for all candidates, McDonald's revised its procedures such that all candidates' applications are reviewed by the same franchising team, and all candidates must satisfy the same training requirements. While McDonald's continues to view Next Generation and Spouse candidates as key to the success of the System and promote opportunities for franchisees to build their businesses alongside their family members, these updated procedures ensure a consistent and more equitable process for all candidates.

Within the revised process, McDonald's has also taken steps to ensure that panel interviews of franchisee candidates are conducted in an equitable manner. The Company has developed a bank of interview questions based on defined core competencies focused on management, financial acumen, and other strategic skills. This approach helps make the interview process consistent for all candidates and focused on competencies that have been identified as indicators of success as a franchisee. McDonald's has also provided training to employees who conduct panel interviews to help promote consistency in the process used to select the most qualified candidates.

## *McDonald's Efforts to Promote Safe, Respectful, and Inclusive Workplaces*

- **The application of the U.S. People Brand Standards to McDonald's franchised restaurants reflects the Company's commitment to fostering safe, respectful, and inclusive workplaces.**

As discussed above, the U.S. People Brand Standards were developed in connection with McDonald's Global Brand Standards and apply to restaurants in the U.S. market, including franchised restaurants. The U.S. People Brand Standards prioritize actions to promote safe, respectful, and inclusive workplaces in McDonald's restaurants. In 2023, McDonald's issued updated National Franchising Standards, which provide the criteria McDonald's uses to evaluate franchisees. As part of that update, the Company incorporated the U.S. People Brand Standards into the National Franchising Standards.

Under the U.S. People Brand Standards, franchisees are asked to administer and track their employees' completion of anti-discrimination and harassment training. McDonald's does not dictate to franchisees, who independently own their restaurants and hire their employees,<sup>22</sup> what training to use, but does make optional training materials available to franchisees. Under the Standards, franchisees administer a confidential and anonymous survey annually to their managers and restaurant crew. Franchisees can leverage the McDonald's Restaurant Listening Survey, which includes questions about employees' workplace environments, for use with their employees. The Company receives survey results consisting of aggregate responses from all managers and crew in participating franchised restaurants nationwide, allowing for an assessment of overall trends from year to year. McDonald's has assessed the survey results to identify potential areas to enhance resources and support for franchisees, including as related to the U.S. People Brand Standards.

McDonald's has implemented a system to promote accountability and progress with respect to franchisees' workplace practices. This includes annual restaurant visits in the U.S. market, conducted by an independent third party, to assess franchisees' compliance with the U.S. People Brand Standards. Optional coaching resources are available to franchisees at their request to address potential gaps. Importantly, noncompliance with the National Franchising Standards, including the U.S. People Brand Standards, has franchising consequences. A franchisee who does not consistently meet or exceed the National Franchising Standards is not eligible for a new term after their current term expires,<sup>23</sup> nor to purchase additional restaurants, thus incentivizing compliance with the Company's Standards.

- **McDonald's has developed a robust strategy to support franchisees in addressing issues of harassment and discrimination in their restaurants.**

We found that McDonald's provides strong support to franchisees as they work to comply with the U.S. People Brand Standards. The Company offers franchisees, on an optional

basis, a suite of policies, tools, and trainings focused on promoting safe, respectful, and inclusive workplaces. These resources include anti-discrimination and harassment training materials and employee surveys, which, as discussed above, franchisees can use to satisfy the U.S. People Brand Standards. Dedicated Learning & Development team members provide franchisees with information about available optional resources. In 2023, the Company made updates to the online portal that houses franchisee resources to make these materials more easily accessible and to provide non-English translations of materials where not already available. Some participants in franchisee focus groups, however, were uncertain what resources are available, how to access them (whether through the online portal or through their field offices), or where to go for help to identify resources they may need.

McDonald's also makes available to franchisees an optional third-party service to provide an avenue for employees in franchised restaurants to raise complaints or concerns about their workplace, including those related to potential discrimination or harassment. The third-party service collects and provides that information to the relevant franchisees to enable them to address complaints or concerns among their employees.

### *McDonald's Engagement with Franchisees*

- **McDonald's has multiple channels of engagement with franchisees, including franchisees from underrepresented groups.**

We found that McDonald's has prioritized building an infrastructure that allows for regular engagement with franchisees, including those from underrepresented groups. Multiple channels of communication, both at the national and field office levels, provide opportunities for McDonald's to discuss key developments with franchisees and for franchisees to share their perspectives, concerns, or other feedback. The field office structure has changed over time, which may explain why some participants in franchisee focus groups felt there were fewer avenues for making their perspectives known to the Company. The Company has worked to ensure that it has sufficient capacity at both the national and field office levels to engage with franchisees.

McDonald's senior leaders have dozens of meetings with franchisees each year, including with representatives of various franchisee associations and with individual franchisees. Among the Company's channels of communication with franchisees is its regular engagement with the National Franchise Leadership Alliance ("NFLA"), the elected body representing McDonald's franchisees. Through this engagement, the Company provides updates and receives input from the NFLA regarding many aspects of the business, including those related to restaurant operations and the workplace. The NFLA's executive team is comprised of seventeen franchisees, including the chairperson for each of McDonald's diverse owner/operator associations—the Asian McDonald's Operator Association, the McDonald's Hispanic Owner-Operators Association, the McDonald's Owner-Operator Pride Network, the National Black



McDonald's Operators Association, and the Women Owners Network—which provides a dedicated conduit for the Company to understand the perspectives of those groups, in addition to the perspectives of the franchisee community more broadly.

McDonald's also collaborates with franchisees on supply chain matters through the National Supply Leadership Council (“NSLC”), which includes Company and franchisee representatives, and works with a voluntary U.S. cooperative of McDonald's franchisees known as the Operator's National Advertising Fund (“OPNAD”) to purchase national advertising. Both NSLC and OPNAD include representatives of McDonald's diverse owner/operator associations.

In addition, McDonald's regularly engages with each diverse owner/operator association, including through quarterly meetings hosted by senior Company leaders. McDonald's uses these meetings to provide updates relevant to each group and to solicit feedback and answer questions regarding new developments. The Company expects that the associations' leaders will take this information back to their constituents for further discussion. McDonald's also attends board meetings hosted by the associations throughout the year. The Company views this kind of sustained dialogue as key to building a more inclusive System. In the franchisee focus groups, we heard mixed feedback regarding McDonald's engagement with the diverse owner/operator associations. While some participants praised McDonald's efforts, others felt the Company should do more to understand the concerns of their respective demographic groups, including what they identify as particular challenges members of those groups face in operating their restaurants and expanding their businesses.

McDonald's also has an Ombuds program that provides support and guidance to franchisees on how to effectively address issues and concerns they wish to resolve with the Company. In addition, certain diverse owner/operator associations designate members who raise issues to the Ombuds as needed.

McDonald's field offices also engage with their respective Field Office Advisory Councils—independent groups of franchisees that facilitate communication with field office representatives—and with local members of the diverse owner/operator associations to discuss issues of interest to those groups, providing a local lens to the Company's relationships with franchisees. More broadly, field office leadership meets regularly with franchisees, including to discuss new developments, operations issues, and franchisee performance.

We understand that some franchisees have the perception that, even though their restaurants had performed well, they were not offered the same restaurant growth opportunities as other franchisees. Based on our interviews with the McDonald's franchising team, the Company is aware of these concerns and regularly engages with franchisees regarding its policies and processes. Company personnel we interviewed noted that further enhancing existing communications in this particular area could help address franchisees' concerns.

## **Recommended Enhancements**

Our recommended enhancements are intended to build on the strategies McDonald's has developed to recruit franchisees of all backgrounds; support franchisees in creating safe, respectful, and inclusive workplaces; and engage meaningfully with franchisees.

- *Increased Outreach to External Groups.* McDonald's recruiting efforts are critical to its ability to make franchising opportunities known to a wide range of potential candidates. The Company should focus on identifying opportunities for expanded outreach and continue to assess the resources needed to support that outreach. In particular, McDonald's should increase outreach to external groups such as national and local diverse chambers of commerce and other organizations, including through sponsored events and programming that will allow the Company to connect with potential candidates.

As part of this outreach, McDonald's should ensure that external groups are aware of its commitment to support qualified franchisee candidates facing socioeconomic barriers with alternatives to traditional financing, which may help identify additional candidates for this opportunity. Relatedly, McDonald's should use its outreach not only to promote franchising opportunities widely but also to hear from external groups about other barriers to entry for potential candidates and ideas on how to address those barriers.

- *Continued Attention to Identifying Candidates for Financing Alternatives.* As the Company continues to offer alternatives to traditional financing—and as increased external outreach hopefully expands the pool of potential candidates who may seek such support—McDonald's should review its process for identifying qualified candidates for this opportunity to continue to promote consistency and fairness in that process.
- *Training on Best Practices for Franchisee Selection.* As discussed, franchisee candidates proceed through an application and selection process consisting of several stages. McDonald's should ensure that all personnel on its U.S. franchising team receive training on best practices for franchisee selection decisions.
- *Enhanced Resources Regarding Safe, Respectful, and Inclusive Workplaces.* McDonald's should continue to provide franchisees with robust optional resources, including trainings and guidance on safe, respectful, and inclusive workplaces. As part of these efforts, McDonald's should continue to leverage resources it develops for its own employees and Company-owned restaurants—including DEI learning and development content, training for restaurant managers, and disability inclusion resources—and make those materials available in multiple languages. In particular, because franchisees are responsible for addressing complaints raised by their own employees, the Company

should consider providing additional optional trainings and other resources regarding workplace investigations.

McDonald's should ensure that the resources it makes available to franchisees are regularly highlighted—for example, by field office representatives, through announcements, and in the Company's meetings with franchisee groups. More broadly, the Company should maintain a dialogue with franchisees regarding the importance of the U.S. People Brand Standards, best practices for compliance, and success stories. As part of that dialogue, McDonald's should continue to seek feedback from franchisees regarding how they are working to comply with the U.S. People Brand Standards or any areas where additional support is needed.

- *Enhanced Communications with Franchisees.* McDonald's already has numerous and extensive touchpoints with franchisees, both individually and through various associations, at both the national and field office levels. The Company should continue to focus on ways to leverage its extensive engagement with franchisees, including franchisees from underrepresented groups, to ensure the Company's awareness of franchisee perspectives.

The Company should also provide guidance to field office leadership and other personnel on best practices for conducting conversations with franchisees about performance and other key matters. This guidance should focus on promoting constructive dialogue and reminding field office personnel to encourage franchisees to share feedback with the Company openly and willingly and to elevate franchisee concerns.

Finally, soliciting franchisee feedback where appropriate and communicating clearly about the Company's policies and processes will help promote feelings of fairness among franchisees. McDonald's should consider ways to continue to enhance existing communications with franchisees, including, for example, regarding the policies and processes for restaurant growth eligibility and opportunities.

## **VI. Suppliers**

### **Overview**

McDonald's has one of the largest supply chains in the world, with an expansive network of suppliers that provided approximately \$19 billion in products and services in the United States in 2023. Consistent with its belief that suppliers from a range of backgrounds and experiences create a more innovative and resilient supply chain, the Company has long sought to build relationships with qualified diverse-owned suppliers.<sup>24</sup> More recently, McDonald's set aspirational goals related to business diversity, including with respect to U.S. systemwide spend with diverse-owned suppliers in general as well as U.S. systemwide investment in diverse-owned media and production companies and content creators. With respect to its suppliers' practices,

McDonald’s Supplier Code of Conduct sets expectations for its suppliers to maintain fair, ethical, and discrimination-free workplaces. The Company has also encouraged suppliers to commit to pursuing DEI strategies within their own businesses through its Mutual Commitment to Diversity, Equity, and Inclusion (“MCDEI”) pledge.

We found that McDonald’s has demonstrated a strong commitment to business diversity, including by expanding its pipeline of potential diverse-owned suppliers in key business functions and exploring opportunities with existing diverse-owned suppliers. We also found that McDonald’s has advocated for inclusive workplaces and supply chains among its suppliers. Our recommendations focus on enhancing business diversity efforts across the enterprise, including efforts to identify and address barriers to entry and continued dialogue with McDonald’s suppliers to identify opportunities to support their own DEI efforts.

**Findings**

- **Having reached its goal of 25% U.S. systemwide spend with diverse-owned suppliers, McDonald’s remains focused on business diversity efforts.**

McDonald’s has made efforts to expand its pipeline of potential diverse-owned suppliers and to strengthen its relationships with existing diverse-owned suppliers so that it can identify the best suppliers for its business. In July 2021, McDonald’s announced an aspirational goal to attain 25% systemwide spend with diverse-owned suppliers in the United States.<sup>25</sup> The goal was based on the Company’s review of its past spend with suppliers—which, in 2020, was approximately \$14 billion in the United States, 24% of which was with diverse-owned suppliers. McDonald’s met its 25% goal by the end of 2021 and has continued to spend at least 25% with diverse-owned suppliers throughout the U.S. System every year since.<sup>26</sup> In 2023, this amounted to nearly \$5 billion spent with diverse-owned suppliers in the United States—a figure that markedly exceeds the diverse-owned supplier spend of many other major U.S. brands.

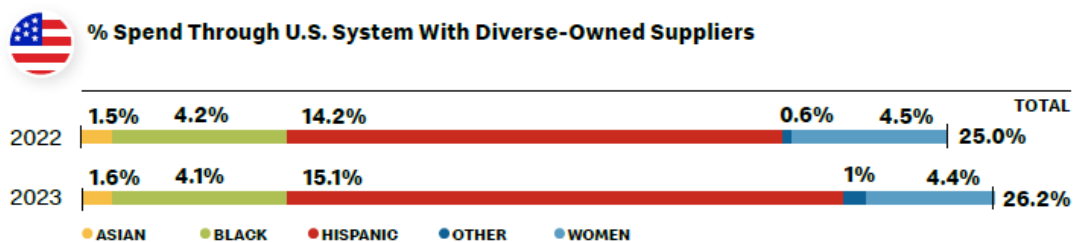


Figure 5: % Spend Through U.S. System With Diverse-Owned Suppliers<sup>27</sup>

There is a particular focus on business diversity efforts in functions that account for a significant portion of the Company’s supplier spend—the Supply Chain and U.S. Restaurant Development functions—and in McDonald’s Legal Department. For example:

- The Supply Chain function, which procures all food, beverages, condiments, packaging, and equipment for Company-owned and franchised restaurants, accounts for the majority of the Company's spend with suppliers. Opportunities for small suppliers are limited because of the need to provide goods at McDonald's scale. McDonald's has thus invested in long-running relationships with suppliers that demonstrate strong growth potential, which has allowed the Company to expand its pipeline of suppliers, including diverse-owned suppliers, that are positioned to meet its requirements.
- The U.S. Restaurant Development function, which sources general contractors to build, repair, and renovate McDonald's restaurants, has focused on addressing barriers to entry among potential suppliers. This has included attending general contractor industry meetings to increase awareness of opportunities to work with McDonald's and engaging with diverse contractor associations and chambers of commerce.
- In 2022, McDonald's Legal Department signed on to the Leadership Council on Legal Diversity's pledge, which reflected the Company's ongoing commitment to promoting DEI efforts in the Legal Department, throughout the Company, and throughout the legal industry. In pursuit of that commitment, the Legal Department aspires to satisfy the Mansfield Rule, under which there is an expectation that at least 50% of the potential candidate pool for outside counsel is diverse. The Legal Department has also set an aspirational goal to spend \$1 million annually with outside counsel law firms that are a part of the National Association of Minority & Women Owned Law Firms.

Not all of McDonald's functions have developed similarly robust strategies to engage with diverse-owned suppliers. The Company has thus focused, in recent years, on aligning business diversity efforts across the Company, including in functions that have relatively fewer relationships with diverse-owned suppliers or where small suppliers may face barriers to entry. In 2021, for example, McDonald's launched an internal Business Diversity Leadership Circle composed of employees from across its functions who meet to discuss business diversity strategies and best practices. We found that these efforts are key to building enduring and enterprise-wide business diversity strategies.

➤ **McDonald's strategies for expanding diverse-owned marketing investments are effective.**

In 2021, as part of an effort to engage in more inclusive storytelling, McDonald's announced a four-year plan to expand diverse-owned marketing investments. The plan included an ambition to increase investments with diverse-owned media and production companies and content creators; efforts to develop multiyear relationships with diverse-owned media and

production companies and content creators; and a commitment to form an external advisory board dedicated to advising on solutions to help eliminate barriers to economic opportunity for diverse-owned marketing suppliers. We found that McDonald’s strategies in pursuit of its four-year plan have been effective.

*Investment in Diverse-Owned Marketing Suppliers.* In connection with its ambition to increase investment in diverse-owned marketing suppliers, McDonald’s worked closely with its marketing agencies, which are responsible for selecting suppliers for its marketing campaigns. The Company sought to understand the landscape of potential diverse-owned marketing suppliers and identify ways to increase engagement with them. As part of this process, McDonald’s considered opportunities within specific segments, including Black-, Hispanic-, Asian-, women-, and LGBTQ+-owned media and production companies.

As of the end of 2023, U.S. systemwide investment spend with diverse-owned media and production companies and content creators was at 13.4%, up from 8.5% in 2022.<sup>28</sup>

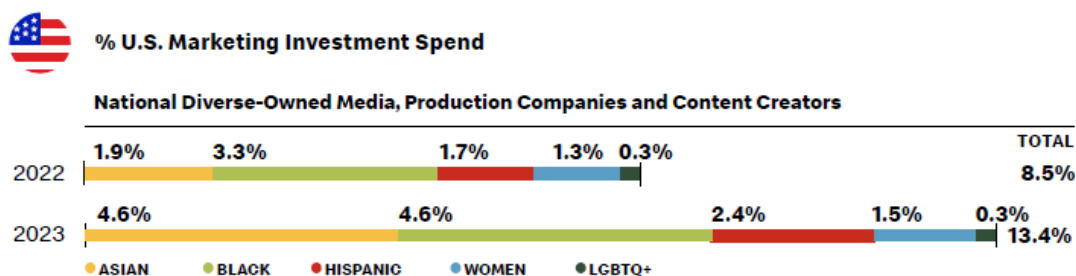


Figure 6: % U.S. Marketing Investment Spend<sup>29</sup>

*Multiyear Endeavors with Diverse-Owned Marketing Suppliers.* In announcing its commitment to develop multiyear relationships with diverse-owned media and production companies and content creators, McDonald’s sought to strengthen its marketing supply chain and grow longer-term relationships with marketing suppliers that could help the Company engage in more inclusive storytelling. From 2021 to 2023, McDonald’s entered into seven multiyear endeavors with diverse-owned companies offering services spanning media, production, and events, and added two additional such endeavors in 2024. All nine endeavors—which include Black-owned, Hispanic-owned, Asian-owned, women-owned, and LGBTQ+-owned companies, and a minority-owned company focused on Black and Hispanic audiences—are expected to run through the end of 2025. McDonald’s views these endeavors as key to its efforts to help drive growth across the broader industry, with the goal of creating a larger and more competitive marketing ecosystem.

*External Advisory Board Focused on Barriers to Economic Opportunity.* In 2021, McDonald’s launched the Diverse Marketing Advisory Council (“DMAC”), an advisory board of external marketing and advertising subject matter experts. DMAC’s members represent a range of diverse-owned marketing companies and industry expertise. It has worked with the

Company to identify solutions to potential barriers to economic opportunity among diverse-owned marketing suppliers. DMAC has advised the Company, for example, that certain standards it uses to evaluate its suppliers may be difficult for smaller marketing suppliers to satisfy, as they lack the scale to do so. McDonald's is thus assessing its standards and evaluation practices to consider potential modifications for smaller marketing suppliers, including smaller diverse-owned suppliers, that are working to scale up their capabilities. Similarly, DMAC has advised the Company that its typical payment terms for suppliers might create cash flow issues for smaller marketing suppliers with more limited funds. McDonald's has thus identified opportunities to shorten payment terms for smaller marketing suppliers, including smaller diverse-owned suppliers, to ensure that cash flow issues do not create a barrier to economic opportunity.

As part of the audit, WilmerHale spoke with several members of DMAC. They expressed appreciation for the Company's commitment to identifying ways to engage with diverse-owned suppliers and address barriers to entry that such suppliers might face. Members welcomed the opportunity for continued engagement with McDonald's to enhance the impact of its efforts to advance equity in marketing.

➤ **McDonald's Supplier Code of Conduct sets forth expectations aligned with the Company's values.**

McDonald's seeks to work with suppliers that embrace and promote its core values. We found that McDonald's makes its expectations of suppliers clear through its Supplier Code of Conduct, which includes expectations for fair and ethical workplace standards.<sup>30</sup> The Supplier Code of Conduct includes provisions regarding anti-discrimination and fair treatment, requiring that suppliers promote a workplace that is free from discrimination and harassment.

Through McDonald's Supplier Workplace Accountability program, a third party conducts regular audits to assess suppliers' compliance with the Supplier Code of Conduct, including its anti-discrimination and fair treatment provisions. Suppliers found to be deficient in their practices are expected to implement corrective action, and a supplier that consistently fails to meet the standards set forth in the Supplier Code of Conduct would face consequences, including potential termination of their relationship with McDonald's.

The supplier representatives with whom we spoke as part of the audit shared their belief that the Supplier Code of Conduct clearly reflects McDonald's values and expectations, and that McDonald's prioritizes working with suppliers that are aligned with its values. Several supplier representatives felt that their companies have been positively influenced by the Supplier Code of Conduct and that alignment with McDonald's values—including with respect to workplace practices—has strengthened their relationships with the Company.

➤ **The MCDEI pledge leverages McDonald’s scale and brand to advocate for inclusive workplaces and supply chains across the System.**

In 2021, McDonald’s launched the MCDEI pledge to support positive impact beyond its own business and encourage its suppliers to engage in efforts to dismantle barriers to opportunity. When choosing to sign the pledge, suppliers commit to engaging in efforts to increase representation in their leadership and staffs, as well as efforts to increase their own use of diverse-owned suppliers. MCDEI has had strong uptake among McDonald’s suppliers. As of the end of 2023, over 540 U.S. suppliers—with which McDonald’s spent approximately \$15.6 billion systemwide in the United States in 2023—had signed the MCDEI pledge.<sup>31</sup>

To support suppliers that have signed onto the MCDEI pledge, McDonald’s offers access to a third-party platform that provides resources and shared learnings on best practices and business diversity. McDonald’s has hosted convenings of participants, during which suppliers can share best practices with each other, hear from outside experts regarding best practices, and provide feedback to the Company about additional resources that might be helpful as they pursue their DEI efforts. MCDEI participants can also take part in an annual survey about their ongoing DEI efforts, and McDonald’s shares aggregate survey results with participants to highlight best practices.

Among the suppliers we met with as part of the audit were several MCDEI participants. Representatives of those suppliers expressed that the MCDEI pledge has been critical to bringing DEI to the forefront of conversations among McDonald’s suppliers and has provided motivation for their businesses to enhance their own efforts. Participants appreciated the resources McDonald’s has provided to help them pursue DEI strategies, as well as its efforts to build a network of participants that can share best practices with each other. Participants also noted that McDonald’s has been clear that the MCDEI commitments are flexible, recognizing that suppliers may be at different points in their DEI journey, though some participants—while supportive of MCDEI—noted that the Company’s long-term goals for the pledge were unclear to them.

**Recommended Enhancements**

Our recommended enhancements aim to identify areas in which McDonald’s can drive continued progress on its business diversity priorities, as well as further support its suppliers in their own DEI efforts.

- *Continued Sharing of Best Practices Across the Enterprise.* While some McDonald’s functions have well-developed business diversity strategies, there are opportunities to develop strategies within functions with relatively less spend with diverse-owned suppliers and/or where smaller suppliers may face barriers to entry. To that end, McDonald’s should continue its efforts to share best practices for business diversity across the enterprise, while allowing for function-specific strategies. In particular, the



Business Diversity Leadership Circle should continue to identify strategies for addressing barriers to entry for smaller suppliers across the Company's functions.

- *Continued Focus on Barriers to Economic Opportunity for Smaller Marketing Suppliers.* The Company should continue to focus on addressing barriers to economic opportunity for smaller marketing suppliers, including by leveraging DMAC's expertise and feedback from the Company's existing diverse-owned marketing suppliers.
- *Training on Best Practices for Business Diversity Efforts.* McDonald's should ensure that relevant employees—including those involved in procurement and those who coordinate with the marketing agencies that select suppliers for McDonald's marketing campaigns—receive training on best practices for pursuing business diversity efforts. McDonald's should also ensure that it provides similar guidance to its marketing agencies, as appropriate.
- *Enhanced Dialogue with Suppliers Regarding MCDEI Pledge.* As the MCDEI program continues, McDonald's should ensure that suppliers understand its goals and intentions for the program, including how it considers participants' progress under the pledge. The Company should also continue to maintain a regular dialogue with MCDEI participants to understand what resources and support would be helpful for their DEI efforts.

## **VII. Community**

### **Overview**

McDonald's has a long-standing, visible commitment to supporting the communities it serves, including through charitable giving and community engagement in the United States. We found that the Company has demonstrated strong support for underrepresented communities, including through efforts to promote equity and opportunity. This includes the ongoing support McDonald's has provided to civil rights organizations and other external partners. Over time, the nature and depth of relationships with external partners can shift, including as Company personnel responsible for those relationships change. Our recommendations focus on opportunities for the Company to engage more intentionally with its external partners regarding issues of civil rights impact. In particular, McDonald's should consider opportunities to engage more deeply with these partners on its initiatives—which in turn may help increase awareness of those initiatives and make them more successful.

## **Findings**

- **McDonald's Community Impact and Philanthropy strategy prioritizes supporting communities in need and promoting equity and opportunity.**

In 2021, to centralize and further build upon its community-facing work, McDonald's created a Global Community Impact team to oversee charitable giving and community engagement across the enterprise. Since its formation, that team has focused on building processes to support the Company's efforts going forward. This has included implementing, for the first time, enterprise-wide guidelines to govern charitable giving<sup>32</sup> and enhanced mechanisms for tracking and measuring the impact of giving on communities served by recipient organizations. For example, the team collects information from recipient organizations regarding their use of funds received and the populations served by those funds, which has allowed McDonald's to better understand its impact on the communities it serves.

This centralized approach has allowed the Company to refine its desired areas of impact and enhance its strategies for providing support within those areas. In line with its values, and informed by the feedback of external partners regarding the needs of communities they serve, McDonald's has developed a Community Impact and Philanthropy strategy focused on three key impact areas: (1) supporting families through Ronald McDonald House Charities, a global nonprofit 501(c)(3) organization that provides the families of sick children with temporary food and housing to reduce financial barriers to medical care; (2) helping respond to the needs of people and communities, including through disaster relief and support provided to address other locally driven needs; and (3) helping reduce systemic barriers to employment for historically underemployed populations.

We found that McDonald's efforts within these impact areas reflect a clear, sustained commitment to supporting underrepresented communities and promoting equity and opportunity among those communities, including through education and employment. As a few examples:

- For decades, McDonald's Legal Department has supported Chicago communities, including through pro bono legal services for low-income residents and volunteering with Street Law in Chicago, which encourages young people of diverse backgrounds to consider law-related careers.
- Since 2018, McDonald's has partnered with the International Youth Foundation and nine community-based organizations in Chicago and Washington, D.C., to deliver a life skills training course for 16-to-24-year-olds from households with incomes at 200% of the federal poverty line or less.
- In 2022, McDonald's made a two-year, \$5 million commitment to the Obama Foundation to help drive economic development and employment opportunities in Chicago.

- In 2022, McDonald’s made a \$1 million donation to the Smithsonian Institution to support the creation of the National Museum of the American Latino.
- For the last two years, as described in more detail below, McDonald’s has provided over \$6 million in grants to Chicago-area nonprofit organizations through the Chicago Community Impact Grants Program, which supports neighborhood organizations working to advance youth opportunity.

➤ **McDonald’s provides both monetary and nonmonetary support to civil rights organizations and other external partners.**

As a central component of its Community Impact and Philanthropy strategy, McDonald’s provides ongoing support to external partners working to promote equity and opportunity across a range of demographic groups. Every year, the Company dedicates a portion of its charitable giving to such organizations, including national and local civil rights organizations, advocacy groups, and diverse chambers of commerce. This support includes charitable donations, corporate sponsorships, and other financial support through events and programming. McDonald’s also invests in nonmonetary engagement with these organizations, including through its robust employee volunteerism program, which includes coordinated volunteer opportunities and paid time off for U.S. employees to volunteer.

We met with a number of McDonald’s external partners as part of our audit. Many organizations expressed appreciation for their relationships with McDonald’s, while also highlighting areas of opportunity. Participants voiced, for example, a desire for more sustained and deeper engagement with and support from McDonald’s. Participants also wished to hear more regularly from McDonald’s about how they might partner with the Company on initiatives and issues relevant to the communities they serve.

➤ **The Chicago Community Impact Grants Program is a thoughtfully designed giving program that supports organizations addressing key needs in McDonald’s hometown of Chicago.**

In September 2022, in partnership with The Chicago Community Trust (the “Trust”), McDonald’s launched the Chicago Community Impact Grants Program to support neighborhood organizations working to advance youth opportunity in Chicago. In the program’s first year, McDonald’s invested \$3.5 million in 40 Chicago-area nonprofit organizations working to advance community support systems and reduce barriers to employment and education opportunities for youth in Chicago, including Black, Hispanic, Asian, and LGBTQ+ youth. In November 2023, the Company announced that it would continue the program for another year, providing another \$3 million in grant funding to support 18 of the initial 40 recipients. In addition to grant funds, McDonald’s has provided nonmonetary support to some recipients, including by providing meeting space when needed and supporting volunteer events.

We found that the Chicago Community Impact Grants Program is thoughtfully designed, including with respect to selecting recipient organizations and measuring the impact of the Company's giving to ensure that the program's objectives are being met. In partnering with the Trust—a local community foundation that works to connect donors, organizations, and residents to develop giving strategies that address Chicago's racial and ethnic wealth gap—the Company leveraged the Trust's expertise and relationships to design a giving strategy that addresses needs in local communities. McDonald's worked closely with the Trust to select recipients for the program, focusing on nonprofits working in racially diverse and economically disadvantaged communities on Chicago's South and West sides. Together with the Trust, McDonald's identified organizations working in those communities to develop support systems and programming focused on violence prevention, mental health services, life skills training, and pre-employment support for youth.

To measure the impact of its giving, McDonald's has designed regular reporting requirements to collect data from recipients, including regarding the number and demographics of people served and hours of services delivered due to the grant funding. In addition, McDonald's seeks feedback regarding recipients' progress, successes, and challenges in delivering their programs and holds quarterly meetings with recipients to discuss their feedback.

Based on the data collected, the Chicago Community Impact Grants program is meeting its objectives of supporting youth advancement in Chicago. The grant funds have allowed recipient organizations to expand their operations, including by hiring new staff or developing new programs to support the communities they serve. The feedback recipients have provided to the Company also reflects that, consistent with sentiments recipients shared with us, they would like McDonald's to offer additional nonmonetary support, including by providing meeting space for the organizations' use or by coordinating volunteer events.

### **Recommended Enhancements**

To ensure continued and sustained impact on the communities McDonald's serves, our recommendations are focused on enhancing the Company's engagement with and support of external partners.

- *Enhanced and Sustained Engagement with External Partners.* As McDonald's works to align its DEI strategies across the System through the Global DEI Center of Excellence, we understand that one of the Company's key priorities is to strengthen its relationships with external partners. McDonald's should evaluate those partnerships, including its level of charitable giving and other engagement (e.g., volunteerism, events), to identify opportunities for enhanced and sustained engagement aligned with the Company's priorities. McDonald's should also ensure that a dedicated point person or team is maintaining regular communications with its partner organizations and seeking feedback from those partners on opportunities for additional engagement.

The Company should also consider opportunities to update its external partners on McDonald's initiatives that may be of interest to the communities those partners serve. Providing such updates—regarding, for example, McDonald's franchisee recruitment initiative, educational opportunity programs, and community grant programs—can help increase awareness of opportunities among a broader range of stakeholders.

- *Continued Support for Chicago Community Impact Grants Program Recipients.* Through the Chicago Community Impact Grants Program, McDonald's has demonstrated its investment in its hometown. To further develop meaningful and sustained relationships within the Chicago community and to remain attuned to local needs, McDonald's should identify additional opportunities to provide nonmonetary support to past and present Chicago Community Impact Grants Program recipients, including through volunteerism, board memberships, or other engagement.

## **VIII. Conclusion**

Based on the work we conducted over the course of the Civil Rights Audit, we found that McDonald's has embraced its unique position to create meaningful opportunities for individuals and organizations of all backgrounds across its System and in the communities it serves throughout the United States. McDonald's also believes that its efforts in support of an inclusive System that represents its broad customer base greatly contribute to the success of its business. Many of the priorities and initiatives the Company has already implemented to promote the principles of diversity, equity, inclusion, and opportunity have had a substantial and positive impact on its employees, franchisees, suppliers, and communities more broadly. Through the significant resources it has invested and efforts it has made in pursuit of its global DEI ambition, McDonald's has demonstrated a genuine commitment to long-term progress. And, even where its efforts are well-developed, the Company has shown a focus on continuous refinement and innovation as it does this work.

As discussed in this Report, there are several opportunities for McDonald's to further develop its efforts going forward in a way that aligns with the Company's core values and supports the continued success of its brand. The recommended enhancements we have identified are intended to better position the Company to drive positive and lasting civil rights impact as it continues to implement its business strategy and priorities.

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<sup>1</sup> Consistent with the advisory shareholder proposal, this Report omits confidential and proprietary information. This Report also does not address matters that are subject to pending litigation.

<sup>2</sup> The Company, its franchisees, and its suppliers are collectively referred to as the “System.”

<sup>3</sup> See, e.g., Benevity Impact Labs, *State of Workplace DEI* (Apr. 13, 2023), <https://benevity.com/state-of-dei-2023>; Adam DeMattia, Enterprise Strategy Group, *A Mature Approach to Diversity, Equity, and Inclusion Delivers Real Results* (Mar. 2023), [https://media.bitpipe.com/io\\_16x/io\\_168145/item\\_2693001/ESG-Research-Insights-Paper-AWS-DEI-Mar-2023--.pdf](https://media.bitpipe.com/io_16x/io_168145/item_2693001/ESG-Research-Insights-Paper-AWS-DEI-Mar-2023--.pdf); Boston Consulting Group, *How Diverse Leadership Teams Boost Innovation* (Jan. 2018), <https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation>.

<sup>4</sup> Unlike individuals who work in McOpCo restaurants, who are employees of McDonald’s, those who work in franchised restaurants are not McDonald’s employees. Each franchisee is the exclusive employer of employees in their restaurants, with responsibility for setting all terms and conditions of employment, establishing all employment policies and practices, and handling all employment-related matters.

<sup>5</sup> For purposes of the Company’s reporting on its workforce representation, McDonald’s defines “underrepresented groups” as individuals who identify as Black, Indigenous, Asian or Pacific Islander, individuals of Hispanic or Latino/a/x descent, or individuals having a combination of these identities or attributes. Where this Report uses the term Asian, we are referring to individuals who identify as Asian or Pacific Islander. Where this Report uses the term Hispanic, we are referring to individuals who identify as Hispanic or Latino/a/x.

<sup>6</sup> McDonald’s Purpose & Impact Report 2023-2024 at 53 (“McDonald’s 2023-2024 P&I Report”).

<sup>7</sup> McDonald’s 2023-2024 P&I Report at 55.

<sup>8</sup> McDonald’s 2023-2024 P&I Report at 52.

<sup>9</sup> The Company’s EBNs are the Asian Pacific Middle East Network, Disability Inclusion Group, Global Women’s Leadership Network, Hispanic Employee Business Network, The McDonald’s Black Employee Network, PRIDE Employee Business Network, Veteran Employee Business Network, Working Parents Business Network, and Young Professionals Network.

<sup>10</sup> McDonald’s 2022 Diversity Snapshot at 4; McDonald’s 2023-2024 P&I Report at 55.

<sup>11</sup> McDonald’s 2022 Diversity Snapshot at 2; McDonald’s 2023-2024 P&I Report at 53.

<sup>12</sup> McDonald’s 2023-2024 P&I Report at 54, 56.

<sup>13</sup> McDonald’s 2023-2024 P&I Report at 56, 72.

<sup>14</sup> McDonald’s 2022 Diversity Snapshot at 6.

<sup>15</sup> McDonald’s 2022 Diversity Snapshot at 6; McDonald’s 2023-2024 P&I Report at 56, 72.

<sup>16</sup> McDonald’s diverse owner/operator associations are fora for franchisees to network, share best practices, and support the communities they serve. Franchisees have access to five association groups: the Asian McDonald’s Operator Association, the McDonald’s Hispanic Owner-Operators Association, the McDonald’s Owner-Operator Pride Network, the National Black McDonald’s Operators Association, and the Women Owners Network.

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<sup>17</sup> Among current franchisees, 21% of Asian franchisees, 13% of Black franchisees, and 9% of Hispanic franchisees are former Company employees.

<sup>18</sup> External candidates in this context refers to candidates with no previous connection to the System (known as “Registered Applicants”), as opposed to candidates who are the children or spouse of an existing franchisee (known as “Next Generation” or “Spouse” candidates, respectively) or who are McDonald’s employees.

<sup>19</sup> McDonald’s 2022 Diversity Snapshot at 1.

<sup>20</sup> McDonald’s 2023-2024 P&I Report at 57.

<sup>21</sup> McDonald’s has ten field offices assigned to different geographical areas of the United States, which are responsible for managing franchise operations within their respective territories.

<sup>22</sup> As noted in endnote 4, each franchisee is the exclusive employer of their restaurant employees.

<sup>23</sup> McDonald’s franchise agreements typically provide for a twenty-year term.

<sup>24</sup> McDonald’s defines diverse-owned suppliers as businesses that are 51% owned, managed and controlled by women and/or Black, Hispanic, Asian, Indigenous, veteran, LGBTQ+ and disabled persons or people having a combination of these identities or attributes.

<sup>25</sup> The 25% goal includes supplier spending by all restaurants, whether operated by McDonald’s or by franchisees. Further, this figure is inclusive of U.S. Company-owned restaurant spend, supply chain, restaurant development, marketing, legal, global technology, workplace solutions, communication, finance, global people, and other corporate functions. This figure also includes purchases made by franchisees for advertising, restaurant development, technology, food, distribution, packaging, equipment, and uniforms. This figure excludes non-controllables (taxes, utilities, rent, aircraft fuel, airport fees, facility leases, donations, bank fees, and subscriptions). McDonald’s spend figures with diverse-owned suppliers in the United States include both self-certified and formal industry-recognized certification and Tier 1 and Tier 2 spend. Tier 1 suppliers are those from which the Company buys directly. Tier 2 suppliers are those with which McDonald’s suppliers do business.

<sup>26</sup> McDonald’s 2022 Diversity Snapshot at 5; McDonald’s 2023-2024 P&I Report at 58.

<sup>27</sup> McDonald’s 2023-2024 P&I Report at 58.

<sup>28</sup> McDonald’s national marketing budget largely consists of funds from the franchisee-led OPNAD. OPNAD is funded by a percentage of gross annual sales contributed by each OPNAD member restaurant. OPNAD has approval authority over all marketing activities that it funds.

<sup>29</sup> McDonald’s 2023-2024 P&I Report at 59.

<sup>30</sup> The Supplier Code of Conduct reflects the minimum standards a supplier is expected to maintain in addition to all other applicable laws and regulations as well as any other legal agreements or contracts between McDonald’s and a supplier.

<sup>31</sup> McDonald’s 2023-2024 P&I Report at 58.

<sup>32</sup> The charitable giving guidelines state that recipients must abide by anti-discrimination principles. McDonald’s also invites recipients to sign onto its MCDEI pledge and provides them with nonmonetary resources to facilitate their efforts to make progress on the pledge.