MCDONALDS CORP
Form DEF 14A
April 10, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

McDonald s Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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Letter to Shareholders from McDonald s Board of Directors

Dear Fellow Shareholders:

Over the past few months in our shareholder outreach, investors told us they would like more transparency into the Board s processes, particularly those related to driving improved operating performance, Board refreshment and risk oversight. We welcome the opportunity to provide you with additional insights into our work in these areas in this letter to shareholders.

CEO Transition in 2015. First and foremost, McDonald s maintains an unwavering commitment to delivering value to shareholders. Although our financial discipline and strong financial position enabled us to return $6.4 billion to shareholders in the form of dividends and share repurchase in 2014, the Company s business performance fell significantly short of expectations. In response, the Board took action and elected Steve Easterbrook President and CEO and a member of McDonald s Board. Steve most recently served as McDonald s Chief Brand Officer, was previously President of McDonald s Europe and led McDonald s turnaround in the United Kingdom. We believe we selected the right person to lead the Company to renewed and continued success and look forward to working with Steve and his team through a turnaround of our business.

Active Board Engagement. We are actively engaged in overseeing the Company s strategy and performance through participation in formal Board and Committee meetings, holding 40 such meetings in 2014. We also have frequent informal discussions among Directors and with management. As our management team significantly enhanced our shareholder engagement program in the last year, we gained valuable feedback from McDonald s investors. Recognizing the importance of maintaining high standards of Director accountability and performance, in 2014 we engaged in a peer review process facilitated by an independent third party and overseen by the Chairman of the Governance Committee, as we have done in past years.

Ongoing Evolution of a Skilled and Diverse Board. The Board is currently composed of all independent Directors, except for the CEO, and is led by an independent chairman. Currently, 50% of Directors are minorities or women. Our nominees this year possess a breadth of experience and a range of relevant skills to provide effective oversight of the Company s strategies and performance. Importantly, the Board continues to evolve. In addition to welcoming Steve, in January we were pleased to announce the addition of Margo Georgiadis, President, Americas, Google Inc. Ms. Georgiadis brings fresh perspectives in retail, marketing, consumer and technology insights to the Board. Additionally, our former CEO, Don Thompson, stepped down from the Board in 2015 and Cary McMillan, a Director of the Company since 2003, is not standing for re-election and will retire from the Board effective as of the Annual Meeting. We thank both Don and Cary for their years of dedicated service to the Board and Company.

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Renewed Focus on Corporate Governance and Succession Planning. We are also acutely aware of changing dynamics facing businesses today and recognize the need to continue our evolution. Accordingly, we have taken the following actions:

- Expanded our shareholder engagement program to more consistently gather your feedback
- Reviewed the composition of the Board with a view to ensuring a balance of capabilities, perspectives and tenure
- Engaged a search firm to help us identify prospective candidates from a diverse candidate pool
- Separated the roles of Board Chairman and Governance Committee Chairman to establish greater independence around the Board s succession planning process
- Enhanced our risk oversight processes

We are committed to protecting your interests and working with urgency and focus to guide the Company in delivering improved operating performance and increased shareholder value. We recognize the challenges that lie ahead and we are confident that McDonald s will emerge from this period as an even stronger, better performing Company.

Thank you for your continued investment in McDonald s.

Sincerely,

The Board of Directors

Andrew J. McKenna, *Chairman*

Susan E. Arnold

Stephen J. Easterbrook

Robert A. Eckert

Margaret H. Georgiadis

Enrique Hernandez, Jr.

Jeanne P. Jackson

Richard H. Lenny

Walter E. Massey

Cary D. McMillan

Sheila A. Penrose

John W. Rogers, Jr.

Roger W. Stone

Miles D. White

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Proxy Summary

This summary contains highlights about our Company and the upcoming 2015 Annual Shareholders Meeting. This summary does not contain all of the information that you should consider in advance of the meeting, and we encourage you to read the entire Proxy Statement and our 2014 Annual Report on Form 10-K carefully before voting.

GOVERNANCE HIGHLIGHTS

McDonald s governance is guided by core values that have been part of our business for more than 50 years integrity, fairness, respect and ethical behavior. The strength of our governance is important to our success, and we continually review our practices to ensure the Board is aligned with evolving best practices and positioned to provide effective oversight in creating value for share- holders. Highlights of our governance include:

RECENT UPDATES

Our Board oversaw successful CEO transition in 2015 with promotion of strong internal candidate that enabled leadership continuity

Refreshed the Board with appointment of two new Directors in 2015, including one independent Director and new CEO

Two Director departures in 2015, including former CEO and Director with 12-year tenure not standing for re-election *(see page 8)*

Engaged with shareholders representing approximately 25% of shares outstanding over the last several months on a variety of topics, including board, governance and executive compensation practices *(see page 57)*

Updated Corporate Governance Principles and Committee Charters to more clearly define risk oversight responsibilities and formalize Governance Committee s role in Board succession planning *(see page 57)*

BOARD OF DIRECTORS

Separate Chairman and CEO roles, including an independent Chairman
All Directors are independent, except the CEO
Currently, 50% of Directors are minorities or women
Annual election of Directors
Board Committees are 100% independent (except Executive Committee, which has one management Director)
Executive sessions of independent Directors at each regularly scheduled Board meeting
Limited membership on other public company boards
Regular management and Board succession planning
Regular Board self-assessments and Director peer review
No former employees serve as Directors

SHAREHOLDER INTERESTS

Majority voting standard for uncontested Director elections
Shareholder right to call special meetings
No super-majority voting requirements

No exclusive forum selection clause
Stock Ownership Policy and Guidelines for senior management and Directors, respectively
Governance Committee regularly reviews Corporate Governance Principles and related policies
Ongoing shareholder outreach and engagement
No shareholder rights plan
Effective governance of compensation program, including annual advisory vote to approve executive compensation
Publicly disclose corporate political contributions under Board s policy
Confidential voting policy

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BOARD OF DIRECTORS

The following table provides summary information about Directors who are nominees for election at the annual meeting of shareholders. Additional information for our Directors may be found beginning on page 8.

	Director			*Committee Membership*					
Name	*Since*	*Primary Occupation*	*Independent*	*AC*	*CC*	*GC*	*SCR*	*FC*	*EC*
Susan E. Arnold	2008	Operating Executive, Global Consumer & Retail Group, The Carlyle Group							
Stephen J. Easterbrook	2015	President & CEO, McDonald s							**C**
Robert A. Eckert	2003	Operating Partner, Friedman, Fleischer & Lowe			**C**				
Margaret H. Georgiadis	2015	President, Americas, Google							
Enrique Hernandez, Jr.	1996	President & CEO,		**C**					

		Inter-Con Security Systems	FE				
Jeanne P. Jackson	1999	President, Product & Merchandising, NIKE					**C**
Richard H. Lenny	2005	Non-executive Chairman, Information Resources					
Walter E. Massey	1998	President, School of the Art Institute of Chicago				**C**	
Andrew J. McKenna	1991	Chairman, Schwarz Supply Source					
Sheila A. Penrose	2006	Non-executive Chairman, Jones Lang LaSalle					
John W. Rogers, Jr.	2003	Founder, Chairman & CEO, Ariel Investments					
Roger W. Stone	1989	Chairman & CEO, KapStone Paper and Packaging	FE				
Miles D. White	2009	Chairman & CEO, Abbott Laboratories			**C**		

2014 Meetings	8	7	7	5	4	1

AC	*Audit Committee*	C	*Chair*
CC	*Compensation Committee*	FE	*Financial expert*
GC	*Governance Committee*		
SCR	*Sustainability and Corporate Responsibility Committee*		
FC	*Finance Committee*		
EC	*Executive Committee*		

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EXECUTIVE COMPENSATION PROGRAM HIGHLIGHTS

We believe our compensation program provides an appropriate mix of elements to incentivize our executives to drive the Company s strategy while aligning their interests with those of our shareholders. Approximately 90% and 86% of our CEO s and NEOs direct compensation opportunity, respectively, is at risk, based on performance. In 2014, our shareholders demonstrated strong support for our approach to executive compensation, with more than 93% shareholder support on our advisory vote on compensation. Beginning in late 2014, we engaged with shareholders representing approximately 25% of shares outstanding on a variety of topics, including executive compensation practices. Management shared investor feedback with the Compensation Committee, and, in direct response, the Committee enhanced our compensation-related disclosures.

As further described in our Compensation Discussion and Analysis, we have strong pay-for-performance alignment. Our Short-Term Incentive Plan (STIP) requires a year-over-year increase in operating income to earn a payout; as operating income declined in 2014, our executives did not receive a payout under STIP this year. Moreover, based on performance through 2014, outstanding long-term incentive awards (both our Long-Term Cash Incentive Plan and performance-based restricted stock units) granted during 2013 and 2014 are projected to pay out at zero.

Below is a chart that summarizes the key elements of our executive compensation program:

Key Compensation Elements	*Performance-Based*	*Primary Metric*	*Terms*
Base Salary		N/A	Evaluated based on individual circumstances, including responsibility, performance and tenure
Short-Term Incentive Plan (STIP)		Operating income	Based upon various quantitative performance measures

		Included an individual performance factor through 2014 (no longer applicable to executives beginning in 2015)
Long-Term Cash Incentive Plan (LTIP)	Operating income Return on Incremental Invested Capital (ROIIC)	Based solely upon financial performance measures, including a relative total shareholder return measure Overlapping three-year cycles
Performance-based Restricted Stock Units (RSUs)	Earnings Per Share (EPS) Share price	Cliff vest at end of three-year service period Vesting subject to EPS growth target
Options	Share price	Vest 25% per year Ten-year term

Our Compensation Committee adheres to effective compensation best practices outlined below. For more detail, see pages 17:

WHAT WE DO

ü Pay for performance
ü Incentive plans require growth for payout
ü Long-term focus
ü Incentive payments are capped
ü Significant stock ownership requirements
ü Independent compensation consultant

WHAT WE DON T DO

- û No employment agreements
- û No tax gross-up on perquisites
- û No hedging or pledging
- û No backdating or repricing of stock options
- û Compensation programs do not encourage unreasonable risk taking

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VOTING MATTERS

Item	*Matter to be Voted On*	*Board Recommendation*	*Page Reference (for more detail)*
Management proposals			
Proposal 1	Election of Directors, each for a one-year term expiring in 2016	FOR each nominee	8
Proposal 2	Advisory vote to approve executive compensation	FOR	39
Proposal 3	Advisory vote to approve the appointment of Ernst & Young LLP as independent auditor for 2015	FOR	39
Shareholder proposals			

Proposals 4 9	Advisory votes on six shareholder proposals, if presented	AGAINST	42 52

Notice of the Annual Shareholders   Meeting

To McDonald s Corporation Shareholders:

McDonald s Corporation will hold its 2015 Annual Shareholders   Meeting on Thursday, May 21, 2015, at 9:00 a.m. Central Time in the Prairie Ballroom at The Lodge at McDonald s Office Campus, Oak Brook, Illinois. The registration desk will open at 8:00 a.m. At the meeting, shareholders will be asked to consider and vote upon the following proposals:

1. Election of 13 Directors, each for a one-year term expiring in 2016;

2. Advisory vote to approve executive compensation;

3. Advisory vote to approve the appointment of Ernst & Young LLP as independent auditor for 2015;

4. Advisory vote on six shareholder proposals, if presented; and

5. Transact other business properly presented at the meeting, including any adjournment or postponement thereof, by or at the direction of the Board of Directors.

Your Board of Directors recommends that you vote **FOR** the Board s nominees for the Election of Directors, **FOR** the approval of our executive compensation, **FOR** the approval of the independent auditor and **AGAINST** all of the shareholders proposals.

Your vote is important. Please consider the issues presented in this Proxy Statement and vote your shares as promptly as possible.

If you plan to attend the meeting in person, please be aware that you must pre-register with McDonald s Shareholder Services prior to the meeting. See page 68 for information about how to pre-register.

As an alternative to attending the meeting in person, you may listen to a live webcast by going to www.investor.mcdonalds.com and selecting the   Webcasts and Podcasts   icon and clicking on the appropriate link. The Annual Shareholders   Meeting webcast will be available for a limited time after the meeting.

By order of the Board of Directors,

Gloria Santona

Corporate Secretary

Oak Brook, Illinois

April 10, 2015

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Election of Directors

PROPOSAL NO. 1.

Election of Directors

The Director nominees are: Susan E. Arnold, Stephen J. Easterbrook, Robert A. Eckert, Margaret H. Georgiadis, Enrique Hernandez, Jr., Jeanne P. Jackson, Richard H. Lenny, Walter E. Massey, Andrew J. McKenna, Sheila A. Penrose, John W. Rogers, Jr., Roger W. Stone and Miles D. White.

All Directors will be elected annually for a one-year term. We have a majority vote standard for uncontested elections. Each of the incumbent Directors tendered an irrevocable resignation for the 2015 Annual Shareholders Meeting that will be effective if (i) the nominee is not re-elected; and (ii) the Board accepts the resignation following the meeting. The Governance Committee will determine whether to recommend that the Board accept the resignation. Information about the voting standard for this proposal appears on page 65.

The Board of Directors expects all nominees to be available for election. If any of them should become unavailable to serve as a Director for any reason prior to the Annual Shareholders Meeting, the Board may substitute another person as a nominee. In that case, your shares will be voted for that other person.

The Board of Directors recommends that shareholders vote FOR all 13 nominees.

DIRECTOR QUALIFICATIONS AND BIOGRAPHICAL INFORMATION

As of our Annual Meeting, our Board will consist of 13 Directors, 12 of whom are independent. Cary D. McMillan, a Director of the Company since 2003, will not stand for re-election, and will retire from the Board effective as of the Annual Meeting.

Our Directors have qualifications, skills and experience relevant to our business as the leading branded global quick service restaurant company. Each Director has senior executive experience in large organizations, many of which have significant global operations, and each independent Director has held directorships at other U.S. public companies and at not-for-profit organizations. In these positions, our Directors have demonstrated leadership, intellectual and analytical skills and gained deep experience in management and corporate governance. For information about our Director selection process, please see page 53.

Biographical information for our Directors is set forth in the following pages. Directly after the Director biographies is a matrix that includes the qualifications and skills considered by the Governance Committee when recommending nominees for election (see page 15).

Susan E. Arnold, 61

Director since: 2008

Committees: Compensation, Sustainability and Corporate Responsibility

Career Highlights	**The Carlyle Group**, *a global alternative asset manager* Operating Executive, Global Consumer & Retail Group (2013 Present) **The Procter & Gamble Company**, *a manufacturer and marketer of consumer goods* President Global Business Units (2007 2009) Vice Chair Beauty and Health (2003 2007)
Other Public Company Directorships	***Current:*** The Walt Disney Company
Other Directorships	***Current:*** NBTY, Inc.
Experience	Ms. Arnold has experience with consumer and retail companies in her current role and has been a senior executive responsible for major consumer brands in a large, global brand management company.

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Stephen J. Easterbrook, 47

Director since: 2015

Committees: Executive

Career highlights	**McDonald s Corporation** President and Chief Executive Officer (March 1, 2015 Present) Corporate Senior Executive Vice President and Global Chief Brand Officer (May 2014 February 2015) Corporate Executive Vice President and Global Chief Brand Officer (June 2013 April 2014) President, McDonald s Europe (December 2010 September 2011) Corporate Executive Vice President and Global Chief Brand Officer (September 2010 December 2010) Chief Executive Officer and President, McDonald s U.K. (April 2006 September 2010) and President, Northern Division, Europe (September 2010 December 2010) **Wagamama Limited**, *a Japanese-inspired restaurant company* Chief Executive Officer (September 2012 May 2013) **Pizza Express Limited**, *a casual dining company in the U.K.* Chief Executive Officer (September 2011 September 2012)
Other Public Company Directorships	None
Experience	Mr. Easterbrook provides a Company perspective in Board discussions about the business.

Robert A. Eckert, 60

Director since: 2003

Committees: Compensation (Chair), Governance, Executive

Career Highlights	**Friedman, Fleischer & Lowe**, *LLC, a private equity firm* Operating Partner (2014 Present) **Mattel, Inc.**, *a designer, manufacturer and marketer of toy products* Chairman of the Board (2000 2012)

Chief Executive Officer (2000 2011)

Other Public Company Directorships	***Current:*** Amgen Inc. ***Former (within past five years):*** Mattel, Inc.
Other Directorships	***Current:*** Levi Strauss & Co.
Experience	Mr. Eckert has experience with retail companies as part of his current role and also has experience as a chief executive officer of large, global branded companies (consumer branded and food products).

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Margaret (Margo) H. Georgiadis, 51

Director since: 2015

Committees: None

Career highlights	**Google Inc.**, *a global technology company* President, Americas (October 2011 Present) Vice President, Global Sales Operations (October 2009 March 2011) **Groupon, Inc.**, *a global online local marketplace* Chief Operating Officer (March 2011 September 2011)
Other Public Company Directorships	***Former (within past five years):*** The Jones Group, Inc.
Experience	Ms. Georgiadis has experience as a senior executive responsible for marketing, sales and service operations at several large global companies. She also has extensive experience leveraging data and technology to transform business operations, customer relationships and brands to drive profitable growth in retail, consumer and financial services businesses.

Enrique Hernandez, Jr., 59

Director since: 1996

Committees: Audit (Chair), Governance, Executive

Career Highlights	**Inter-Con Security Systems, Inc.**, *a provider of high-end security and facility support services to government, utilities and industrial customers* President and Chief Executive Officer (1986 Present) **Nordstrom, Inc.**, *an upscale fashion retailer and distributor of apparel, footwear and accessories* Non-executive Chairman (2006 Present)
Other Public	***Current:*** Chevron Corporation

Company Directorships	Nordstrom, Inc. Wells Fargo & Company

Experience Mr. Hernandez is the chief executive officer of a global security company and is a director of several large public companies in various industries. He also has experience as a Non-executive Chairman of a large public retailer.

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Jeanne P. Jackson, 63

Director since: 1999

Committees: Governance, Finance (Chair)

Career Highlights

NIKE, Inc., *a designer, marketer and distributor of athletic footwear, equipment and accessories*

President, Product & Merchandising (2013 Present)
President, Direct to Consumer (2009 2013)

MSP Capital, *a private investment company*
Chief Executive Officer (2002 2009)

Other Public Company Directorships

Current:
Kraft Foods Group, Inc.

Former (within past five years):
Motorola Mobility Holdings, Inc.

Experience

Ms. Jackson is a senior executive for a major consumer retailer and has experience as a senior executive in global brand management with several other major consumer retailers. She also has been a director of several large, public companies, primarily involved in consumer goods and services.

Richard H. Lenny, 63

Director since: 2005

Committees: Compensation, Sustainability and Corporate Responsibility, Finance

Career Highlights

Information Resources, Inc., *a leading market research firm*

Non-executive Chairman (2013 Present)

Friedman, Fleischer & Lowe, LLC, *a private equity firm*
Senior Advisor (2014 Present)
Operating Partner (2011 2014)

The Hershey Company, *a manufacturer, distributor and marketer of candy, snacks and candy-related grocery products*
Chairman, President and Chief Executive Officer (2001 2007)

Other Public Company Directorships	***Current:*** ConAgra Foods, Inc. Discover Financial Services Illinois Tool Works Inc.
Experience	Mr. Lenny has experience as a chief executive officer for a global retail food company that is a major consumer brand.

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Walter E. Massey, 77

Director since: 1998

Committees: Audit, Sustainability and Corporate Responsibility (Chair)

Career Highlights	**School of the Art Institute of Chicago** President (2010 Present) **Morehouse College** President Emeritus President (1995 2007)
Other Public Company Directorships	***Former (within past five years):*** Bank of America Corporation
Experience	Dr. Massey has experience in chief executive roles of several large academic organizations and as a director of multiple large, global public companies in various industries.

Andrew J. McKenna, 85

Director since: 1991

Non-Executive Chairman since: 2004

Committees: Governance, Executive

Career Highlights	**Schwarz Supply Source,** *a printer, converter, producer and distributor of packaging and promotional material* Chairman (1992 Present)
Other Public Company Directorships	***Former (within past five years):*** Aon Corporation Skyline Corporation
Experience	Mr. McKenna has experience as the chief executive officer of a large global provider of paper-based goods. He also has experience as a director of multiple large public companies,

charities and civic organizations.

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Sheila A. Penrose, 69

Director since: 2006

Committees: Audit, Sustainability and Corporate Responsibility

Career Highlights	**Jones Lang LaSalle Incorporated,** *a global real estate services and investment management firm* Non-executive Chairman (2005 Present) **Boston Consulting Group,** *a global management consulting firm* Executive Advisor (2001 2008) **Northern Trust Corporation,** *a financial services firm* President, Corporate and Institutional Services (1994 2000)
Other Public Company Directorships	***Current:*** Jones Lang LaSalle Incorporated
Experience	Ms. Penrose has experience as a senior executive of a large investment services and banking company, as executive advisor to a leading global consulting firm and as a chairman of a large, global real estate services and investment management firm.

John W. Rogers, Jr., 57

Director since: 2003

Committees: Compensation, Finance, Sustainability and Corporate Responsibility

Career Highlights	**Ariel Investments, LLC,** *a privately held institutional money management firm* Founder, Chairman of the Board and Chief Executive Officer (1983 Present) **Ariel Investment Trust** Trustee (1986 1993; 2000 present)
Other Public	***Current:***

Company Directorships	Ariel Investment Trust Exelon Corporation ***Former (within past five years):*** Aon Corporation Commonwealth Edison Company
Experience	Mr. Rogers is the chief executive officer of an institutional money management firm. He also has experience as a director of multiple public companies, charities and civic organizations.

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Roger W. Stone, 80

Director since: 1989

Committees: Audit, Governance, Finance

Career Highlights	**KapStone Paper and Packaging Corporation,** *formerly Stone Arcade Acquisition Corporation, a producer of paper, packaging and forest products* Chairman and Chief Executive Officer (2005 Present) Stone Tan China Holding Corporation, an investment holding company Chairman (2010 Present) Stone Tan China Acquisition (Hong Kong) Co. Ltd Chairman (2010 Present)
Other Public Company Directorships	***Current:*** KapStone Paper and Packaging Corporation
Experience	Mr. Stone is the chief executive officer of a large, global paper and packaging business.

Miles D. White, 60

Director since: 2009

Committees: Compensation, Governance (Chair)

Career Highlights	**Abbott Laboratories**, *a global pharmaceuticals and biotechnology company* Chairman and Chief Executive Officer (1999 Present)
Other Public Company Directorships	***Current:*** Abbott Laboratories Caterpillar, Inc.
Experience	Mr. White is the chief executive officer of a large pharmaceutical, biotechnology and nutritional health products company.

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KEY ATTRIBUTES AND SKILLS OF ALL DIRECTOR NOMINEES

High Integrity	Knowledge of Corporate Governance Practices	Strategic Planning Skills
Proven Record of Success	Leadership Development/Succession Planning Skills	Risk Assessment Skills

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Executive compensation

Compensation Committee Report

DEAR FELLOW SHAREHOLDERS:

The Compensation Committee has reviewed and discussed the Company s Compensation Discussion and Analysis with McDonald s management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Respectfully submitted,

The Compensation Committee

Robert A. Eckert, *Chairman*

Susan E. Arnold

Richard H. Lenny

John W. Rogers, Jr.

Miles D. White

Compensation Discussion and Analysis

Pay for performance compensation philosophy

In 2014, McDonald s executive compensation program was designed to support four strategic global growth priorities:

> Serving our customers favorite food and drinks;

> Offering a memorable customer experience;

> Providing unparalleled convenience; and

> Becoming an even more trusted brand.

The main objectives of our compensation program are to motivate our executives to increase profitability and shareholder returns, to pay compensation that varies based on performance, and to compete for and retain managerial talent, without promoting unreasonable risk taking.

In order to accomplish these objectives, the Compensation Committee of the Board of Directors (Committee) uses a mix of variable and fixed forms of compensation comprising of both short- and long-term incentive awards, based on various different objective performance metrics (both absolute and relative), as well as our stock price performance for certain awards.

The Committee annually reviews the executive compensation program with its independent compensation consultant to ensure that it remains aligned with the Company s current business objectives. On the basis of this review, as well as the 93% shareholder support of the 2013 program in last year s Say on Pay vote, no significant changes were made for 2014, and we are making limited changes for 2015 that are designed to more closely align pay and performance.

Named Executive Officers (NEOs)

NEOs refer to the following six executive officers whose compensation is described in this Proxy Statement, pursuant to requirements of the Securities and Exchange Commission (SEC).

Donald Thompson	President and Chief Executive Officer*
Peter J. Bensen	Senior Executive Vice President and Chief Financial Officer or CFO*
Douglas Goare	President of McDonald s Europe
David Hoffmann	President of McDonald s APMEA
Stephen Easterbrook	Senior Executive Vice President and Chief Brand Officer or CBO*
Timothy J. Fenton	Former Chief Operating Officer or COO

**Effective March 1, 2015, Mr. Thompson retired from the Company, Mr. Easterbrook assumed the role of President and CEO and Mr. Bensen assumed the role of Chief Administrative Officer.*

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2015 CEO and management changes

On March 1, 2015, Mr. Thompson retired as President and CEO and as a member of the Board of Directors after nearly 25 years of service to the Company. He was succeeded by Mr. Easterbrook who was also elected to the Board of Directors, filling the vacancy created by Mr. Thompson s retirement. Prior to this promotion, Mr. Easterbrook was Senior Executive Vice President and Chief Brand Officer, leading the Company s efforts to elevate its marketing, including digital initiatives, and advance its menu innovation. An accomplished Company veteran, Mr. Easterbrook previously served in key leadership roles across the Company s global business, including President of McDonald s Europe. In connection with Mr. Thompson s retirement, the Company entered into a retirement and consulting agreement with Mr. Thompson, which is more fully described on page 23.

Also effective March 1, 2015, Mr. Bensen was promoted to the newly-created role of Chief Administrative Officer. In his new position reporting to Mr. Easterbrook, Mr. Bensen oversees a number of functions supporting the Company s operations.

2014 pay for performance results

We believe that our executive compensation program appropriately aligns pay and performance. For example, 2014 was a challenging year for the Company in which operating income declined. As a result, the executives did not receive a payment under our 2014 Short-Term Incentive Plan (STIP), which required year over year increases in operating income in order for there to be a payout. Further, our 2014 performance will have a significant negative impact on the 2015, 2016 and 2017 payouts under our Long-Term Incentive Plan (LTIP) and performance-based restricted stock unit (RSU) awards. Please refer to the charts on page 22 for more specifics on the impact on outstanding long-term awards.

WHAT WE DO

ü **Pay for performance.**
Vast majority of direct compensation tied to performance relative to objective financial goals.

ü **Incentive plans require growth.**
STIP and LTIP require growth in operating income to yield any payout.

ü **Long-term focus.**
Majority of direct compensation opportunity is not paid out in the first year.

ü **Incentive payments are capped.**
STIP and LTIP have caps on potential payouts.

ü **Stock ownership requirements.**
Significant stock ownership and retention requirements: 6x base salary for CEO; 4x 5x base salary for other NEOs; stock grant retention feature adopted in response to shareholder feedback.

ü **Independent Compensation Consultant.**
The Committee is advised by Frederic W. Cook & Co., Inc. on executive compensation matters.

WHAT WE DON T DO

û **No employment agreements.**
Executives do not have employment agreements.

û **No tax gross-up on perquisites.**
Executives are required to pay tax on all perquisites they receive.

û **No hedging or pledging.**
Executives are prohibited from hedging or pledging shares.

û **No backdating or repricing of stock options.**
Equity plan prohibits granting stock options below market value and repricing of stock options.

û **Compensation programs do not encourage**

unreasonable risk taking.

The Committee is mindful of not encouraging unreasonable risks when it designs compensation programs and sets targets. Further, through the use of varied financial measures as well as caps on payouts under the STIP and LTIP, the Committee mitigates unreasonable risk taking.

Strong support of compensation program robust shareholder engagement

Our Board, the Committee and our management team value shareholder perspectives on our executive compensation program. As part of the Committee s annual review of the executive compensation program, it considers the outcome of our Say on Pay vote and feedback received from shareholders. Last year, our executive compensation program was approved by over 93% of the votes cast, demonstrating strong shareholder support for our approach to executive compensation. Beginning in late 2014, the Company engaged with shareholders representing approximately 25% of shares outstanding regarding our governance and executive compensation practices. Investor feedback regarding executive compensation primarily focused on enhancements to our disclosures, including additional graphic presentation. Our management team shared this feedback with the Committee and enhanced our disclosures accordingly.

Changes to align the compensation more closely with measurable financial and strategic performance metrics

ELIMINATION OF INDIVIDUAL PERFORMANCE FACTOR BEGINNING IN 2015

Historically STIP provided for the use of an individual performance factor (IPF) as a multiplier in calculating final awards. The Committee is eliminating the IPF multiplier in the calculation of STIP awards for executives for performance years beginning in 2015. This change removes the only subjective factor that was historically used in determining an executive s STIP award.

PAYOUTS FURTHER ALIGNED WITH ACHIEVED PERFORMANCE RESULTS

Historically the Company s performance-based RSU awards only provided for downside adjustment based on the Company s performance results against the pre-established objective thresholds. Beginning in 2015, the Company s performance-based RSU awards will be subject to payouts above or below target based upon the Company s performance results against the measurable, pre-established objective performance goals. This change provides for further motivation for executives to achieve performance results in excess of target, based on specific performance metrics that are consistent with the Company s overall strategic and financial objectives.

ADDING CHANGE IN SHARE OF GUEST TRAFFIC AS A METRIC IN 2015

In 2015, the LTIP awards will be subject to an additional measure designed to more closely align executive compensation with a key performance metric, change in the Company s share of guest traffic within the informal eating out category in the Company s top eight markets. The additional metric will serve as a modifier of up to 20 percentage points (positive or negative) on the payout factor that is determined based upon the results achieved against the principal performance metrics, as described further on pages 20 and 21.

ALIGNING RETIREMENT PROGRAM WITH MARKET PRACTICE

Based upon a review of retirement benefits, and consistent with actions taken in 2013 regarding the treatment of stock options, the Company determined that it was appropriate to align with market practice on the treatment of RSUs upon retirement. Beginning with 2014 awards, if conditions for retirement are satisfied (generally, 68 years of combined age and Company service), executives will be eligible for their full RSU award, however, performance-based RSUs will not accelerate and will remain subject to the performance conditions over the full performance period. Previously, executives would have only been entitled to pro-rata vesting of their RSUs based on the time employed during the vesting period.

ELEMENTS OF TOTAL DIRECT COMPENSATION

Our total direct compensation package for executives includes salary, STIP, LTIP, performance-based RSUs, and stock options, each as described below. Approximately 86% of the NEOs total direct compensation opportunity for 2014 was allocated to variable compensation that is at-risk based on performance, including short-term and long-term incentive compensation.

The following chart summarizes the key elements of our compensation program:

ELEMENTS OF EXECUTIVE COMPENSATION		*Principal metrics determining value**
Base salary	Cash	Fixed cash component
Annual incentives (STIP)	Cash	Operating income growth Individual performance factor**
Long-term incentives	LTIP (cash) Performance-based RSUs Stock options	Operating income growth Return on incremental invested capital (ROIIC) Earnings per share (EPS) Stock price

** Please refer to page 22 for a discussion of the Company s approach for setting targets.*

*** The individual performance factor has been eliminated starting in 2015.*

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The chart below shows Mr. Thompson s 2014 target total direct compensation opportunity, demonstrating the use of significant variable and performance-based forms of compensation.

DON THOMPSON TARGET DIRECT COMPENSATION

The above chart is comprised of his 2014 salary, target 2014 STIP award, target 2014-2016 LTIP award and Financial Accounting Standards Board values for equity awards granted in 2014.

Principal performance metrics

The following table lists the principal quantitative performance measures the Company uses in its executive compensation program.

PRINCIPAL PERFORMANCE MEASURE	*STIP*	*LTIP*	*Stock options*	*Performance-based RSUs*
Operating income growth	·	·		
Return on incremental invested capital		·		
Earnings per share				·
			·	·

Share price		

Note: Please refer to the Company s 2014 annual report for specific information regarding how the Company performed in 2014 for these performance measures. Operating income, ROIIC and EPS are based on the corresponding measures reported in our financial statements. With respect to these performance metrics, the Committee focuses on the fundamentals of the underlying business performance and adjusts for items that are not indicative of ongoing results. For example, operating income and EPS are expressed in constant currencies (i.e., excluding the effects of foreign currency translation), and other adjustments are made subject to pre-established guidelines. Charges/credits that may be excluded from operating income include: strategic items (such as restructurings, acquisitions and divestitures); regulatory items (changes in tax or accounting rules); and external items (extraordinary, non-recurring events such as natural disasters), and similar principles may apply to exclusions from EPS and when calculating ROIIC. For purposes of determining an executive officer s STIP payout, operating income growth is measured on a consolidated (referred to as Corporate) basis or an Area of the World (AOW) basis, or a combination of the two, depending on the executive officer s responsibilities.

Annual compensation

ANNUAL SALARY

Executives salaries vary based on individual circumstances (such as level of responsibility, individual performance, and tenure in position). While other executives did not receive annual base salary increases in 2014, Messrs. Bensen and Easterbrook each received a salary increase in connection with his respective promotion, and Mr. Hoffmann also received a salary increase as a matter of pay equity.

SHORT-TERM INCENTIVE PLAN (STIP)

Our STIP is designed to primarily reward growth in annual operating income, which measures the success of the most important elements of our business strategy. Operating income growth requires the Company to balance increases in revenue with financial discipline to produce strong margins and a high level of cash flow. If there is no growth in operating income, as was true for 2014, there is no payout under the STIP.

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If sufficient operating income growth is achieved, final STIP payouts take into account pre-established modifiers reflecting other measures of Corporate and/or AOW performance that are important drivers of our business. Examples of these modifiers in 2014 include the following objective metrics:

> Comparable Guest Counts;
> G&A expense control;
> Customers satisfaction with their restaurant experience; and
> Success of our human resources initiatives.

For 2014, if Company performance had resulted in a STIP payout, an individual performance factor which takes into account qualitative aspects of individual performance would have been applied as a multiplier that can have a significant positive or negative impact on the final payout. STIP design also caps final payouts at a percent of the target payout (the cap was 250% in 2014). As noted above, the individual performance factor was not applied in 2014 because there was no growth in operating income and therefore no payout under the STIP.

The flowchart below illustrates this process for 2014:

Long-term incentive compensation

LONG-TERM INCENTIVE PLAN (LTIP)

In February 2014, the Committee approved new cash LTIP awards for the performance period January 1, 2014 to December 31, 2016. Payouts will be initially determined based on the following quantitative measures over the three-year performance period: consolidated compound annual growth in operating income (weighted 75%) and three-year ROIIC (weighted 25%). The payout then will be subject to a Total Shareholder Return (TSR) multiplier, as further described on page 21. No awards will be earned unless threshold levels of the operating income and ROIIC are both met. The Committee believes the combination of operating income growth and ROIIC provides the appropriate balance in

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our long-term plan, as operating income growth focuses on the key elements of growing our business (as previously discussed) and ROIIC measures the effectiveness of our capital investments. Further, the Committee believes it is important to use a relative performance metric in a long-term plan. To that end, the TSR multiplier is utilized as it rewards above-market performance (relative to the S&P 500) while holding our executives accountable for below-market performance. The Committee believes that the S&P 500 Index is the most appropriate benchmark for comparing our performance as it represents a broad spectrum of investment alternatives that our shareholders may consider.

Final LTIP payouts will be determined as shown below:

The matrix below illustrates 2014-2016 LTIP payouts (prior to adjustment based on the relative TSR multiplier) as a percentage of the target award at different levels (threshold, target and maximum) of operating income and ROIIC performance:

2014 2016	*Threshold* *0%*	*Target* *100%*	*Maximum* *200%*
Consolidated compound annual operating income growth*	1%	5%	9%
ROIIC*	10	16	22

**Adjusted for compensation purposes as described on page 19. Payout percentage will be interpolated for results that fall between each of the performance levels specifically identified.*

The following table provides the impact of the relative TSR multiplier on the payout factor determined based upon results achieved against compound annual operating income growth and ROIIC for 2014-2016 LTIP awards:

CUMULATIVE TOTAL SHAREHOLDER RETURN VS. S&P 500 INDEX

80 100%-tile	15.0%

60 79%-tile	7.5		
40 59%-tile	0.0		
20 39%-tile	-7.5		
0 19%-tile	-15.0		

TIMING OF LTIP AWARD CYCLES

Beginning with the 2013 LTIP awards, the Committee adopted overlapping three-year LTIP cycles rather than discrete performance cycles as this maintains focus on long-term value creation while more closely aligning annual compensation targets with current Company performance. Further, this more closely aligns the Company s long-term incentive program structure with market practice. Overlapping cycles provide the opportunity to review and update the structure of the LTIP as well as performance measures each year, including the ability to take into account the then-current business environment. This allows the Company to sharpen the focus on the most current and relevant performance goals.

A new three-year cycle begins each year and results in smaller annual LTIP targets, rather than one larger target every three years (as was the case under our previous discrete cycle plan). Accordingly, once we complete the transition to overlapping cycles in 2015, our long-term cash component of total compensation will consist of three, three-year performance cycles running concurrently (i.e., 2013 2015; 2014 2016; 2015 2017).

PERFORMANCE-BASED RESTRICTED STOCK UNITS (RSUs)

An RSU provides the right to receive a share of McDonald s stock subject to both service- and performance-based vesting requirements.

The RSUs granted to executives in 2014 as part of the annual cycle are scheduled to vest on the third anniversary of the grant date, subject to the Company s achievement of an EPS growth target over the performance period running from January 1, 2014 to December 31, 2016. The target performance level for the RSUs granted to executives in 2014

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is 6% compounded annual growth in EPS on a cumulative basis. If target performance (or above) is achieved, the full number of RSUs covered by the 2014 awards will vest. Achievement of below-target performance reduces the number of RSUs that will vest, with none of the RSUs earned if there is 0% compounded annual growth in EPS on a cumulative basis over the performance period. Between 0% and 6% compounded annual growth in EPS on a cumulative basis over the performance period, the number of RSUs that vest will be determined pursuant to the previously approved earn out schedule. Above-target performance does not increase the number of RSUs earned.

All of the RSUs granted to the executives in 2011 vested in 2014 based on the achievement of 7.6% compounded annual EPS growth over the 2011 2013 performance period, which exceeded the target of 6%. Please refer to the chart below for payout and projected payouts for outstanding performance-based RSU awards.

STOCK OPTIONS

Options, including those granted in 2014, have an exercise price equal to the closing price of our common stock on the grant date, a term of ten years and vest ratably over four years, subject to continued service. The Company s policies and practices regarding option grants, including the timing of grants and the determination of the exercise price, are described on page 26.

Outstanding long-term incentives

The following charts provide details on our currently outstanding LTIP awards and performance-based RSU awards.

LTIP

	Performance targets		*Target relative measure*		
Performance period	*Compound annual operating income growth*	*3-year ROIIC*	*Cumulative TSR v. S&P 500*	*Projected payout**	*Payout date*
2013 2015	6.5%	18.0%	40 59th%-tile	0%	March 1, 2016
2014 2016	5.0	16.0	40 59th%-tile	0	March 1, 2017

RSUs

	Compound annual EPS growth targets	*Payout*	*Vesting date*

Performance period				
2012 2014		6%	40.5%	February 2015
2013 2015		6	0% (projected*)	February 2016
2014 2016		6	0% (projected*)	February 2017

** Based on performance results through 2014.*

Rigorous target setting drives Company performance

The Committee takes a holistic approach to establishing performance targets under the Company s incentive compensation programs. The Committee recognizes the importance of achieving an appropriate balance between supporting the Company s objective of rewarding executives for strong performance over both the short- and long-term and establishing realistic targets that continue to motivate and retain executives. As a result, each of our compensation plans provide for measurable, rigorous performance targets that are achievable but challenge executives to drive business results that produce shareholder value. In setting the performance targets, the Committee considered each of the following elements:

> The Company s short- and long-term strategy

> Publicly disclosed long-term financial targets as well as the Company s performance against such targets

> Economic, industry and competitive environments

> Peer group and market statistics regarding executive compensation levels and performance metrics

> Targets that are established to encourage a level of risk-taking that is appropriate, but not unreasonable in the context of the Company s business strategy

> Targets that are structured to avoid excessive risk-taking by using a variety of performance goals that apply over performance periods of varying lengths

The Company s recent results against the compensation targets demonstrate that the Committee has set challenging goals no payout for 2014 under the STIP and only 40.5% of the target number of 2012 2014 performance-based RSUs vested in early 2015. Further, please refer to charts above to see payout projections for outstanding long-term awards.

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Retirement savings arrangements

We believe a competitive retirement program contributes to the recruitment and retention of top executive talent. The executives participate in our tax-qualified defined contribution retirement savings plan (Profit Sharing Plan) and a supplemental non-qualified deferred compensation retirement plan that are the same as those in which certain staff participate.

Severance and change in control arrangements

SEVERANCE PLAN

All of the executives participate in our broad-based severance plan applicable to U.S.-based employees. Benefits under the severance plan are described under Potential Payments Upon Termination of Employment on page 35.

CHANGE IN CONTROL AGREEMENTS

During 2014, the Company had change in control agreements with Mr. Thompson (which, following his retirement, no longer applies) and Mr. Bensen. Benefits under the change in control agreements are described under Consequences of a Change in Control beginning on page 36. The Company has not entered into any change in control agreements since 2009 and will not enter into new change in control agreements going forward.

Retirement and consulting agreement with Mr. Thompson

In connection with Mr. Thompson s retirement, the Company entered into an agreement that sets forth the retirement benefits that Mr. Thompson is entitled to receive pursuant to the pre-established terms of the Company s benefit plans due to his age and years of Company service. In addition, the agreement provides that Mr. Thompson will provide consulting services to the Company for 12 months following his retirement, and it extends the term of his non-compete period by 6 months to March 2017. The agreement also provides for a general release of claims in favor of the Company and a non-disparagement covenant. The Committee recognizes Mr. Thompson s unique skill set and believes his consulting services will positively affect brand-impacting issues as a result of his system knowledge and key relationships. In consideration of the consulting services and extended non-compete period, the Company agreed to provide the following three benefits to Mr. Thompson: first, the Company waived the six-month notice period that is customarily required in advance of a retirement under the STIP, LTIP and the terms of the equity incentive awards. Second, Mr. Thompson will receive two payments of $1.5 million, one in September 2015 and one in March 2016. Finally, the Company agreed to amend the award of stock options made to Mr. Thompson in connection with his promotion to CEO in 2012 to provide for post-termination treatment consistent with the retirement treatment applicable to his other stock option awards (i.e., eligibility for continued vesting in accordance with the original vesting schedule and continued exercisability for the full term), an arrangement that will continue to align his interests with those of the Company s long-term shareholders. These additional benefits set forth in the agreement are conditioned upon Mr. Thompson s compliance with his commitments under the agreement and are subject to forfeiture or clawback.

Perquisites and other fringe benefits

McDonald s provides the following limited perquisites to executive officers: company-provided car or a car allowance, financial planning, annual physical examinations (which are also available for the executive officers spouses), executive security (for select executives), matching charitable donations, limited personal items and, generally in the case of the CEO only, personal use of the Company s aircraft (the CEO is required to reimburse a portion of the cost).

The Company does not provide any tax gross-ups with respect to perquisites. See footnote 5 to the Summary Compensation Table on pages 28 and 29 for a discussion of perquisites received by NEOs in 2014. Executives also participate in all of the broad-based benefit and welfare plans available to McDonald s staff in general.

The process for setting compensation

The Committee is responsible for reviewing and approving executive compensation. This includes approving the goals and payouts under the STIP and LTIP, target compensation opportunities and actual payouts, as well as the design of programs in which the executives participate. The Chairman of the Board and Chair of the Compensation Committee lead the Board s independent directors in the evaluation of the CEO s performance. Based upon the results of this performance evaluation, and informed by input from the Committee s independent consultant and the head of human resources, the Committee reviews and approves CEO compensation. The CEO is not involved in decisions regarding his own compensation.

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The role of management

Management recommends compensation generally (including opportunities and payouts) for executives other than the CEO to the Committee. The CEO recommends compensation packages for the NEOs. The head of human resources also provides input on compensation for each of the executives other than himself. In 2014, prior to each Committee meeting, the CEO and the CFO provided input on the materials prepared by management and presented to the Committee (except with respect to their own compensation).

The role of compensation consultants

The Committee has adopted a policy under which it has the sole authority to select, evaluate, retain and dismiss an independent compensation consultant. Management may not engage the Committee s consultant for any purpose. Frederic W. Cook & Co., Inc. (FWC) is the Committee s independent compensation consultant. FWC advises the Committee regarding (i) trends in executive compensation; (ii) specific compensation recommendations for the CEO, CFO and CBO (and previously the COO); (iii) applicable legislative and regulatory developments; and (iv) other matters as requested by the Committee from time to time. FWC also provides assistance to the Board in compiling and summarizing the results of Board and director evaluations and advice on director fees.

Consistent with its Charter, the Committee regularly considers FWC s independence and whether its work raises conflicts of interest under NYSE listing standards and SEC rules. Based on information received from FWC and other relevant considerations, the Committee concluded that FWC is independent and that its work for the Committee did not raise any conflicts of interest.

In addition, to identify and evaluate external trends and practices related to compensation and benefits strategy, design and administration, management considers survey data and other similar research obtained from various sources, including Towers Watson & Co., Aon Hewitt, which also provides us with significant plan administration services, and Equilar.

Pay position and peer companies in 2014

Consistent with our goal of providing competitive compensation, we review our executives total direct compensation compared to levels at a peer group of companies. When we set executive compensation targets we use the market median for each compensation element as a reference point; however, we do not specifically target any element of compensation at the market median.

We consider the composition of our peer group annually, and each year the Committee selects a peer group comprised of companies with which we compete for talent, including our direct competitors, major retailers, producers of consumer branded goods and companies with a significant global presence. The Committee takes into consideration size (revenue and market capitalization) and performance as well as other characteristics of large companies with complex international operations like those of the Company.

2014 PEER COMPANIES

3M Company	Johnson & Johnson	Starbucks Corporation
Best Buy Co., Inc.	Kellogg Company	Target Corporation
Burger King Worldwide, Inc.	Kraft Foods Group, Inc.	Unilever (United States)
The Coca-Cola Company	Lowe s Companies, Inc.	Walgreen Co.
Colgate-Palmolive Company	Mondeléz International, Inc.	Wal-Mart Stores, Inc.
Dunkin Brands Group, Inc.	Nestlé (United States)	The Walt Disney Company
FedEx Corporation	NIKE, Inc.	The Wendy s Company
General Mills, Inc.	PepsiCo, Inc.	Yum! Brands, Inc.
The Home Depot, Inc.	The Procter & Gamble Company	

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The table that follows provides a financial measurement summary comparing McDonald s size and performance to our peer group.

FINANCIAL COMPARISONS

(Dollars in millions)	*McDonald s*	*McDonald s vs. comparator group** Percentile	Rank
Revenues (most recent fiscal year)	$27,441	38%	16
Market capitalization (12/31/14)	$91,189	67	9
Systemwide sales (most recent fiscal year)	$87,787	96	2
1-year TSR (12/31/14)	-0.1%	9	22
3-year TSR (12/31/14)	1.0%	0	23
5-year TSR (12/31/14)	12.0%	24	17

**Financial data for Nestlé (United States) and Unilever (United States) is unavailable. Data generally as of March 18, 2015 as reported on Bloomberg.com.*

A note about changes in 2014 NEO compensation levels

Historically, the Committee has generally set target total direct compensation opportunity for newly promoted executives below the median of our peers, to reflect lack of tenure in the position. As tenure in a position grows, an executive s compensation level increases, both absolutely and relative to the peer group median. The Committee s approach is reflected in the increased awards of performance-based RSUs and stock options for certain of the NEOs in 2014. It is important to note that such equity increases were structured so that value will only be realized if the Company achieves financial performance metrics and the stock price increases. The Committee believes that maintaining competitive total direct compensation opportunities is critical to rewarding and retaining key talent.

COMPENSATION POLICIES AND PRACTICES

Policy regarding management s stock ownership

Historically, the Company has maintained stock ownership requirements because we believe executives will more effectively pursue the long-term interests of shareholders if they are shareholders themselves. The Committee reviews the policy annually, and in early 2014, the Committee enhanced these requirements by adding a retention component for equity awards. Further, in October 2014, the Committee increased the value of the stock that senior executive vice presidents are required to own to an amount equal to at least five times annual salary. This policy, including the new retention component, is described below. The following table provides our stock ownership requirements.

STOCK OWNERSHIP REQUIREMENTS LEVEL	*Multiple of salary*
President & CEO	6x
Senior Executive Vice President	5x
Other Executive Officers	4x

Executives have five years to achieve the required ownership level, and the five-year period to comply restarts each time an executive is promoted to a position with a higher ownership requirement. If an executive is not on track to meet his/her ownership requirements following the third year of the five-year period, he or she must retain the lesser of 50% of the net after-tax shares received upon the vesting of an RSU award or such percentage of net after-tax shares necessary to satisfy the applicable requirement. If an executive has not achieved the requisite stock ownership within five years, he or she must retain 100% of the net after-tax shares received upon the vesting of an RSU award and/or a stock option exercise until the required ownership level is attained. The Committee reviews compliance with these stock ownership requirements annually and currently all executives are in compliance with the policy.

Further, the Company has adopted restrictions that prohibit executives from engaging in derivative transactions to hedge the risk associated with their stock ownership. Recipients of equity awards may not enter into any agreement that has the effect of transferring or exchanging any economic interest in any award for any other consideration.

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Clawbacks and forfeiture provisions

The Company s compensation plans contain clawback provisions that require the repayment of compensation previously awarded under the STIP and the LTIP in certain circumstances (for example, the commission of fraud) and to the extent permitted under applicable law.

Under our severance plan, the Company may cease payment of any future benefits and require repayment of any previously paid severance amounts upon discovery of an act during employment that would have resulted in termination for cause.

Unexercised stock options and unpaid RSUs are subject to forfeiture if the Company determines that any executive committed an act or acts involving dishonesty, fraud, illegality or moral turpitude. Further, if an executive violates a restrictive covenant, the Company has the right to cancel outstanding awards.

Policy regarding future severance payments

The Company has a policy under which we will seek shareholder approval before entering into an agreement to provide a NEO with severance payments, including tax gross-ups, in excess of 2.99 times the sum of (i) the NEO s annual base salary as in effect immediately prior to termination of employment; plus (ii) the highest annual bonus awarded to the NEO by the Company in any of the three full fiscal years immediately preceding the fiscal year in which termination of employment occurs. Certain types of payments are excluded from this policy, such as amounts payable under arrangements that apply to classes of employees other than the NEOs or that predate the implementation of the policy, as well as any payment that the Committee determines is a reasonable settlement of a claim that could be made by a NEO.

Risk and compensation programs

Our compensation program is designed to mitigate the potential to reward unreasonable risk-taking that may produce short-term results that appear in isolation to be favorable, but that may undermine the successful execution of our long-term business strategy and erode shareholder value. In particular, our executive compensation program seeks to provide an appropriate balance of short-term and long-term incentives. Our incentive program incorporates performance metrics related to various measures of operational performance. By diversifying the time horizons and the applicable performance metrics of our incentives, we seek to mitigate the risk of significant compensation payments based on accomplishments in one area that may have a negative consequence for our business as a whole.

Internal pay equity

Compensation opportunities reflect our executive officers positions, responsibilities and tenure in a given position and are generally similar for executives who have comparable levels of responsibility (although actual compensation delivered may differ depending on relative performance). Although our executive pay decisions are based on individual performance and other criteria, we consider the potential impact of internal pay equity on morale, incentive, management alignment, and succession planning. In addition, from time to time, we make special one-time equity awards to executives in connection with their hiring or promotion. These awards permit us to meet one-time business objectives with minimum impact to long-term pay equity. No such awards were made in 2014.

Policy with respect to tax deductibility of compensation

We intend that our compensation programs usually will permit the Company to deduct compensation expense under Section 162(m) of the Internal Revenue Code (Code), which limits the tax deductibility of annual compensation paid to executives to $1 million, unless the compensation is performance-based. However, the Company may, from time to time, pay compensation that does not qualify as performance-based compensation under Section 162(m) of the Code.

Policies and practices regarding equity awards

We have a policy to not grant equity awards when the Company possesses material non-public information. The Company generally makes broad-based equity grants at approximately the same time each year following our release of financial information; however, the Company may choose to make equity awards outside of the annual broad-based grant (e.g., for certain new hires or promotions). Stock options may be granted only with an exercise price at or above the closing market price of the Company s stock on the date of grant.

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Compensation Tables

SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation earned by or paid to our NEOs in 2012, 2013 and 2014.

Name and principal position (a)	*Year (b)*	*Salary (1) ($)(c)*	*Stock awards (2) ($)(e)*	*Option awards (3) ($)(f)*	*Non-equity incentive plan compensation (4)*	*($)(g)*	*All other compensation (5) ($)(i)*	*Total ($)(j)*
Donald Thompson	2014	$1,250,000	$3,271,818	$2,362,665	*Annual:*	0	$404,095	$7,288,578
Former President and					*Long-term:*	0		
Chief Executive Officer					*Total:*	0		
(retired, effective	2013	1,225,000	4,667,552	1,769,687	*Annual:*	$ 1,400,000	434,425	9,496,664
March 1, 2015)					*Long-term:*	0		
					Total:	1,400,000		
	2012	979,167	660,129	3,206,663	*Annual:*	1,400,000	324,816	13,751,919
					Long-term:	7,181,144		
					Total:	8,581,144		
Peter J. Bensen	2014	858,333	1,026,200	741,028	*Annual:*	0	168,735	2,794,296
Senior Executive					*Long-term:*	0		

Vice President and Chief Financial Officer					*Total:*	0		
	2013	765,000	1,511,447	589,899	*Annual:*	569,000	164,298	3,599,644
					Long-term:	0		
(Chief Administrative Officer, effective March 1, 2015)					*Total:*	569,000		
	2012	708,333	465,904	818,945	*Annual:*	679,000	196,308	7,331,690
					Long-term:	4,463,200		
					Total:	5,142,200		
Stephen Easterbrook	2014	633,333	535,453	386,627	*Annual:*	0	134,449	1,689,862
Senior Executive Vice President and Chief Brand Officer					*Long-term:*	0		
					Total:	0		
(President and Chief Executive Officer, effective March 1, 2015)*(6)*								
Douglas Goare	2014	570,000	624,611	451,055	*Annual:*	0	1,259,655	2,905,321
President, McDonald s Europe					*Long-term:*	0		
					Total:	0		
	2013	566,000	969,078	383,437	*Annual:*	408,000	1,592,893	3,919,408
					Long-term:	0		
					Total:	408,000		
	2012	542,500	298,856	525,266	*Annual:*	500,000	889,836	4,508,723
					Long-term:	1,752,265		
					Total:	2,252,265		
David Hoffmann	2014	533,333	490,832	354,401	*Annual:*	0	1,381,119	2,759,685

President, McDonald s Asia, Pacific, Middle East and Africa (7)					*Long-term:*	0		
					Total:	0		
	2013	507,500	724,635	221,212	*Annual:*	207,000	1,578,609	3,238,956
					Long-term:	0		
					Total:	207,000		

table continued on next page

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Name and principal position (a)	*Year (b)*	*Salary (1) ($)(c)*	*Stock awards (2) ($)(e)*	*Option awards (3) ($)(f)*	*Non-equity incentive plan compensation (4)*	*($)(g)*	*All other compensation (5) ($)(i)*	*Total ($)(j)*
Timothy J. Fenton *Former Chief Operating Officer*	2014	$387,500	$1,026,200	$ 741,028	*Annual:*	0	$690,901	$2,845,629
					Long-term:	0		
					Total:	0		
	2013	770,833	1,778,202	589,899	*Annual:*	640,000	235,467	4,014,401
					Long-term:	0		
					Total:	640,000		
	2012	684,167	407,474	716,270	*Annual:*	677,000	198,455	5,888,819
					Long-term:	3,205,453		
					Total:	3,882,453		

(1) While other executives did not receive annual base salary increases in 2014, Messrs. Bensen and Easterbrook each received a salary increase in 2014 in connection with his respective promotion, and Mr. Hoffmann also received a special salary increase as a matter of pay equity.

(2) Computed in accordance with FASB ASC Topic 718, this represents the aggregate grant date fair value based on the probable outcome of the applicable performance conditions and excluding the effect of estimated forfeitures during the applicable vesting periods, of RSUs granted under the McDonald s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended (Prior Plan) or the McDonald s Corporation 2012 Omnibus Stock Ownership Plan (Current Plan), as applicable. Values are based on the closing price of the Company s common stock on the grant date, less the present value of expected dividends over the vesting period. Generally, RSUs vest on the third anniversary of the grant date and are subject to performance-based vesting conditions linked to the achievement of target levels of diluted EPS growth (as described beginning on page 21). Additional information is disclosed in the Grants of Plan-Based Awards table on pages 30 and 31 and the Outstanding Equity Awards at 2014 Year-end table on pages 32 and 33. A more detailed discussion of the assumptions used in the valuation of RSU awards may be found in the Notes to Consolidated Financial Statements under Share-based Compensation on page 44 of the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

(3) Computed in accordance with FASB ASC Topic 718, this represents the aggregate grant date fair value excluding the effect of estimated forfeitures during the applicable vesting periods of options. Options have an exercise price equal to the closing price of the Company s common stock on the grant date, vest in equal installments over a four-year period and are subject to the Prior Plan or the Current Plan, as applicable. Values for options granted in

2014 are determined using a closed-form pricing model based on the following assumptions, as described in the footnotes to the consolidated financial statements: expected volatility based on historical experience of 20.0%; an expected annual dividend yield of 3.3%; a risk-free return of 2.0%; and expected option life based on historical experience of 6.1 years. Additional information about options is disclosed in the Grants of Plan-Based Awards table on pages 30 and 31 and the Outstanding Equity Awards at 2014 Year-end table on pages 32 and 33. A more detailed discussion of the assumptions used in the valuation of option awards may be found in the Notes to Consolidated Financial Statements under Share-based Compensation on pages 34 and 44 of the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

(4) Our annual cash incentive plan is referred to as STIP and our long-term cash incentive plan is referred to as LTIP. Prior to 2013, LTIP operated on non-overlapping three-year cycles and payouts listed in 2012 are for the 2010-2012 cycle.

(5) All other compensation for 2014 includes the Company s contributions to the Profit Sharing Plan and Excess Benefit and Deferred Bonus Plan as follows:

Donald Thompson	$238,500
Peter J. Bensen	128,460
Stephen Easterbrook	75,591
Douglas Goare	88,020
David Hoffmann	66,630
Timothy J. Fenton	92,475

Also included are the following categories of perquisites: personal use of Company-provided cars or an allowance; life insurance; financial counseling; annual physical examinations for the executives and their spouses; executive security; matching charitable donations; limited miscellaneous items; and personal use (which includes travel for service on boards of directors other than our Board) of the Company s aircraft, with a net cost to the Company in 2014 of $122,164 for Mr. Thompson. In general, the CEO is the only executive permitted to use the aircraft for personal travel. However, in certain circumstances the CEO may at his discretion permit other executives to use the aircraft for personal travel. In addition, at the discretion of the CEO, other executives may be joined by their spouses on the aircraft. The Company does not provide any tax gross-ups on the perquisites described above.

In the case of the Company s NEOs based overseas, Messrs. Goare and Hoffmann, the amount in this column for 2014 also includes certain benefits in connection with their international assignments, as follows:

For Mr. Goare: Company-provided housing (in the amount of $171,315), which includes rent, rental furniture, utilities, cleaning and maintenance; a cost-of-living adjustment (in the amount of $147,224); home leave travel allowance; relocation and related allowances; tax preparation services; and tax equalization (in the amount of $772,650) which is designed to satisfy tax obligations arising solely as a result of his international assignment. Certain amounts were paid in local currency and in each case the amount reported reflects the exchange rate on the date the respective payments were made or the average monthly exchange rate.

For Mr. Hoffmann: Company-provided housing (in the amount of $425,688), which includes rent, rental furniture, utilities and maintenance; a cost-of-living adjustment (in the amount of $71,316); home leave travel allowance (in the amount of $88,872); educational expenses (in the amount of $122,543); transportation expenses; relocation expenses and related allowances; an expatriate membership; tax preparation services; and tax equalization (in the amount of $513,929) which is designed to satisfy tax obligations arising solely as a result of his international assignment. Certain amounts were paid in local currency and in these cases the amount reported reflects the exchange rate on the date the respective payments were made or the average monthly exchange rate.

Mr. Fenton previously performed an international assignment in Hong Kong, and as a result, he received certain tax-related benefits. In particular, Mr. Fenton participated in the Company s tax equalization program, which reimburses an executive s tax obligations arising solely as a result of an international assignment, to the extent that those tax obligations are in excess of taxes that would have been due had the executive not performed the international assignment. Although Mr. Fenton returned to the U.S. in April of 2010, he continued to have tax liability in Hong Kong in 2014 arising from his international assignment. In 2014, the cost of Mr. Fenton s tax equalization was $177,002, and consistent with Company policy, Mr. Fenton also received tax preparation services paid for by the Company.

The incremental cost of perquisites is included in the amount provided in the table and based on actual charges to the Company, except as follows: (i) Company-provided cars includes a pro rata portion of the purchase price, fuel and maintenance, based on personal use, and (ii) corporate aircraft includes fuel, on-board catering, landing/handling fees and crew costs and excludes fixed costs, such as pilot salaries and the cost of the aircraft. In accordance with Company policy, the CEO reimburses the Company for a portion of personal use of the corporate aircraft, calculated as the lower of (i) amount determined under the Code based on two times the Standard Industry Fare Level (SIFL) rate per person or (ii) 200% of the actual fuel cost.

(6) Mr. Easterbrook was not a NEO in 2012 or 2013.

(7) Mr. Hoffmann was not a NEO in 2012.

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GRANTS OF PLAN-BASED AWARDS FISCAL 2014

In 2014, the NEOs were eligible to receive annual cash awards under STIP and long-term cash awards under LTIP. Columns (d) and (e) below show the target and maximum awards they could have earned. Actual payouts for STIP are in column (g) of the Summary Compensation Table. In 2014, the NEOs also received two types of equity awards: RSUs subject to performance-based vesting criteria, (see columns (f), (g), (h) and (l)) and stock options (see columns (j), (k) and (l)).

			Estimated future payouts under non-equity incentive plan awards			Estimated future payouts under equity incentive plan awards			All other option awards: number of securities underlying option	Exercise or base price of option awards	Grant date fair value of stock and options awards (3)
Name (a)	*Plan*	*Grant date (b)*	*Threshold ($)(c)*	*Target ($)(d)*	*Maximum ($)(e)*	*Threshold (#)(f)*	*Target (#)(g)*	*Maximum (#)(h)*	*(#)(j)*	*($/Sh)(k)*	*($)(l)*
Donald Thompson	LTIP		0	$3,666,666	$8,433,332						
	STIP		0	2,000,000	5,000,000						
	Equity Plan*(1)*	2/12/14				0	38,642	38,642			$3,271,818
	Equity Plan(2)	2/12/14							193,186	$94.89	2,362,665
Peter J. Bensen	LTIP		0	1,150,000	2,645,000						
	STIP		0	900,000	2,250,000						
	Equity Plan*(1)*	2/12/14				0	12,120	12,120			1,026,200
	Equity Plan*(2)*	2/12/14							60,591	94.89	741,028

Stephen	LTIP		0	712,778	1,639,389						
Easterbrook	STIP		0	607,230	1,518,075						
	Equity Plan*(1)*	2/12/14				0	6,324	6,324			535,453
	Equity Plan*(2)*	2/12/14							31,613	94.89	386,627
Douglas	LTIP		0	585,000	1,345,500						
Goare	STIP		0	484,500	1,211,250						
	Equity Plan*(1)*	2/12/14				0	7,377	7,377			624,611
	Equity Plan*(2)*	2/12/14							36,881	94.89	451,055
David	LTIP		0	585,000	1,345,500						
Hoffmann	STIP		0	484,500	1,211,250						
	Equity Plan*(1)*	2/12/14				0	5,797	5,797			490,832
	Equity Plan*(2)*	2/12/14							28,978	94.89	354,401

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			Estimated future payouts under non-equity incentive plan awards			*Estimated future payouts under equity incentive plan awards*					
Name (a)	*Plan*	*Grant date (b)*	*Threshold ($)(c)*	*Target ($)(d)*	*Maximum ($)(e)*	*Threshold (#)(f)*	*Target (#)(g)*	*Maximum (#)(h)*	*All other option awards: number of securities underlying option (#)(j)*	*Exercise or base price of option awards ($/Sh)(k)*	*Grant date fair value of stock and options awards (3) ($)(l)*
Timothy J. Fenton	LTIP		0	$1,333,000	$3,065,900						
	STIP		0	968,750	2,421,875						
	Equity Plan*(1)*	2/12/14				0	12,120	12,120			$1,026,200
	Equity Plan*(2)*	2/12/14							60,591	$94.89	741,028

(1) Reflects grants of RSUs subject to performance-based vesting conditions under the Current Plan. The RSUs vest on February 12, 2017, subject to achievement of a specified EPS growth target during the performance period ending on December 31, 2016. The performance target for these RSU awards granted to the NEOs in 2014 is compounded annual EPS growth of 6% on a cumulative basis. If target is achieved, 100% of the RSUs will vest. If no compounded EPS growth is achieved, no RSUs will vest. If compounded EPS growth is achieved, but below target, the awards will vest proportionally, as established by the Committee. It is currently estimated that the payout of these awards will be zero based upon performance results through 2014.

(2) Reflects grants of options in 2014. For details regarding options, please refer to footnote 3 to the Summary Compensation Table on page 28.

(3) The values in this column for RSUs and options were determined based on the assumptions described in footnotes 2 and 3, respectively, to the Summary Compensation Table on page 28.

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OUTSTANDING EQUITY AWARDS AT 2014 YEAR-END

	Option awards				*Stock awards*			
Name (a)	*Number of securities underlying unexercised options exercisable (1) (#)(b)*	*Number of securities underlying unexercised options unexercisable (1) (#)(c)*	*Option exercise price ($)(e)*	*Option expiration date (f)*	*Number of shares or units of stock that have not vested (2) (#)(g)*	*Market value of shares or units of stock that have not vested (2)(3) ($)(h)*	*Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (4) (#)(i)*	*Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (3)(4) ($)(j)*
Donald	25,299	0	$32.60	02/16/2015				
Thompson	20,611	0	36.37	02/14/2016				
	24,984	0	45.02	02/14/2017				
	44,492	0	56.64	02/13/2018				
	47,820	0	57.08	02/11/2019				
	26,275	0	57.08	02/11/2019				
	73,021	0	63.25	02/10/2020				
	48,393	16,131	75.93	02/09/2021				
	42,504	42,504	100.05	02/08/2022				
	84,698	84,698	88.53	06/29/2022				
	39,896	119,679	94.00	02/13/2023				
	0	193,186	94.89	02/12/2024			101,781	$9,536,880
Stephen	11,747	35,232	$98.42	06/14/2023				
Easterbrook	0	31,613	94.89	02/12/2024			15,723	$1,473,245
Peter J.	15,870	0	$36.37	02/14/2016				
Bensen	15,157	0	45.02	02/14/2017				
	24,100	0	56.64	02/13/2018				
	40,463	0	57.08	02/11/2019				
	49,787	0	63.25	02/10/2020				
	34,579	11,526	75.93	02/09/2021				
	29,998	29,998	100.05	02/08/2022				
	13,298	39,894	94.00	02/13/2023				

	0	60,591	94.89	02/12/2024			35,349	$3,312,201
Douglas Goare	12,050	0	$56.64	02/13/2018				
	15,634	0	57.08	02/11/2019				
	16,596	0	63.25	02/10/2020				
	12,965	4,321	75.93	02/09/2021				
	19,241	19,240	100.05	02/08/2022				
	8,646	25,929	94.00	02/13/2023				
	0	36,881	94.89	02/12/2024			22,272	$2,086,886
David Hoffmann	5,247	0	45.02	02/14/2017				
	5,562	0	56.64	02/13/2018				
	7,357	0	57.08	02/11/2019				
	9,128	0	63.25	02/10/2020				
	6,224	2,074	75.93	02/09/2021				
	5,249	5,246	100.05	02/08/2022				
	3,499	3,498	100.05	02/08/2022				
	4,989	14,958	94.00	02/13/2023				
	0	28,978	94.89	02/12/2024	1,500	$140,550	14,468	$1,355,652

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	Option awards				*Stock awards*			
Name (a)	*Number of securities underlying unexercised options exercisable (1) (#)(b)*	*Number of securities underlying unexercised options unexercisable (1) (#)(c)*	*Option exercise price ($)(e)*	*Option expiration date (f)*	*Number of shares or units of stock that have not vested (2) (#)(g)*	*Market value of shares or units of stock that have not vested (2)(3) ($)(h)*	*Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (4) (#)(i)*	*Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (3)(4) ($)(j)*
Timothy J. Fenton	24,320	0	57.08	02/11/2019				
	46,468	0	63.25	02/10/2020				
	31,115	10,371	75.93	02/09/2021				
	26,238	26,236	100.05	02/08/2022				
	13,298	39,894	94.00	02/13/2023				
	0	60,591	94.89	02/12/2024			24,581	$2,303,240

(1) In general, options expire on the tenth anniversary of grant. For details regarding equity treatment upon termination, see page 36.

(2) Mr. Hoffmann s RSUs reflected in columns (g) and (h) are not subject to performance-based vested conditions because they were granted before Mr. Hoffmann was an executive. Our practice is to grant RSUs subject to performance-based vesting conditions to our executives. 1,500 of these RSUs vested on February 8, 2015.

(3) Calculated by multiplying the number of shares covered by the award by $93.70, the closing price of Company stock on the New York Stock Exchange on December 31, 2014.

(4) Reflects unvested performance-based RSUs that are scheduled to be paid out as follows if the targets are met (or were paid out, in the case of awards that vested in 2015).

Named executive officer	*Vesting date*	*Number of performance-based RSUs*	*Vesting date*	*Number of performance-based RSUs*
Donald Thompson	2/8/2015	7,287	2/13/2016 *(1)*	23,937
	2/13/2016	31,915	2/12/2017	38,642
Peter J. Bensen	2/8/2015	5,143	2/13/2016 *(1)*	7,447
	2/13/2016	10,639	2/12/2017	12,120
Stephen Easterbrook	6/14/2016	9,399		
	2/12/2017	6,324		
Douglas Goare	2/8/2015	3,299	2/13/2016 *(1)*	4,681
	2/13/2016	6,915	2/12/2017	7,377
David Hoffmann	2/13/2016	3,990	2/12/2017	5,797
	2/13/2016 *(1)*	4,681		
Timothy J. Fenton	2/8/2015	4,498	2/13/2016 *(1)*	7,685
	2/13/2016	7,684	2/12/2017	4,714

(1) Reflects the vesting date for 50% of these RSUs, and the remaining RSUs will vest upon the executives retirement, subject to the applicable performance conditions.

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OPTION EXERCISES AND STOCK VESTED FISCAL 2014

	Option awards		*Stock awards*	
Name (a)	*Number of shares acquired on exercise (#)(b)*	*Value realized on exercise ($)(c)*	*Number of shares acquired on vesting (#)(d)*	*Value realized on vesting ($)(e)*
Donald Thompson	60,000	$4,271,298	9,218	$884,191
Peter J. Bensen	0	0	6,587	631,825
Stephen Easterbrook	0	0	0	0
Douglas Goare	0	0	2,470	236,922
David Hoffmann	4,906	314,775	1,186	113,761
Timothy J. Fenton	47,992	1,907,782	5,927	568,518