MCDONALDS CORP
Form DEF 14A
April 12, 2013
Table of Contents

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:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Table of Contents

Contents

Table of Contents

Table of Contents

PROXY SUMMARY

This summary contains highlights about our Company and the upcoming 2013 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 2012 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 key to our success, and we continually review our practices to ensure effective collaboration of management and our Board to yield value for shareholders. Highlights of our governance include:

Recent Updates

> Declassified Board phase in begins Directors elected in 2013 to serve one-year terms

> Modifications to our long-term cash incentive plan (CPUP) and equity compensation program (see page 4)

Board of Directors

> Independent Chairman

> 13 Directors; 12 are independent

> Over 50% of Directors are women or minorities

> Committee members are independent (except Executive Committee, which has one management Director)

> Executive sessions of independent Directors at each regularly-scheduled meeting

> All Directors attended over 90% of all Board and committee meetings in 2012

> Limited membership on other public company boards

>

Regular succession planning oversaw successful transition of CEO in 2012 with promotion of strong internal candidate that enabled leadership continuity (see page 14)

> Majority of Audit Committee members are   financial experts

> Regular Board self-assessments and Director peer review

> No former employees serve as Directors

Shareholder Interests

> Majority voting standard for uncontested Director elections

> No super-majority voting requirements

> No shareholder rights plan

> Shareholders hold right to call special meetings

> No exclusive forum selection clause

> Annual advisory vote to ratify independent auditor (see page 42)

> Confidential voting policy

> Publicly disclose corporate political contributions under Board s policy

> Best practices in our executive compensation program noted below, including annual advisory vote to approve executive compensation

FINANCIAL HIGHLIGHTS

In 2012, McDonald s grew its operating income, earnings per share and comparable sales in every one of its geographic segments, despite a challenging global economic and operating environment. We continue to manage our business for the long-term, while staying committed to driving near-term growth. McDonald s cumulative five-year shareholder return was 175%. We returned $5.5 billion to our shareholders through dividends paid and share repurchases in 2012, and we returned $16.5 billion from 2010-2012. The charts below illustrate elements of our financial performance:

Table of Contents

EXECUTIVE COMPENSATION PROGRAM HIGHLIGHTS

We believe our compensation program provides an appropriate mix of elements to incentivize our executives to drive the business forward while aligning their interests with those of our shareholders. Currently, approximately 89% and 84% of our CEO s and NEOs direct compensation opportunity, respectively, is performance-based. In 2012, our shareholders demonstrated strong support for our executive compensation program by approving it with over 94% of the votes.

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

Direct compensation elements	*Performance-based*	*Primary metric(s)*	*Terms*
Salary		n/a	Evaluated annually, based on competitive benchmarks and individual performance
Annual Cash Incentive (TIP)	X	Operating Income	Based upon various quantitative performance measures Includes an individual qualitative factor
Long-Term Cash Incentive (CPUP)	X	Operating Income Return on Total Assets (ROTA)*	Based solely upon financial performance measures Non-overlapping three-year cycles*

Restricted Stock Units (RSUs)**	X	Earnings per share (EPS) Stock Price	Cliff vest at end of three-year service period Vesting subject to financial performance measures
Stock Options**	X	Stock Price	Vest 25% per year Ten-year term

* Beginning in 2013, ROTA, one of the primary metrics for CPUP, has been replaced with the three-year Return on Incremental Invested Capital (ROIIC) because it measures the effects of incremental (rather than cumulative historical) capital investment decisions. CPUP has also transitioned to overlapping three-year cycles in an effort to maintain participants focus on long-term value creation while more closely aligning annual compensation with Company performance. Further, this more closely aligns CPUP with market practice. (see pages 20-22)

** Beginning in 2013, to further align our equity compensation program with market practice, equity awards to executives will be comprised of 50% of the grant date value in options and 50% in performance-based RSUs, rather than the prior mix of 70% in options and 30% in RSUs.

Indirect compensation elements include retirement programs with matching contributions and other limited, personal benefits.

Best practices associated with our executive compensation program include:

> Vast majority of total direct compensation tied to performance, thereby aligning a significant portion of executive compensation payouts with shareholder return

> Variety of quantitative metrics, including total shareholder return relative to S&P 500 Index in our long-term plan (CPUP)

> Significant stock ownership requirements for senior management; CEO is required to own six times his salary

> Incentive plans require growth in operating income to yield any payments

> Capped incentive payments

> Clawback provisions

> No employment agreements

> No intention to enter into new change in control agreements; existing agreements have a double trigger

> Compensation Committee is advised by independent compensation consultant

> Hedging and pledging policies in place. No executive has hedged or pledged shares

Table of Contents

VOTING MATTERS

	Board vote recommendation	*Page reference (for more detail)*
Management proposals		
Election of four Directors, each for a one-year term expiring in 2014	FOR EACH DIRECTOR NOMINEE	8
Advisory vote to approve executive compensation	FOR	42
Advisory vote to approve the appointment of Ernst & Young LLP as independent auditor for 2013	FOR	42
Shareholder proposals		
Advisory vote requesting an annual report on executive compensation, if presented	AGAINST	45
Advisory vote requesting an executive stock retention policy, if presented	AGAINST	47

Advisory vote requesting a human rights report, if presented	AGAINST	48
Advisory vote requesting a nutrition report, if presented	AGAINST	50

ELECTION OF DIRECTORS (PROPOSAL NO. 1)

The following table provides summary information about our nominees for election to the Board of Directors. Additional information for all of our Directors, including the nominees, may be found beginning on page 8.

Name	*Director since*	*Primary occupation*	*Independent*	*Other public company boards*
Walter E. Massey	1998	President, School of the Art Institute of Chicago	X	
John W. Rogers, Jr.	2003	Founder, Chairman & CEO, Ariel Investments	X	Ariel Investment Trust Exelon
Roger W. Stone	1989	Chairman & CEO, KapStone Paper and Packaging	X	KapStone Paper and Packaging
Miles D. White	2009	Chairman & CEO, Abbott Laboratories	X	Abbott Caterpillar

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION (PROPOSAL NO. 2)

We are asking shareholders to cast an advisory, nonbinding vote to approve compensation awarded to our named executive officers. The key objectives of our executive compensation program are to motivate our executives to increase profitability and shareholder returns, to tie pay to performance effectively, and to compete effectively for and retain managerial talent. Additional information regarding our executive compensation may be found elsewhere in this Proxy Statement.

Table of Contents

ADVISORY VOTE TO APPROVE INDEPENDENT AUDITOR (PROPOSAL NO. 3)

We are asking shareholders to approve the appointment of Ernst & Young LLP as independent auditor for 2013. Set forth below is information about its fees in 2012 and 2011.

Type of fees *(In millions)*	*2012*	*2011*
Audit fees	$ 11.3	$ 11.5
Audit-related fees	0.7	0.4
Tax fees	1.2	1.1
All other fees	0.1	0
Total	$ 13.3	$ 13.0

ADVISORY SHAREHOLDER PROPOSALS (PROPOSAL NOS. 4-7)

If presented at the meeting, shareholders will be asked to vote on each of the following advisory shareholder proposals:

> Annual report on executive compensation

> Executive stock retention policy

> Human rights report

> Nutrition report

For the reasons outlined in this Proxy Statement, we do not support these requests and ask shareholders to vote against each of these proposals.

MEETING INFORMATION

Date and time	May 23, 2013, 9:00 a.m. Central Time
Place	McDonald s Office Campus, The Lodge, Prairie Ballroom 2815 Jorie Boulevard Oak Brook, Illinois 60523
Record date	March 25, 2013
Voting	Shareholders at the close of business on the record date may vote at the Annual Shareholders Meeting. Each share is entitled to one vote on each matter to be voted upon.
Attendance	We encourage shareholders to listen to the meeting via live webcast as seating in the Prairie Ballroom is limited. If you decide to attend in person, please follow the pre-registration instructions on page 67.

Table of Contents

Notice of the Annual Shareholders Meeting

TO McDONALD S CORPORATION SHAREHOLDERS:

McDonald s Corporation will hold its 2013 Annual Shareholders Meeting on Thursday, May 23, 2013, 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 7:30 a.m. At the meeting, shareholders will be asked to:

1. Elect four Directors, each for a one-year term expiring in 2014;
2. Cast an advisory vote to approve executive compensation;
3. Cast an advisory vote to approve the appointment of Ernst & Young LLP as independent auditor for 2013;
4. Cast an advisory vote on a shareholder proposal requesting an annual report on executive compensation, if presented;
5. Cast an advisory vote on a shareholder proposal requesting an executive stock retention policy, if presented;
6. Cast an advisory vote on a shareholder proposal requesting a human rights report, if presented;
7. Cast an advisory vote on a shareholder proposal requesting a nutrition report, if presented; and
8. 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 Director, ***FOR*** the approval of our executive compensation, ***FOR*** the approval of the independent auditor and ***AGAINST*** all of the shareholder 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 67 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.

Thank you.

By order of the Board of Directors,

Gloria Santona

Corporate Secretary

Oak Brook, Illinois

April 12, 2013

Table of Contents

Election of Directors

PROPOSAL NO. 1.

ELECTION OF DIRECTORS

The nominees for Director are: Walter E. Massey, John W. Rogers, Jr., Roger W. Stone and Miles D. White.

The Board is currently divided into three classes. We are in the process of declassifying our Board, and beginning at the 2015 Annual Shareholders Meeting each Director will be elected for a one-year term. The four current nominees are standing for election as Directors to hold office for a one-year term expiring in 2014.

Information about the voting standard for this proposal appears on page 64. Each of the incumbent Directors who is nominated for re-election tendered an irrevocable resignation for the 2013 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.

The Board of Directors expects all four 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 four nominees.

DIRECTOR QUALIFICATIONS AND BIOGRAPHICAL INFORMATION

Our Board of Directors currently consists of 13 Directors, 12 of whom are independent. Our Directors have qualifications, skills and experience relevant to our business as the leading branded global quick service restaurant retailer. Each Director has senior executive experience in large organizations, many of which have significant global operations, and 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 below, including the qualifications, skills and experiences considered by the Governance Committee when recommending them for election.

Susan E. Arnold, 59

Director since 2008

Class 2014

OTHER CURRENT DIRECTORSHIPS: The Walt Disney Company

CAREER HIGHLIGHTS:

The Procter & Gamble Company, a manufacturer and marketer of consumer goods

> Special assignment reporting to Chief Executive Officer (2009)

> President Global Business Units (2007 2009)

> Vice Chair, P&G Beauty and Health (2006 2007)

> Vice Chair, P&G Beauty (2004 2006)

EXPERIENCE AND QUALIFICATIONS: Ms. Arnold was a senior executive responsible for major consumer brands in a large, global brand management company. She has knowledge of product development, strategy and business development, finance, marketing and consumer insights and sustainability.

Table of Contents

Robert A. Eckert, 58

Director since 2003

Class 2015

OTHER CURRENT DIRECTORSHIPS: Amgen Inc. and Levi Strauss & Co.

FORMER DIRECTORSHIPS (within past five years): Mattel, Inc.

CAREER HIGHLIGHTS:

Mattel, Inc., a designer, manufacturer and marketer of toy products

> Chairman of the Board (2000 2012)

> Chief Executive Officer (2000 2011)

EXPERIENCE AND QUALIFICATIONS: Having served as chief executive officer of large, global branded companies (consumer branded and food products), Mr. Eckert has knowledge of product development, marketing and consumer insights, corporate governance, leadership development and succession planning, finance, risk assessment, supply chain management and distribution and strategy and business development.

Enrique Hernandez, Jr., 57

Director since 1996

Class 2015

OTHER CURRENT DIRECTORSHIPS: Chevron Corporation, Nordstrom, Inc. and Wells Fargo & Company

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.

> Non-executive Chairman (2006 Present)

EXPERIENCE AND QUALIFICATIONS: Mr. Hernandez is the chief executive officer of a global security company and has been a director of several large public companies in various industries. He has knowledge of strategy and business development, corporate governance, finance, risk assessment, and leadership development and succession planning.

Jeanne P. Jackson, 61

Director since 1999

Class 2015

OTHER CURRENT DIRECTORSHIPS: Kraft Foods Group, Inc.

FORMER DIRECTORSHIPS (within past five years): Harrah s Entertainment, Inc., Motorola Mobility Holdings, Inc., NIKE, Inc. and Nordstrom, Inc.

CAREER HIGHLIGHTS:

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

> President, Direct to Consumer (2009 Present)

MSP Capital, a private investment company

> Chief Executive Officer (2002 2009)

EXPERIENCE AND QUALIFICATIONS: 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. She has knowledge of product development, strategy and business development, leadership development and succession planning, finance, and marketing and consumer insights.

Table of Contents

Richard H. Lenny, 61

Director since 2005

Class 2014

OTHER CURRENT DIRECTORSHIPS: ConAgra Foods, Inc. and Discover Financial Services

CAREER HIGHLIGHTS:

Friedman, Fleischer & Lowe, LLC, a private equity firm

> Operating partner (2011 Present)

The Hershey Company, a manufacturer, distributor and marketer of candy, snacks and candy-related grocery products

> Chairman, President and Chief Executive Officer (2001 2007)

EXPERIENCE AND QUALIFICATIONS: Mr. Lenny has experience as a chief executive officer for a global retail food company that is a major consumer brand. He has knowledge of strategy and business development, finance, marketing and consumer insights, supply chain management and distribution, risk assessment and sustainability.

Walter E. Massey, 75

Director since 1998

Class 2013 (Nominee)

FORMER DIRECTORSHIPS (within past five years): Bank of America Corporation, BP p.l.c.

and Delta Airlines, Inc.

CAREER HIGHLIGHTS:

School of the Art Institute of Chicago

> President (2010 Present)

Morehouse College

> President Emeritus

> President (1995 2007)

EXPERIENCE AND QUALIFICATIONS: 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. He has knowledge of strategy, policy and government relations matters, sustainability, leadership development and succession planning, risk assessment, finance and shareholder relations.

Andrew J. McKenna, 83

Director since 1991

Non-Executive Chairman Since 2004

Class 2015

OTHER CURRENT DIRECTORSHIPS: Skyline Corporation

FORMER DIRECTORSHIPS (within past five years): Aon Corporation

CAREER HIGHLIGHTS:

Schwarz Supply Source, a printer, converter, producer and distributor of packaging and promotional material

> Chairman (1992 Present)

EXPERIENCE AND QUALIFICATIONS: Mr. McKenna has experience as the chief executive officer of a large global provider of paper-based goods. He has knowledge of strategy and business development, corporate governance, risk assessment, leadership development and succession planning, shareholder relations and finance. He also has experience as a director of multiple large public companies, charities and civic organizations.

Table of Contents

Cary D. McMillan, 55

Director since 2003

Class 2014

OTHER CURRENT DIRECTORSHIPS: American Eagle Outfitters, Inc.

FORMER DIRECTORSHIPS (within past five years): Hewitt Associates, Inc.

CAREER HIGHLIGHTS:

True Partners Consulting LLC, a professional services firm providing tax and other financial services

> Chief Executive Officer (2005 Present)

Sara Lee Branded Apparel, a branded apparel company

> Chief Executive Officer (2001 2004)

Sara Lee Corporation, a branded packaged goods company

> Executive Vice President (2000 2004)

EXPERIENCE AND QUALIFICATIONS: In addition to serving as chief executive officer of a professional services firm, Mr. McMillan has experience as a senior executive of a large, globally branded consumer and food products company. He is also a certified public accountant. He has knowledge of strategy and business development, finance and accounting, risk assessment, product development, leadership development and succession planning, and supply chain management and distribution.

Sheila Penrose, 67

Director since 2006

Class 2014

OTHER CURRENT DIRECTORSHIPS: Jones Lang LaSalle Incorporated

CAREER HIGHLIGHTS:

Jones Lang LaSalle Incorporated, a global real estate services and investment management firm

> Non-executive Chairman (2005 Present)

Penrose Group, a provider of strategic advisory services on financial and organizational strategies

> President (2000 2007)

Boston Consulting Group, a global management consulting firm

> Executive Advisor (2001 2008)

EXPERIENCE AND QUALIFICATIONS: 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. She has knowledge of strategy and business development, finance, risk assessment, real estate, leadership development and succession planning and sustainability.

Table of Contents

John W. Rogers, Jr., 55

Director since 2003

Class 2013 (Nominee)

OTHER CURRENT DIRECTORSHIPS: Ariel Investment Trust and Exelon Corporation

FORMER DIRECTORSHIPS (within past five years): Aon Corporation and Commonwealth Edison Company

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)

EXPERIENCE AND QUALIFICATIONS: Mr. Rogers is the chief executive officer of an institutional money management firm. He has knowledge of finance, shareholder relations, risk assessment, leadership development and succession planning, corporate responsibility, and strategy and business development. He also has experience as a director of multiple public companies, charities and civic organizations.

Roger W. Stone, 78

Director since 1989

Class 2013 (Nominee)

OTHER CURRENT DIRECTORSHIPS: KapStone Paper and Packaging Corporation

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)

Stone-Kaplan Investment, LLC

> Manager (2004 2008)

EXPERIENCE AND QUALIFICATIONS: Mr. Stone is the chief executive officer of a large, global paper and packaging business. He has experience in the sourcing and sale of product packaging and related commodities, supply chain management and distribution, sustainability, strategy and business development, finance, leadership development and succession planning and risk assessment.

Table of Contents

Donald Thompson, 50

Director since 2011

Class 2015

OTHER CURRENT DIRECTORSHIPS: Exelon Corporation (until April 23, 2013, as he will not stand for re-election at the Exelon 2013 Annual Meeting of Shareholders)

CAREER HIGHLIGHTS:

McDonald s Corporation

> President and Chief Executive Officer (2012 Present)

> President and Chief Operating Officer (2010 2012)

> President, McDonald s USA (2006 2010)

> Executive Vice President and Chief Operations Officer, McDonald s USA (2005 2006)

EXPERIENCE AND QUALIFICATIONS: Mr. Thompson provides a Company perspective in Board discussions about the business, particularly with respect to worldwide operations, competitive landscape, senior leadership and strategic opportunities and challenges for the Company. In addition, as an independent director of another public company, Mr. Thompson has gained additional perspectives, including on governance and operational matters relevant to the Company.

Miles D. White, 58

Director since 2009

Class 2013 (Nominee)

OTHER CURRENT DIRECTORSHIPS: Abbott Laboratories and Caterpillar, Inc.

FORMER DIRECTORSHIPS (within past five years): Motorola, Inc.

CAREER HIGHLIGHTS:

Abbott Laboratories, a global pharmaceuticals and biotechnology company

> Chairman and Chief Executive Officer (1999 Present)

EXPERIENCE AND QUALIFICATIONS: Mr. White is the chief executive officer of a large pharmaceutical, biotechnology and nutritional health products company. He has knowledge of strategy and business development, risk assessment, finance, leadership development and succession planning and corporate governance.

Executive compensation

Compensation Committee Report

DEAR FELLOW SHAREHOLDERS:

The Compensation Committee 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, 2012.

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

EXECUTIVE SUMMARY

McDonald s executive compensation program supports our long-term business plan, the Plan to Win, which includes our key global priorities optimizing the menu, modernizing the customer experience and broadening accessibility to our Brand. The main objectives of our executive 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.

Management remained focused on successfully executing the Company s Plan to Win and its global priorities throughout 2012, despite a change in leadership mid-year. In June 2012, Jim Skinner retired after 41 years with the Company, including eight as Vice Chairman and CEO. During his tenure as CEO, Mr. Skinner was a driving force behind the Plan to Win and shareholders benefitted significantly, as we achieved 278% cumulative shareholder return and, for the first time in the Company s history, a market capitalization exceeding $100 billion. Mr. Skinner also played a key role in developing a strong management team, which enabled leadership continuity with Don Thompson s promotion to CEO.

Mr. Thompson, a 22-year veteran of McDonald s, continues to drive our business forward. He has held various leadership positions in the Company, including most recently as President and Chief Operating Officer (COO) of McDonald s Corporation from January 2010 until June 2012.

We remain focused on advancing the strategic direction of our business and motivating our executives to achieve strong business results and drive shareholder value through our executive compensation program.

Pay for performance

We believe that our executive compensation program has been effective at appropriately aligning pay and performance, resulting in incentivizing strong results. We seek to utilize metrics and a mix of incentives that further our main objective of long-term sustainable growth and that are designed to mitigate excessive risk. 2012 results illustrate the strong alignment between pay and performance. Payouts under our 2012 TIP were generally below target levels due to below target performance of the primary performance metric of operating income growth as described in more detail on page 19. Further, our 2010-2012 CPUP paid out above target, driven by robust performance well above targets in both 2010 and 2011, partially offset by below target 2012 performance.

Table of Contents

Our total direct compensation package for executives includes salary, our annual bonus plan, which we refer to as TIP, our long-term cash incentive plan, which we refer to as CPUP, stock options and restricted stock units, each as described below. The following table lists the quantitative performance measures the Company uses in its executive compensation program. The rationale for the use of each primary measure is explained below in the detailed discussions of each element of compensation.

	TIP	*CPUP*	*Stock options*	*RSUs*
Primary performance measure				
Operating income	X	X		
Return on total assets (ROTA)		X		
Earnings per share (EPS)				X
Share price			X	X
Secondary performance measure				
Total Shareholder Return (TSR)		X		
Comparable Guest Counts	X			
Customer Satisfaction Opportunity	X			
G&A Expense Control	X			
People Modifier	X			

In addition to the quantitative factors, determinations of TIP payouts take into account qualitative aspects of individual performance, and the grants of annual equity-based compensation incorporate potential for future performance. For TIP, a multiplier based on the assessment of individual performance is used in calculating final awards, as described on pages 19 and 31. For example, Mr. Thompson s 2012 individual performance results were based on progress achieved as related to the following initiatives: sustained profitable growth, talent and leadership development and our Brand ambition of good food, good people and good neighbor.

The pie chart below shows Mr. Thompson s 2012 total direct compensation, using his 2012 TIP award and annualized 2010-2012 CPUP award (one-third of a three-year payout) and Financial Accounting Standards Board values for equity awards granted. Eighty-nine percent (89%) of Mr. Thompson s 2012 total direct compensation was based on Company performance.

2012 CEO total direct compensation

Best practices

We evaluate our executive compensation program annually, taking into account the outcome of our most recent Say on Pay vote and any feedback we receive in our shareholder outreach program. Last year, our executive compensation program was approved by over 94% of the votes, demonstrating strong shareholder support for the approach we have taken.

Based on our evaluation and strong Say on Pay results, we did not make any significant changes to our executive compensation program for 2012. However, beginning in 2013, we plan to incorporate modest changes in our long-term incentives, as described on pages 18, 21 and 22. These changes are intended to further strengthen pay for performance alignment and to bring certain aspects more in line with evolving market practice.

Table of Contents

The following policies and practices are important elements of our executive compensation program:

- *Pay for Performance*. The vast majority of total direct compensation is tied to performance.
- *Stock Ownership*. We have stock ownership requirements for our senior management, which include requiring our CEO to own stock equal in value to at least six times his annual salary.
- *Bonuses*. TIP and CPUP both require growth in operating income to yield any payout, and payouts are further impacted by performance against other distinct metrics. Both programs also utilize caps on potential payouts.
- *Clawbacks*. TIP and CPUP contain clawback provisions.
- *Change in Control*. We do not intend to enter into any new change in control severance agreements, and our current agreements are double-trigger.
- *Independent Consultant*. The Committee benefits from engaging an independent compensation consultant and the compensation consultant acts at the sole direction of the Board and/or the Committee.
- *Hedging and Pledging Policies*. Senior management is prohibited from engaging in derivative transactions to hedge the risk associated with their stock ownership. Company approval is required to hold Company shares in a margin account and no executive has pledged shares or holds shares in a margin account.
- *Employment Agreements*. No executive has an employment agreement.

Performance highlights

The following graph shows the TSR for McDonald s, our peer group s average, the Standard & Poor s 500 Stock Index and the DJIA for the period from December 31, 2007 December 31, 2012 (based on $100 investment and reinvestment of all dividends).

Total shareholder return

Over the last five years, we have produced consistent year-over-year growth in operating income despite an exceptionally challenging global economic and operating environment, particularly in 2012. For the five-year period ending December 31, 2012, our total return to shareholders was 175%.

We manage our business for the long term and believe our compensation programs support that approach as the majority of total direct compensation opportunity is not paid out within the first year. The information below highlights our performance for certain short- and long-term measures we use to determine executive compensation:

> One-year operating income increased by 1% (4% in constant currencies).*

> 2012 earnings per share was $5.36, an increase of 2% (5% in constant currencies).*

> 2010-2012 earnings per share increased on average by 9% per year in constant currencies.

> Stock price increased by $42, growth of 74%, over the 2009-2012 RSU vesting period.

**See page 14 of 2012 Annual Report on Form 10-K for reconciliation between GAAP and non-GAAP financial measures.*

Table of Contents

Further highlights of our performance:

> 2012 was McDonald s ninth consecutive year of positive comparable sales growth in every geographic segment, with a global increase of 3.1% over 2011.

> We returned $5.5 billion to our shareholders through dividends paid and share repurchases in 2012 and we have returned $16.5 billion from 2010-2012.

> Our market capitalization increased by more than $21 billion during the period from 2010 through 2012.

DEFINITIONS

Quantitative measures of Company performance

Operating income, ROTA and EPS are based on the corresponding measures reported in our financial statements and are adjusted for purposes of our compensation program. For more information about adjustments in measuring performance, see page 23.

- *Operating income*. Profit attributed to the operations.
- *ROTA*. Return on total assets (operating income divided by average assets).
- *ROIIC*. Return on incremental invested capital (change in operating income plus depreciation and amortization divided by the weighted average of cash used for investing activities during the performance period). ROIIC will replace ROTA as a performance metric for CPUP beginning in 2013, for the reasons described in the discussion of CPUP beginning on page 20.
- *EPS*. Earnings per share (net income divided by diluted weighted-average shares). Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation.
- *Comparable guest counts*. Represents the percent change in transactions from the same period for the prior year for all restaurants in operation at least 13 months.
- *Customer satisfaction opportunity*. Represents the percentage of times that quality, service or cleanliness critical drivers are missed in a customer visit, as measured by independent mystery shoppers.

- *G&A expense control*. Represents a way that the corporate function can contribute to operating income. If spending is at or below plan, this modifier has no impact on the Corporate TIP team factor, but if spending is above plan, it will have a negative impact on the Corporate TIP team factor.

- *People modifier*. Represents the satisfaction level of our restaurant employees with their employment experience or the perceptions of our consumers regarding McDonald s as an employer.

- TSR. Total shareholder return. The total return on our shares (change in stock price and dividends paid) over a specified period, assuming reinvestment of dividends.

Groups of Company employees

- *Staff*. Company employees, including home office, divisional office and regional office employees.

- *Senior management*. Employees at the level of senior vice president and above; about 50 employees.

- *Executives*. The 10 most senior executives of the Company.

- *Named executive officers (NEOs)*. The following seven executives whose compensation is described in this Proxy Statement, pursuant to requirements of the Securities and Exchange Commission (SEC).

  - James A. Skinner, former Vice Chairman and Chief Executive Officer or CEO (retired, effective June 30, 2012)
  - Donald Thompson, President and CEO (effective July 1, 2012)
  - Peter J. Bensen, Chief Financial Officer or CFO
  - Timothy J. Fenton, Chief Operating Officer or COO (effective July 1, 2012)
  - Douglas Goare, President of McDonald s Europe
  - Gloria Santona, Executive Vice President, General Counsel and Secretary
  - Janice L. Fields, former President of McDonald s USA (effective November 30, 2012)

Table of Contents

Other

- *Total direct compensation*. The aggregate value of salary, TIP and CPUP as well as stock options and RSUs granted.

- *Total direct compensation opportunity for 2012*. The targeted value of total direct compensation that the NEOs had an opportunity to earn in 2012 for target performance.

- *Committee*. The Compensation Committee of the Company s Board of Directors.

- *AOWs*. Areas of the World, the Company s geographic business units; namely, the U.S., Europe and APMEA.

McDONALD S EXECUTIVE COMPENSATION PROGRAM

Elements of McDonald s Executive Compensation

ALLOCATION OF TOTAL DIRECT COMPENSATION AMONG THE ELEMENTS

Approximately 84% of the NEOs total direct compensation opportunity for 2012 was allocated to variable compensation that is at-risk based on performance, including short-term and long-term incentive compensation. Short-term incentive compensation is provided under our TIP program and long-term incentive compensation is allocated approximately two-thirds to equity-based compensation (stock options and performance-based RSUs) and one-third to long-term cash incentive compensation under the CPUP.

Beginning in 2013, to more closely align our equity compensation program with market practice, the Committee has determined that equity awards will be comprised of 50% of the grant date value in options and 50% in RSUs, rather than the prior mix of 70% in options and 30% in RSUs. We believe this change will also further promote retention.

COMPENSATION APPROACH AND PAY POSITION

Consistent with our goal of providing competitive compensation, we review our executives total direct compensation compared to executive compensation levels at a peer group of companies. The companies in the peer group are 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 reviews our peer group annually based on the following criteria: industry, comparable size based on revenue and market capitalization (.5x to 2x); global presence; high performing companies that compete with us for talent; and availability of data. McDonald s market capitalization as of the end of 2012 was $88.5 billion (at the 75th percentile of our peer group) and revenue was $27.6 billion (at the 40th percentile of our peer group). Please refer to pages 24 and 25 for more details on the composition of our peer group.

We set executive compensation targets annually in support of our executive compensation objectives. The market median for each compensation element serves as a reference point and indicator of competitive market trends, which are initial considerations by the Committee when setting compensation. Although the Committee targets direct compensation opportunity within a reasonable range of the median of our peer group, the Committee applies judgment in establishing each element of compensation. Any element of compensation may vary from the market median based upon individual factors the Committee considers relevant in a given year, including, for example, individual contributions to the accomplishment of the long-term business plan, tenure in a particular position, additional responsibilities and internal pay equity considerations.

DETAILED INFORMATION ABOUT ELEMENTS OF COMPENSATION

n ***Annual compensation***

> Annual salary

In setting annual salary levels, we take into account competitive considerations, individual performance, tenure in position, internal pay equity, and the effect on our general and administrative expenses. Executive salaries vary based on individual circumstances and may be above or below our stated competitive consideration of the median of our peer group.

> Target Incentive Plan (referred to as TIP)

Our TIP is designed primarily to reward growth in annual operating income, which measures the success of the most important elements of our business strategy. If there is no growth in operating income, the TIP formula results in no payouts. 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. The individual performance of our executives is also an important factor in determining their TIP award. As discussed above, the Company considers the median annual bonus opportunity of comparable executives within our peer group in setting TIP targets, but it is not the sole factor in its decision. Actual payouts may be above or below our stated competitive consideration based upon actual Company and/or individual performance results.

For purposes of determining an executive s TIP payout, operating income growth is measured on a consolidated (referred to as Corporate) basis or an AOW basis, or a combination of the two, depending on the executive s responsibilities. In addition to operating income growth, final TIP payouts take into account pre-established modifiers reflecting other measures of Corporate and/or AOW performance that are important drivers of our business (see chart on pages 32 and 33). In addition to Company performance, TIP payouts are adjusted based on the application of an individual performance factor (IPF) (from 0 up to 150% in 2012) which acts as a multiplier and can have a significant effect, whether positive or negative, in determining the final payout. Final payouts are capped at 250% of target. Additional details on how each element of performance affects actual 2012 TIP payouts can be found in the description following the Grants of Plan Based Awards table on pages 31 and 32.

In 2012, operating income growth was below the TIP targets for each AOW as well as Corporate, which negatively impacted payouts. TIP results for each AOW and Corporate benefitted by the aggregate performance against the pre-established targets for the modifiers, as detailed in the chart on page 32.

The following table shows the operating income targets and results under the 2012 TIP:

(Dollars in millions)	*Target 2012 operating income**	
		&nbs