MCDONALDS CORP
Form DEF 14A
April 15, 2016

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 ý
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))
ý Definitive Proxy Statement
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McDonald's Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
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McDonald's Corporation
Notice of 2016 Annual Shareholders' Meeting and
Proxy Statement

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A Letter to Our Shareholders
From the Board of Directors of McDonald's Corporation
Dear Fellow McDonald’s Shareholders:
Together with the management team, we are focused on enhancing financial value, driving operational growth and returning excitement to McDonald’s brand – all built upon a strong foundation of running great restaurants. We are pleased to update you on the progress made on the Company's turnaround, and on the transformation of the leadership team and business strategy.
The business turnaround is well underway. Over the course of last year, McDonald’s management team and Board performed a rigorous review of the Company’s business strategy and capital allocation plan, and took action to position McDonald’s on the best path forward to create value for our shareholders. Our turnaround is well underway, and the Board remains deeply engaged in overseeing the Company’s leadership and its plans to refocus and strengthen the business. One of the Board’s most important responsibilities is the choice of CEO and oversight of management. When the Company’s performance fell short of expectations in 2014, the Board took action in early 2015 and elected Steve Easterbrook as President and CEO and a Director. The Company’s successful results to date confirm our belief that Steve is the right leader for McDonald’s. In addition to Steve, we brought on several other new executives to the senior leadership team to spark energy and generate innovative ideas, particularly in the areas of communications, human resources, marketing and strategy. Our refreshed management team is acting with determination and urgency to return the Company to long-term sustainable growth.
Board composition. Our current Board reflects a diverse, highly engaged group of Directors with relevant skills and backgrounds to oversee McDonald’s ongoing turnaround and future long-term value creation. We have a robust Board evaluation process that includes regular self-assessment and peer review to foster the right mix of subject matter expertise, capabilities and perspectives in the boardroom. We are committed to regularly reviewing the composition and qualifications of our Board. As part of our succession planning, we consider the mix of Directors in light of future retirements in order to facilitate a smooth transition of skills, experience and diversity as retirements occur.
Director Roger Stone retired in 2015, and Susan Arnold and our non-executive Chairman, Andy McKenna, will not be standing for re-election in 2016. Andy has led our Board for the past 12 years with integrity and an unwavering commitment to excellence, to the benefit of the Company and our shareholders. His strong leadership, counsel and focus on good governance over his 25 years of service as a Director will serve as guideposts for our Board for many years to come. We have named Andy as Chairman Emeritus following his retirement at the Annual Shareholders' Meeting. In accordance with our governance practices, the Board will elect a new independent Chairman following the election of Directors by shareholders at our Annual Meeting. We thank Roger, Susan and Andy for their service to McDonald’s and our shareholders.
The Governance Committee has a comprehensive process to identify candidates who can contribute to the overall effectiveness of the Board and continues to engage an independent search firm to help identify individuals from a diverse candidate pool. Since our 2015 Annual Shareholders' Meeting, we have added two new independent Directors to our Board, Lloyd Dean and John Mulligan. We are committed to selecting the best qualified Director candidates to oversee the Company’s business and serve the interests of McDonald’s shareholders well into the future.
Responsiveness to shareholders. As in past years, we are actively engaged in thoughtful and constructive dialogue with a significant portion of our shareholder base. Interactions with shareholders have provided us with valuable feedback on our capital structure, Board composition, corporate governance and executive compensation practices over the past year. Many of us participated in these engagements, as we believe it is important to understand our investors’ perspectives first-hand. In direct response to shareholder input, we took action in 2015 to adopt a new By-law provision that allows proxy access for Director candidates nominated by shareholders. We have and will continue to maintain sound governance practices that appropriately balance the interests of our Company and our shareholders. We look forward to continuing our shareholder engagement and are committed to protecting your interests.

The Company's turnaround plan demonstrated positive results in 2015, and we are confident that our continued efforts will yield meaningful long-term returns for all of our stakeholders going forward. We believe that our strong management team and highly engaged Board are well positioned to make even greater progress as the Company strives to be seen as a modern and progressive burger company.

Thank you for your support and continued investment in McDonald's.

Sincerely,

McDonald's Board of Directors

Pictured from left to right: Lloyd Dean, John Mulligan, Enrique Hernandez, Jr., Sheila Penrose, Miles White, Margaret Georgiadis, Stephen Easterbrook, Andrew McKenna, Walter Massey, John Rogers, Jr., Susan Arnold, Jeanne Jackson, Richard Lenny and Robert Eckert.

Notice of the Annual Shareholders' Meeting

To McDonald's Corporation Shareholders:

McDonald's Corporation will hold its 2016 Annual Shareholders' Meeting (the "Annual Meeting" or the "Annual Shareholders' Meeting") on Thursday, May 26, 2016, 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 12 Directors named in the Proxy Statement, each for a one-year term expiring in 2017;
2. Advisory vote to approve executive compensation;
3. Advisory vote to approve the appointment of Ernst & Young LLP as independent auditor for 2016; and
4. Advisory votes on six shareholder proposals, if presented.

In addition, we will transact any 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 appointment 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.

To listen to the live audiocast of the Annual Meeting, go to www.investor.mcdonalds.com and click on the appropriate link. The Annual Meeting audiocast will be available for a limited time after the meeting.

Seating at the Annual Meeting is very limited. If you plan to attend the meeting in person, you must pre-register with McDonald's Shareholder Services prior to the meeting. See page 67 for information about how to pre-register.

By order of the Board of Directors,

Gloria Santona

Corporate Secretary

Oak Brook, Illinois

April 15, 2016

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2016 Annual Shareholders' Meeting arrangements

Time and Date:	9:00 a.m. Central Time on Thursday, May 26, 2016
Place:	The Prairie Ballroom at the Lodge at McDonald's Office Campus 2815 Jorie Boulevard, Oak Brook, Illinois 60523
Record Date:	March 28, 2016
Voting:	Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each Director position and one vote for each of the other proposals.

The Company will provide the Notice of Internet Availability, electronic delivery of the proxy materials or mailing of the 2016 Proxy Statement, the 2015 Annual Report on Form 10-K and a proxy card to shareholders beginning on or about April 15, 2016.

Proxy summary

This summary contains highlights about our Company and the upcoming 2016 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 2015 Annual Report on Form 10-K carefully before voting.

Strategic highlights

In 2015, McDonald's Board of Directors elected a new CEO who introduced McDonald's turnaround plan, designed to revitalize the Company and establish the right foundation for strengthening the business and ultimately accelerating growth. While it will take time to realize the full effects of the turnaround, the Company ended 2015 with positive momentum. We are on the path to reigniting growth – giving people more reasons to visit McDonald's as we strive to be seen as a modern and progressive burger company.

Turnaround framework

Governance highlights

Since the last Annual Shareholders' Meeting, our Board has continued to develop and enhance our governance. This has been informed by feedback received from shareholders and evolving best practices, as follows:

Board refreshment. During 2015, Roger Stone retired from the Board of Directors and three new independent Directors joined our Board: Lloyd Dean, Margaret Georgiadis and John Mulligan. In addition, our Chairman Andrew McKenna and Susan Arnold will not stand for re-election at the Annual Meeting.

Shareholder engagement. With participation from members of our Board, management continued to engage with a significant portion and variety of shareholders that included index funds, union and public pension funds, actively-managed funds, and socially-responsible investment funds. In 2015, we engaged with representatives of approximately 30% of our outstanding shares on a variety of topics, including our turnaround plan, board composition, corporate governance, executive compensation, and environmental and social issues.

Proxy access. In response to shareholder feedback and consistent with our ongoing review of our governance practices, our Board approved a new By-law provision to allow proxy access for Director candidates nominated by shareholders. This By-law permits shareholders who have held 3% of shares outstanding for 3 years and who satisfy other eligibility requirements to nominate up to 20% of the Board (with a two-Director minimum) directly onto the Company's proxy ballot. Shareholders can aggregate in groups up to 20 to meet ownership requirements, with funds under common management counting as a single shareholder. We have received positive feedback from several large shareholders who were pleased by our Board's responsiveness and prompt action.

Board of Directors

Our current Board reflects a diverse, highly engaged group of Directors with a range of experiences.

Strong Board and Governance Practices

- ü Separate Chairman & CEO roles, including an independent Chairman
- ü Diverse, independent Board
- ü Ongoing shareholder outreach and engagement
- ü Annual election of Directors
- ü Proxy access for Director candidates nominated by shareholders
- ü Board Committees are 100% independent (except Executive Committee)
- ü Regular succession planning at CEO, senior management and Board levels
- ü Annual Board and Committee self-assessments and Director peer review
- ü Executive sessions of independent Directors at each regularly scheduled Board meeting
- ü Limited membership on other public company boards
- ü No former employees serve as Directors
- ü Majority voting standard for uncontested Director elections
- ü Shareholder right to call special meetings
- ü Stock ownership guidelines for Directors
- ü Governance Committee regularly reviews Corporate Governance Principles and related policies
- ü No shareholder rights plan
- ü Public disclosure of corporate political contributions

The following table provides summary information about our Directors who are nominees for re-election at the 2016 Annual Shareholders' Meeting. Additional information regarding our Directors may be found beginning on page 7.

Name	Director since	Primary occupation	Independent	Committee membership AC	CC	GC	SCR	FC	EC
Lloyd Dean	2015	President & CEO, Dignity Health	ü	FE			•		
Stephen Easterbrook	2015	President & CEO, McDonald's							C
Robert Eckert	2003	Operating Partner, Friedman, Fleischer & Lowe	ü		C	•			•
Margaret Georgiadis	2015	President, Americas, Google	ü	•				•	
Enrique Hernandez, Jr.	1996	President & CEO, Inter-Con Security Systems	ü	C FE		•			•
Jeanne Jackson	1999	President, Product & Merchandising, NIKE	ü			•		C	
Richard Lenny	2005	Non-executive Chairman, Information Resources	ü		•		•	•	
Walter Massey	1998	President, School of the Art Institute of Chicago	ü	•			C		
John Mulligan	2015	Executive Vice President & COO, Target	ü	FE				•	
Sheila Penrose	2006	Non-executive Chairman, Jones Lang LaSalle	ü	•			•		
John Rogers, Jr.	2003	Founder, Chairman & CEO, Ariel Investments	ü		•	•		•	
Miles White	2009	Chairman & CEO, Abbott Laboratories	ü		•	C			•
2015 average meeting attendance for Board of Director meetings:			98%	93%	95%	100%	88%	100%	100%

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

Executive compensation highlights

Our executive compensation program is designed to support our business initiatives, align the interests of our executives with those of our shareholders, and strongly link pay and performance. We believe our compensation program appropriately incentivizes our executives through a mix of short- and long-term awards that reflect measurable, rigorous performance goals closely aligned with Company strategy. Through our ongoing shareholder engagement efforts, we maintain an open dialogue with investors and seek feedback on the Company's pay program, including their views on its alignment with strategy and performance, and on our executive pay disclosures. This feedback is shared with our Compensation Committee and considered as part of the annual review of our executive compensation program. In 2015, our program received strong support from shareholders, with more than 94% of votes cast in favor of our advisory vote on compensation.

Below is a summary of our 2015 executive compensation program:

Key compensation elements	Performance-based	Primary metric	Key terms
Base Salary		N/A	• Evaluated based on individual circumstances, including responsibility, performance and tenure
Short-Term Incentive Plan (STIP) *	ü	• Operating income	• Includes objective modifiers that can impact payouts
Long-Term Cash Incentive Plan (Cash LTIP) **	ü	• Operating income • Return on incremental invested capital (ROIIC)	• Includes a relative total shareholder return measure • Overlapping three-year cycles
Options	ü	• Share price	• Vest 25% per year • 10-year term
Performance-Based Restricted Stock Units (RSUs)	ü	• Earnings per share (EPS)† • Share price	• Cliff vest at end of three-year service period, subject to achievement of EPS growth

* In 2015, we eliminated the individual performance factor for all executives in determining STIP payouts.

** Beginning in 2016, we eliminated the Cash LTIP. Going forward, we will award long-term incentives in the form of performance-based RSUs and stock options in equal economic proportions.

† Beginning in 2016, we replaced EPS with net income and ROIIC as the primary performance metrics for performance-based RSUs.

As further described in our Compensation Discussion and Analysis beginning on page 22, we have strong pay for performance alignment.

Our Compensation Committee adheres to the following best practices. For more detail, see page 23:

	What we do		What we don’t do
ü	Strong pay for performance alignment	û	No employment agreements
ü	Compensation plans utilize challenging quantitative targets	û	No tax gross-up on perquisites
ü	Performance metrics align interests of management with interests of shareholders	û	No backdating or repricing of stock options
ü	Majority of direct compensation not paid out in first year	û	Compensation program does not encourage unreasonable risk taking
ü	Double-trigger change in control provisions	û	No new change in control agreements
ü	Independent compensation consultant		
ü	Significant stock ownership and retention requirements		
ü	Anti-hedging and pledging policy		
ü	Clawback provisions		

Voting matters

Item	Matter to be voted on	Board recommendation	Page reference (for more detail)
Management proposals			
Proposal No. 1	Election of 12 Directors, each for a one-year term expiring in 2017	FOR each nominee	7
Proposal No. 2	Advisory vote to approve executive compensation	FOR	46
Proposal No. 3	Advisory vote to approve the appointment of Ernst & Young LLP as independent auditor for 2016	FOR	48
Shareholder proposals			
Proposals No. 4 – 9	Advisory votes on six shareholder proposals, if presented	AGAINST	49-59

Election of Directors

PROPOSAL NO. 1

Election of Directors

The Board of Directors recommends the following nominees for election to the Board of Directors for a one-year term beginning in May and continuing until the 2017 Annual Shareholders' Meeting: Lloyd Dean, Stephen Easterbrook, Robert Eckert, Margaret Georgiadis, Enrique Hernandez, Jr., Jeanne Jackson, Richard Lenny, Walter Massey, John Mulligan, Sheila Penrose, John Rogers, Jr. and Miles White. Andrew McKenna and Susan Arnold will not stand for re-election. Accordingly, Mr. McKenna and Ms. Arnold are not included as nominees for election at the Annual Shareholders' Meeting.

In connection with our Annual Shareholders' Meeting, the size of our Board will be decreased by two Directors, so that a total of 12 Directors will be standing for re-election, 11 of whom are independent.

Nominees who receive a majority of the votes cast will be elected. Each of the incumbent Directors has tendered an irrevocable resignation that will be effective if (i) the nominee is not re-elected and (ii) the Board accepts the resignation following the meeting. In that case, the Governance Committee would determine whether to recommend that the Board accept the resignation.

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. If you have voted for the unavailable nominee, your shares will be voted for the substitute nominee.

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

Director qualifications

The current Board reflects a diverse, highly engaged group of Directors that enables effective oversight of our Company. Our Directors have the qualifications, skills and experience relevant to our business as the leading branded global quick service restaurant company, who, among other things, provide input on and oversight of the Company's turnaround plan and development of long-term strategic growth priorities. Each Director has senior executive experience in large organizations, many with significant global operations, and eight of our Directors have leadership experience in the consumer goods or food sector. Importantly, all of our Directors have demonstrated leadership, intellectual and analytical skills and have gained deep experience in management and corporate governance. In addition to their extensive experience in the retail industry, new Directors Margaret Georgiadis and John Mulligan add to the Board's qualifications on matters related to technology and the use of digital initiatives to drive operational growth. Lloyd Dean and John Mulligan also supplement the Board's skills regarding capital structure strategy and resource allocation priorities. They also filled a gap of "audit committee financial experts," created when two Directors with those qualifications retired in 2015. Their participation allowed for a smooth transition of financial reporting and accounting oversight as well as additional expertise in the area of cyber-security risk oversight.

The following are key attributes and skills of all nominees:

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

The following matrix highlights other experience, qualifications, attributes and skills of our Director nominees. This high-level summary is not intended to be an exhaustive list of each nominee's skills or contributions to the Board. Biographical information about each Director standing for re-election is set forth below.

Biographical information

	Lloyd Dean, 65 Director since 2015 Other public company directorships: Navigant Consulting, Inc.; Wells Fargo & Company Former directorships (within past five years): Cytori Therapeutics, Inc. and Premier, Inc.
Career highlights	Dignity Health, a not-for-profit healthcare system • President and CEO (2000 – Present) Advocate Health Care, a healthcare organization • Chief Operating Officer (1997 – 2000)
Experience	Mr. Dean has executive management experience at leading healthcare organizations.

	Stephen Easterbrook, 48 Director since 2015
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) 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)
Experience	Mr. Easterbrook provides a Company perspective in Board discussions about the business.
	Robert Eckert, 61 Director since 2003 Other public company directorships: Amgen Inc. Former directorships (within past five years): Mattel, Inc. Other directorships: Levi Strauss & Co.
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)
Experience	Mr. Eckert has experience with retail companies and also has experience as a chief executive officer of large, global branded companies (consumer branded and food products).
	Margaret (Margo) Georgiadis, 52 Director since 2015 Other public company directorships: Amyris, Inc. Former directorships (within past five years): The Jones Group, Inc.
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)
Experience	Ms. Georgiadis has experience as a senior executive responsible for marketing, sales and service operations at large global companies.

Enrique Hernandez, Jr., 60
Director since 1996
Other public company directorships: Chevron Corporation; Nordstrom, Inc.; Wells Fargo & Company

Career highlights

Inter-Con Security Systems, Inc., provider of high-end security and facility support 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)

Experience

Mr. Hernandez is the chief executive officer of a global security company. He also has experience as a non-executive chairman of a large retailer.

Jeanne Jackson, 64
Director since 1999
Other public company directorships: The Kraft Heinz Company
Former directorships (within past five years): Motorola Mobility Holdings, Inc.

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)

Experience

Ms. Jackson is a senior executive for a major consumer retailer.

Richard Lenny, 64
Director since 2005
Other public company directorships: ConAgra Foods, Inc.; Discover Financial Services; Illinois Tool Works Inc.

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)

Experience

Mr. Lenny has experience as a chief executive officer for a global retail food company that is a major consumer brand.

Walter Massey, 78
Director since 1998

Career highlights	School of the Art Institute of Chicago • President (2010 – Present) Bank of America Corporation, a bank and financial holding company • Non-executive Chairman (2009 – 2010) Morehouse College • President Emeritus (2007 – Present) • President (1995 – 2007)
Experience	Dr. Massey has experience in chief executive roles of large academic organizations.

John Mulligan, 50
Director since 2015

Career highlights	Target Corporation, a general merchandise retailer • Executive Vice President and Chief Operating Officer (2015 – Present) • Executive Vice President and Chief Financial Officer (2012 – 2015) • Senior Vice President, Treasury, Accounting and Operations (2010 – 2012)
Experience	Mr. Mulligan is a senior executive for a major consumer retailer with experience in finance, supply chain, operations and properties.

Sheila Penrose, 70
Director since 2006
Other public company 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) 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)
Experience	Ms. Penrose has experience as a senior executive of a large investment services and banking company, as executive advisor and as a non-executive chairman of a large, global real estate company and investment management firm.

John Rogers, Jr., 58
Director since 2003
Other public company directorships: Exelon Corporation
Registered investment company directorships: Ariel Investment Trust
Former directorships (within past five years): Aon Corporation

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	Mr. Rogers is the chief executive officer of an institutional money management firm.

Miles White, 61
Director since 2009
Other public company directorships: Abbott Laboratories; Caterpillar, Inc.

Career highlights	Abbott Laboratories, a global pharmaceuticals and biotechnology company • Chairman and Chief Executive Officer (1999 – Present)
Experience	Mr. White is the chief executive officer of a large pharmaceutical, biotechnology and nutritional health products company.

Independent Chairman

Our Board is currently led by an independent Chairman, Andrew McKenna. As stated previously, Mr. McKenna will not stand for re-election at the Annual Shareholders' Meeting. The Board will elect a new independent Chairman at its meeting immediately following the Annual Shareholders' Meeting.

The principal duty of the Chairman is to lead the Board of Directors. The Chairman and Chief Executive Officer (CEO) roles have been separated since 2004, enabling the Chairman to focus on corporate governance matters and the CEO to focus on the Company's business. We find that this structure works well to foster an open dialogue and constructive feedback among the independent Directors and management. It further allows the Board to effectively represent the best interests of all shareholders and contribute to the Company's long-term success.

Composition

Our Board reflects a diverse, highly engaged group of Directors that is committed to regularly reviewing its effectiveness, composition and skill sets. Under its charter, the Governance Committee is responsible for succession planning for the Board and determines the appropriate and desirable mix of characteristics, skills, experience and diversity for the Board as a whole. The Governance Committee recommends Directors for re-election and new candidates who have a solid record of accomplishment in their chosen field and who display independence of mind and strength of character.

Among other qualifications, the Governance Committee considers:

Board succession planning

Under our Corporate Governance Principles, the Governance Committee has the primary responsibility for developing a succession plan for the Board and for making recommendations to the full Board on succession matters. The Governance Committee may retain a search firm, consultant or other advisor to identify, screen and evaluate potential candidates. To ensure that diverse candidates are regularly presented to the Governance Committee, the Committee retained an independent search firm in 2015.

The Governance Committee also evaluates all Directors who are being considered for renomination. In doing so, the Committee looks at their skills and experience in light of overall Board composition and the desire for new and different perspectives and skill sets, given the evolving needs of the business. The Committee also reflects on a Director's contributions, including by taking into account results of the most recent Board evaluations (as further described on the next page).

In addition, the Governance Committee continually evaluates the mix of Directors in light of future retirements to facilitate a smooth transition of skills, experience and diversity as retirements occur.

Evaluations

The Governance Committee conducts an annual written evaluation of the performance of the Board, as well as an annual peer evaluation for all of the Directors. To protect the Directors' anonymity and the integrity of the process, the Directors send their completed evaluations directly to an independent third party, who compiles the responses into a report for the Governance Committee, which is then discussed by the Governance Committee and the full Board. The Board evaluation focuses on general Board practices and seeks input on opportunities for improvement, and suggestions for skills and experiences that should be considered when seeking new candidates. In the peer evaluation, each Director assesses his or her fellow Directors on a number of items, including effective contributions to Board discussions and decisions throughout the year; sharing of knowledge and expertise with the Board and senior management as appropriate; staying informed on matters that impact the Company and its shareholders; and acting independently and in the best interests of shareholders.

In addition, each of the Audit, Compensation, Governance and Sustainability and Corporate Responsibility Committees annually conducts self-evaluations, and the Finance Committee conducts a self-evaluation at least every two years. Results of these evaluations are discussed at relevant Committee meetings and reported to the full Board.

Selection of Director candidates

The Board has a robust policy for the consideration of potential Director candidates through which the Governance Committee establishes criteria, screens candidates and evaluates the qualifications of persons that may be considered for service as a Director, including candidates nominated or recommended by shareholders. In 2015, the Governance Committee retained an independent search firm to identify, screen and evaluate potential candidates. Informed by this outside perspective, the Governance Committee develops a pool of candidates that the Board may draw upon from time to time.

The following graphic illustrates the Company's selection process for new Directors:

The Board's Director Selection Process may be found on the Company's website at http://www.aboutmcdonalds.com/mcd/investors/corporate-governance/governance-principles-policies-and-guidelines.html.

Board diversity

The Governance Committee, together with the Board, proactively seeks diverse Director candidates to ensure a representation of varied perspectives and experience in the boardroom, although the Company's nomination policy does not prescribe specific standards for diversity. Currently, more than 50% of the Board are women and individuals who are minorities.

Our expansive global business demands that we have highly skilled, experienced and diverse leadership at both the executive level and in the boardroom. Our current Board members bring a diverse set of skills and experiences to the Company that are important to drive our strategy forward as the market and competitive landscape evolves.

Director independence

Our Corporate Governance Principles require that all non-management Directors be independent under applicable law and listing standards, as well as under the Board's Standards on Director Independence. The Board considers relationships involving Directors and their immediate family members and relies on information derived from Company records, questionnaires and other inquiries.

The relationships reviewed by the Board in its most recent determination involved commercial relationships with companies:

- at which Board members then served as officers and employees (including Google Inc., Inter-Con Security Systems, Inc. and Target Corporation);
- in which Board members or their immediate family members then held an aggregate 10% or more direct or indirect interest (including Inter-Con Security Systems, Inc.); and
- at which Board members then served as outside Directors (including Chevron Corporation, ConAgra Foods, Inc., Discover Financial Services, Exelon Corporation, Illinois Tool Works Inc., Jones Lang LaSalle Incorporated, The Kraft Heinz Company, Navigant Consulting, Inc., The Walt Disney Company and Wells Fargo & Company).

These relationships involved McDonald's purchases of products and services in the ordinary course of business that were made on arm's-length terms in amounts and under other circumstances that did not affect the relevant Directors' independence.

The Board also reviewed certain de minimis arm's-length retail transactions with other companies affiliated with Directors, as well as Company donations to not-for-profit organizations with which Board members or their immediate family members were affiliated by service as directors or trustees.

Based on its review, the Board determined that none of its non-management Directors has a material relationship with the Company and that all of them are independent. Currently, our non-management Directors are Susan Arnold, Lloyd Dean, Robert Eckert, Margaret Georgiadis, Enrique Hernandez, Jr., Jeanne Jackson, Richard Lenny, Walter Massey, Andrew McKenna, John Mulligan, Sheila Penrose, John Rogers, Jr. and Miles White. In addition, the Board previously determined that Cary McMillan, who served as a Director during 2015 and did not stand for re-election at our 2015 Annual Shareholders' Meeting, and Roger Stone, who retired from the Board in August 2015, were independent.

Management succession planning

The Board regularly reviews short- and long-term succession plans for the CEO and for other senior management positions. In assessing possible CEO candidates, the independent Directors identify the skills, experience and attributes they believe are required to be an effective leader in light of the Company's global business strategies, opportunities and challenges. In 2015, the Board elected Stephen Easterbrook as President and CEO and brought on several other new executives in the areas of communications, human resources, marketing and strategy.

Shareholder outreach and engagement

Throughout each year, management and members of our Board engage with a significant portion of shareholders. In addition to current topics of particular relevance to McDonald’s, including, for example, our turnaround plan, strategy, capital structure and proxy access, we invite shareholders to discuss matters related to board composition and tenure, corporate governance, executive compensation, and environmental and social issues, among other topics.

In 2015, we engaged with representatives from a variety of shareholders, including index funds, hedge funds, union and public pension funds, actively-managed funds, and socially-responsible investment funds, representing approximately 30% of our outstanding shares. Shareholder feedback, including through direct discussions and prior shareholder votes, as well as engagement with proxy and other investor advisory firms that represent the interests of a wide array of shareholders, is reported to our Governance Committee periodically throughout the year. As appropriate, the Governance Committee may allocate specific issues to relevant Board Committees for further consideration.

Last year, McDonald’s received a shareholder proposal regarding proxy access. We conducted significant outreach on the matter and evaluated the pros and cons of adopting the measure that would allow certain shareholders the ability to include, under certain circumstances, Director nominees on the Company’s proxy ballot. At the 2015 Annual Shareholders' Meeting, shareholders approved the advisory proposal to adopt proxy access. Our Board, through the Governance Committee, was committed to analyzing the issue, seeking market and investor perspectives, and continued to engage with shareholders to understand their evolving views on the topic. This engagement led our Board to adopt proxy access substantially in line with the advisory proposal and our conversations with investors, permitting long-term shareholders who have held 3% of shares outstanding continuously for 3 years to nominate up to 20% of the Board (with a two Director minimum) directly onto the Company’s proxy ballot. Shareholders can aggregate in groups up to 20 to meet ownership requirements, with funds under common management counting as a single shareholder. In response, we received positive feedback from the shareholder proponent, as well as several large shareholders who were pleased by our Board's responsiveness and prompt action.

The graphic below represents elements of our ongoing shareholder outreach and engagement, as well as certain items that take place more specifically before, during and after our Annual Shareholders’ Meeting:

Board committees

Our Board has the following committees: Audit, Compensation, Governance, Sustainability and Corporate Responsibility, Finance and Executive. Committee membership is outlined in the table below. All Committee members are independent as defined by the listing standards of the New York Stock Exchange (NYSE), except for our CEO who serves solely on our Executive Committee.

				Committee membership					
Name	Director since	Primary occupation	Independent	AC	CC	GC	SCR	FC	EC
Susan Arnold	2008	Operating Executive, Global Consumer & Retail Group, The Carlyle Group	ü		•		•		
Lloyd Dean	2015	President & CEO, Dignity Health	ü	FE			•		
Stephen Easterbrook	2015	President & CEO, McDonald's							C
Robert Eckert	2003	Operating Partner, Friedman, Fleischer & Lowe	ü		C	•			•
Margaret Georgiadis	2015	President, Americas, Google	ü	•				•	
Enrique Hernandez, Jr.	1996	President & CEO, Inter-Con Security Systems	ü	C FE		•			•
Jeanne Jackson	1999	President, Product & Merchandising, NIKE	ü			•		C	
Richard Lenny	2005	Non-executive Chairman, Information Resources	ü		•		•	•	
Walter Massey	1998	President, School of the Art Institute of Chicago	ü	•			C		
Andrew McKenna	1991	Chairman Emeritus, Schwarz Supply Source	ü			•			•
John Mulligan	2015	Executive Vice President & COO, Target	ü	FE				•	
Sheila Penrose	2006	Non-executive Chairman, Jones Lang LaSalle	ü	•			•		
John Rogers, Jr.	2003	Founder, Chairman & CEO, Ariel Investments	ü		•	•		•	
Miles White	2009	Chairman & CEO, Abbott Laboratories	ü		•	C			•
2015 average meeting attendance for Board of Director meetings:			98%	93%	95%	100%	88%	100%	100%

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		

The Board has determined that that each member of the Audit Committee is financially literate, and that Lloyd Dean, Enrique Hernandez, Jr., and John Mulligan qualify as “audit committee financial experts” as defined by applicable SEC rules and NYSE listing standards.

Each Committee has the responsibilities set forth in its respective Charter, which has been adopted by the Board of Directors and is reviewed annually. Committee Charters are available on the Company's website at http://www.aboutmcdonalds.com/mcd/investors/corporate-governance/board-committees-charters.html. The following is a summary of the primary responsibilities of each Committee.

Committee and 2015 meetings	Primary responsibilities
Audit Committee 8 meetings in 2015	• Oversees financial reporting, accounting, control and compliance matters • Appoints and evaluates the independent auditor • Reviews with the internal and independent auditors the scope and results of their audits, the adequacy and effectiveness of internal controls and the performance of the internal auditors • Reviews material financial disclosures • Oversees financial risk as well as risks related to cyber-security and tax matters • Pre-approves all audit and permitted non-audit services • Annually reviews the Company's compliance programs and receives regular updates about compliance matters • Annually reviews the Company's disclosure controls and procedures
Compensation Committee 8 meetings in 2015	• Oversees the Company's compensation program and policies • Oversees risks related to the Company's compensation program and policies • For more information, see the "Compensation Discussion and Analysis"
Governance Committee 7 meetings in 2015	• Monitors the Board's structure and operations and Committee memberships • Sets criteria for Board membership • Searches for and screens candidates and recommends candidates for election or to fill vacancies • Develops Board succession plans and makes recommendations to the Board on succession matters • Evaluates Director and Board performance and assesses Board composition and size • Recommends to the Board compensation for non-management Directors • Evaluates the Company's corporate governance principles and oversees governance risks • Recommends to the Board whether to accept the resignation of incumbent Directors who fail to receive the vote required for re-election in uncontested elections
Sustainability and Corporate Responsibility Committee 5 meetings in 2015	• Oversees the Company's policies, strategies and risks related to sustainability and corporate responsibility matters that are of significance to the Company and its stakeholders, including matters related to community engagement, diversity, employment, the environment, human rights, public affairs, products, safety and sourcing • Reports to the Compensation Committee regarding the Company's progress in the areas of sustainability and corporate responsibility in connection with that Committee's annual determination of executive compensation • Considers shareholder proposals about the Company's corporate responsibility and sustainability matters

Finance Committee 4 meetings in 2015	• Reviews the Company’s capital structure, including the Company's dividend policy and share repurchase program • Oversees the Company’s Treasury activities, including reviewing and approving principal financial policies, such as those with respect to derivatives • Annually reviews the Company’s banking arrangements in the context of the Company’s operating strategy, risk exposures and other factors • Oversees risks associated with material financial matters, including the Company's capital structure, and investments and acquisitions that are material to the Company's business
Executive Committee 2 meetings in 2015	• May exercise most Board powers during the periods between Board meetings

Meeting attendance

Directors are expected to attend the Annual Shareholders' Meeting and all Board meetings and meetings of the Committees on which they serve. Our Board met ten times during 2015. On average, our Directors attended 96% of the total number of meetings of the Board and respective Committees on which they serve. All 13 Directors who stood for re-election last year attended the 2015 Annual Shareholders' Meeting.

Executive sessions

At each regularly scheduled Board meeting in 2015, our independent Directors met in executive session. Our independent Chairman presides over executive sessions, except in matters regarding the re-election of the Chairman and his compensation. In these cases, the Chair of the Governance Committee presides.

Risk oversight

The Board oversees the Company's enterprise-wide risk management activities, both as a whole and through its Committees that are comprised solely of independent Directors. The Board exercises direct oversight of strategic risks to the Company, management succession planning and other risk areas not delegated to one of its Committees. The following graphic illustrates our risk oversight process, including important categories of risk that are assigned to designated Committees.

The Board's risk oversight responsibilities are further described in the Company's Corporate Governance Principles, which may be found on the Company's website at http://www.aboutmcdonalds.com/mcd/investors/corporate-governance/governance-principles-policies-and-guidelines.html and in various Committee Charters. Oversight of risks related to executive compensation are more fully described on page 31.

Corporate Governance Principles

The Governance Committee regularly reviews the Company's Corporate Governance Principles and other governing documents and policies to ensure their appropriateness in light of the Company's current and expected long-term circumstances, as well as evolving best practices. The Company's Corporate Governance Principles are available on our website at http://www.aboutmcdonalds.com/mcd/investors/corporate-governance/governance-principles-policies-and-guidelines.html.

Code of Conduct for the Board of Directors

Each year, our Directors confirm that they have read, and will comply with, the Code of Conduct for the Board of Directors. This code may be found on our website at http://www.aboutmcdonalds.com/mcd/investors/corporate-governance/codes-of-conduct.html.

Director compensation

Only non-management Directors are paid for their service on the Board. In 2015, this compensation structure was as follows: (i) an annual cash retainer of $100,000; (ii) an annual retainer fee of $25,000 for each Director serving as Chair of the Audit, Compensation or Governance Committees and an annual retainer fee of $15,000 for each Director serving as Chair of other Board Committees; and (iii) common stock equivalent units with a $140,000 value granted annually to each Director serving for the entire calendar year under the Directors' Deferred Compensation Plan (the "Directors' Plan"). Directors serving for a portion of the year receive prorated grants of common stock equivalent units. The amount and form of compensation for non-management Directors has not changed since 2012. In addition, the Board considers and may, in its discretion, grant additional compensation to the non-executive Chairman. In recognition of his service, the Board awarded Mr. McKenna a grant of restricted stock units (RSUs) in 2015 as described in the table and footnotes below.

The Company reimburses non-management Directors for expenses incurred in attending Board, Committee, shareholder and other McDonald's business meetings, as well as expenses for Director continuing education.

The following table summarizes the compensation received by each non-management Director in 2015:

Name (a)	Fees earned or paid in cash (1)($)(b)	Stock awards (2)(3)($)(c)	All other compensation (4)($)(g)	Total ($)(h)
Susan Arnold	100,000	140,000	10,000	250,000
Lloyd Dean	41,033	57,918	0	98,951
Robert Eckert	125,000	140,000	10,000	275,000
Margaret Georgiadis	92,500	129,644	10,000	232,144
Enrique Hernandez, Jr.	125,000	140,000	10,000	275,000
Jeanne Jackson	115,000	140,000	10,000	265,000
Richard Lenny	100,000	140,000	5,000	245,000
Walter Massey	115,000	140,000	10,000	265,000
Andrew McKenna	100,000	960,546	32,649	1,093,195
Cary McMillan	38,737	53,699	10,000	102,436
John Mulligan	41,033	57,918	10,000	108,951
Sheila Penrose	100,000	140,000	10,000	250,000
John Rogers, Jr.	100,000	140,000	10,000	250,000
Roger Stone	61,141	85,151	10,000	156,292
Miles White	125,000	140,000	10,000	275,000

(1) Non-management Directors may defer all or a portion of their retainer(s) in the form of common stock equivalent units under our Directors' Plan. Such deferrals, as well as the annual grant of common stock equivalent units described in footnote 2 below, are credited to an account that is periodically adjusted to reflect the gains, losses and dividends associated with a notional investment in our common stock. Common stock equivalent units so credited are based on a per-share price equal to the closing price of our common stock on the date of credit. Amounts credited are deferred until retirement from the Board or a date specified by the Director. A Director may elect that all or a portion of the credited amount be paid in equal annual installments over a period of up to 15 years beginning after retirement from the Board. In the event of death, amounts are paid in a lump sum.

(2) Stock equivalent awards are deferred until retirement from the Board or death. A Director may specify that deferred amounts from each year's award be paid in a lump sum or installments over a period of up to 15 years beginning after retirement from the Board. In the event of death, amounts are paid in a lump sum. Amounts in this column represent the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC 718) of (i) common stock equivalent units granted under the Directors' Plan on December 31, 2015 to each non-management Director who served on the Board during

2015; and (ii) in the case of Mr. McKenna, a grant of 8,593 RSUs on August 7, 2015 with an aggregate grant date fair value of $820,546 computed in accordance with ASC 718, awarded in recognition of his service as non-executive Chairman. These RSUs will be paid out on the later of one year from the date of grant or his retirement date.

(3) Outstanding stock awards held by non-management Directors are set forth below. Stock awards include common stock equivalent units under the Directors' Plan and, in the case of Mr. McKenna, both common stock equivalent units and RSUs described in footnote 2. Amounts are as of December 31, 2015.

Name	Outstanding stock awards
Susan Arnold	13,862
Lloyd Dean	844
Robert Eckert	49,422
Margaret Georgiadis	1,097
Enrique Hernandez, Jr.	69,246
Jeanne Jackson	59,535
Richard Lenny	27,319
Walter Massey	36,172
Andrew McKenna	255,539
Cary McMillan	34,263
John Mulligan	490
Sheila Penrose	20,316
John Rogers, Jr.	46,029
Roger Stone	111,863
Miles White	10,772

(4) Represents Company matching gifts of charitable contributions to tax-exempt organizations for participating non-management Directors that were received in 2015 and, for Mr. McKenna, personal use of the Company's aircraft. The matching gift program matches up to $10,000 of charitable contributions made to certain types of tax-exempt organizations. In 2015, total matching contributions for donations made by non-management Directors were $135,000.

Executive compensation

Compensation Committee Report

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, 2015.

Respectfully submitted,

The Compensation Committee
Robert Eckert, Chairman
Susan Arnold
Richard Lenny
John Rogers, Jr.
Miles White

Compensation discussion and analysis

Our year in review

2015 marked the beginning of a new direction for McDonald's with the election of a new CEO in the first quarter and the introduction of our turnaround plan. The key objectives of the turnaround plan are driving operational growth by running great restaurants, returning excitement to our brand and unlocking financial value. While it will take time to realize the full effects of the turnaround, the Company ended 2015 with positive momentum. Our results demonstrated that we are on the path to restarting growth as we strive to be seen as a modern and progressive burger company.

While there has been a change in our leadership, we remain committed to a pay for performance culture. Payouts to our executives vary based on performance against financial and strategic metrics aligned with our measures of long-term sustainable growth: operating income, return on incremental invested capital (ROIIC), earnings per share (EPS), and share price performance. Consistent with prior years, our 2015 pay package generally included base salary, a short-term cash incentive, a long-term cash incentive, performance-based RSUs and stock options.

Our turnaround efforts yielded positive results in the second half of 2015 and we expect continued momentum in 2016. However, our performance challenges early in the year caused full-year results, and therefore payouts under our compensation plans, to fall short of our expectations. In addition, payouts under our long-term plans were significantly impacted by our results in prior years. The following payouts reflect these performance challenges:

- 88.9% payout for Corporate employees under our 2015 short-term incentive plan (STIP)
- Zero payout under our 2013-2015 cash long-term incentive plan (Cash LTIP)
- 16.4% vesting of 2013-2015 performance-based restricted stock units (RSUs)

These pay outcomes validate our rigorous target setting process and demonstrate the program's effectiveness at aligning pay and performance.

Named Executive Officers (NEOs)

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

Stephen Easterbrook	President and Chief Executive Officer (beginning March 1, 2015)
Kevin Ozan	Executive Vice President and Chief Financial Officer (CFO) (beginning March 1, 2015)
Peter Bensen	Chief Administrative Officer (CAO) (CFO through February 28, 2015)
Douglas Goare	President, International Lead Markets
David Hoffmann	President, High Growth Markets
Christopher Kempczinski	Executive Vice President, Strategy (beginning October 26, 2015)
Donald Thompson	President and Chief Executive Officer (through March 1, 2015)

Compensation program overview

What we do		What we don't do	
ü	Strong pay for performance alignment: vast majority of direct compensation tied to performance relative to objective financial goals	û	Our compensation program does not encourage unreasonable risk taking
ü	Performance metrics are selected to align the interests of management with the interests of shareholders	û	Executives do not benefit from tax gross-ups on perquisites
ü	STIP and Cash LTIP require growth in operating income to yield any payout	û	Executives are prohibited from hedging or pledging shares
ü	To ensure long-term focus, the majority of direct compensation opportunity is not paid out in the first year	û	Equity plan prohibits backdating, below market grants and repricing
ü	STIP and Cash LTIP have caps on potential payouts	û	Executives do not have employment agreements
ü	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	Committee retains an independent advisor on executive compensation matters		
ü	Our peer group is primarily comprised of consumer based companies with whom we compete for talent		
ü	STIP and Cash LTIP contain clawback provisions		

Compensation setting process

The Compensation Committee of the Board of Directors (Committee) meets regularly during the year (eight times in 2015). Meeting agendas are determined by the Chair of the Committee with the assistance of our Chief People Officer. Members of management, including the Chief People Officer, also attend Committee meetings as well as representatives from the Committee’s independent advisor, Frederic W. Cook & Co., Inc. (FWC), and if needed, external legal counsel.

At least annually, the Committee reviews our overall executive compensation program to ensure that it remains aligned with current business objectives and evolving best practices. In the ordinary course, the Committee begins its broad review of our executive compensation program in the fourth quarter and implements any changes the following year when awards are made.

The following graphic illustrates the highlights of the Committee's annual review process.

The Chair of the Committee regularly reports to the Board of Directors following Committee meetings. In addition, the Chair of the Committee, along with the Chairman of the Board, lead the independent Directors in the evaluation of the CEO's performance. Based upon the results of this performance evaluation, and informed by input from FWC and the Chief People Officer, the Committee reviews and approves CEO compensation.
In addition to providing detailed recommendations for the CEO, FWC also provides the Committee detailed compensation recommendations for the CAO and CFO at least annually. The Committee considers peer data and other similar information obtained from various sources, including Towers Watson & Co., Equilar, and Aon Hewitt (which also provides the Company with significant plan administration services). While management provides the Committee with its perspectives on compensation matters, no member of management is involved in decisions regarding his or her own compensation.
Throughout the year, management and Board members are actively engaged in dialogue with a significant portion of the Company’s shareholder base on a number of matters important to both the Company and its investors, including our executive compensation program. The Committee considers feedback received through direct discussions with investors as well as the prior year “Say on Pay” results and the voting results of any shareholder proposals related to our executive compensation program. Our compensation program received 94% shareholder support in 2015.

Changes to compensation program

Changes to our 2015 and 2016 programs are described below.

Compensation element	Program changes
2015	
STIP	ELIMINATION OF INDIVIDUAL PERFORMANCE FACTOR • The Committee eliminated the use of an individual performance factor as a multiplier in calculating final STIP awards for executives • STIP awards are now based entirely on objective Company performance measures • The Committee also reduced the cap on STIP payments from 250% to 200% of target
Cash LTIP	ADDITION OF SHARE OF GUEST TRAFFIC METRIC • 2015 Cash LTIP awards are subject to an additional measure - change in the Company’s share of guest traffic within the informal eating out category in the Company’s top eight markets (“Share of Traffic”) • This additional metric serves as a modifier (positive or negative) on the payout factor
Performance-based RSUs	PAYOUTS FURTHER ALIGNED WITH PERFORMANCE RESULTS • Historically, the Company’s performance-based RSU awards provided for downside adjustment only based on the Company’s performance results against pre-established goals • Performance-based RSU awards now have the potential to pay out up to 200% of target • This change provides for further motivation for executives to achieve performance results in excess of target
2016	
Long-term incentives	ELIMINATION OF CASH LTIP • The Company eliminated the Cash LTIP plan • Going forward, long-term-incentives will be awarded in the form of performance-based RSUs and stock options in equal economic proportions • Performance-based RSUs will have net income and ROIIC performance targets (replacing EPS), as well as a total shareholder return (TSR) modifier • Eliminates the prior overlap of performance measures in short- and long-term plans • The use of equity-based awards more closely aligns executive compensation with shareholder interests and better reflects market practice

Compensation performance measures and targets

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

2015 principal performance measures	STIP	Cash LTIP	Stock options	Performance-based RSUs
Operating income growth	l	l		
ROIIC		l		
Earnings per share				l
Share price			l	l

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 rewarding executives for strong performance over both the short- and long-term and establishing realistic targets that continue to motivate and retain executives. In setting these objective performance targets, the Committee considers the Company's short- and long-term strategy and the economic, industry and competitive environments.

lExclusions from reported financial results

The Committee may exclude certain items from the financial results used to determine incentive-based compensation for items that are not indicative of ongoing performance in order to focus our executives on the fundamentals of the Company's underlying business performance. The Committee considers these exclusions pursuant to pre-established guidelines, including materiality, to provide clarity and consistency on how it views the business when evaluating performance. Charges/credits that may be excluded from operating income include the following categories: "strategic" (such as restructurings, acquisitions and divestitures); "regulatory" (changes in tax or accounting rules); and "external" (extraordinary, non-recurring events such as natural disasters).

For 2015, the Committee reviewed the impact of strategic actions taken in connection with the Company's business turnaround plan (e.g., goodwill write-downs, business restructuring and incremental store closures above plan) on performance-based compensation. In order to mitigate undue impact on a new leadership team that took decisive steps to implement strategic changes necessary to effectuate a turnaround yielding positive results for the Company and its shareholders, the Committee determined that it was appropriate to exclude certain turnaround-related charges, consistent with the guidelines noted above, from operating income and earnings per share results. The impact of these exclusions on 2015 STIP and performance-based RSUs is provided on pages 27 and 29.

The Committee remains focused on ensuring that payouts closely reflect Company performance and hold management accountable for returning the Company to long-term sustainable growth. Since the turnaround plan will require multiple years to implement, it is likely that additional exclusions will be applicable going forward, which may impact payouts in future years.

Payouts under our compensation plans also exclude the effects of foreign currency translation since we believe that period-to-period changes in foreign exchange rates can cause our reported results to appear more or less favorable than business fundamentals indicate.

lPeer companies

Consistent with our goal of providing competitive compensation to incentivize and retain executive talent, we review our executives' total direct compensation compared to levels at a peer group of companies that we believe is reflective of our business. 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.

Following an annual review, 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. Revenues, market capitalization, systemwide sales, and TSR are some of the criteria considered in constructing the peer group. Our peer group is set forth below.

3M Company	The Home Depot, Inc.	The Procter & Gamble Company
Best Buy Co., Inc.	Johnson & Johnson	Starbucks Corporation
Restaurant Brands International Inc.	Kellogg Company	Target Corporation
The Coca-Cola Company	Kraft Heinz Co.	Walgreens Boots Alliance, Inc.
Colgate-Palmolive Company	Lowe's Companies, Inc.	Wal-Mart Stores, Inc.
Dunkin' Brands Group, Inc.	Mondeléz International, Inc.	The Walt Disney Company
FedEx Corporation	NIKE, Inc.	The Wendy's Company
General Mills, Inc.	PepsiCo, Inc.	Yum! Brands, Inc.

The following table compares McDonald's size and performance to that of our peer group.

			McDonald's vs. comparator group		
(Dollars in millions)	McDonald's		Percentile		Rank
Revenues (most recent fiscal year)*	25,413		32	%	16 of 23
Market capitalization (12/31/15)	108,480		68		8 of 23
Systemwide sales (most recent fiscal year)*	82,715		86		4 of 23
1-year TSR (12/31/15)	30.42	%	91		3 of 23
Cumulative 3-year TSR (12/31/15)	48.01	%	36		15 of 23
Cumulative 5-year TSR (12/31/15)	80.84	%	43		13 of 22

*Financial data as reported on Bloomberg.com and as of March 14, 2016 unless otherwise indicated.

Elements of total direct compensation

Approximately 90% of our CEO's total direct target compensation opportunity for 2015 was allocated to variable compensation that is at-risk based on performance, including short- and long-term incentive compensation (as shown in the pie chart below). Further, for the NEOs who were employed at year-end, 82% of the total direct compensation opportunity for 2015 was allocated to variable compensation that is at-risk based on performance.

The above chart is comprised of Financial Accounting Standards Board values for equity awards granted in 2015.

Annual compensation

l Base salary

In setting annual salary levels, we take into account competitive considerations, change in responsibilities, individual performance, tenure in position, internal pay equity, and the effect on our general and administrative expenses. In connection with their respective promotions, Messrs. Easterbrook, Ozan and Bensen received increases in base salary. In addition, as part of the annual review process, Messrs. Goare and Hoffmann each received a salary increase.

l STIP

Our STIP is designed to 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, there is no payout under the STIP.

While we restructured our business on July 1, 2015 into new operating segments, the Committee retained the Area of the World (AOW) targets for purposes of 2015 STIP as the Committee believed the introduction of new performance targets mid-way through the performance period would generate confusion.

If sufficient operating income growth is achieved, STIP payouts take into account pre-established "modifiers" reflecting other measures of Corporate and/or AOW performance that are important drivers of our business. These modifiers in 2015 include the following objective metrics:

- Comparable guest count growth
- G&A expense control
- Customer satisfaction
- Success of our people initiatives

The chart below illustrates 2015 STIP targets for Corporate, prior to adjustment based on the modifiers discussed previously, and expressed as a percentage of the target award at different levels (threshold, target and maximum):

2015	Threshold 0%	Target 100%	Maximum 200%
Consolidated annual operating income growth	0%	3.3%	8.1%

Payout percentage interpolated for results that fall between each of the performance levels specifically identified.

The following table shows the operating income targets and results under 2015 STIP, as adjusted for the turnaround-related exclusions described on page 25:

(Dollars in millions)	Target 2015 operating income ($)	Target 2015 operating income growth over 2014 (%)	2015 adjusted operating income* ($)	2015 adjusted operating income growth over 2014 (%)
Corporate	8,208	3.3	8,188	3.0
U.S.	3,668	4.1	3,667	4.1
Europe	3,419	4.2	3,463	5.6
APMEA**	1,245	16.8	1,153	8.2

* The turnaround-related exclusions discussed on page 25 had the following impact on 2015 operating income for purposes of calculating 2015 STIP payouts: Corporate $349 million; U.S. $55 million; Europe $62 million; and APMEA $198 million.

** Asia/Pacific Middle East and Africa

The 2015 target awards and STIP payouts for the NEOs are shown in the table below.

Named executive officer	Target STIP payment as percentage of salary (%)(1)	2015 target STIP payout ($)	2015 STIP payout ($)	STIP payment as percentage of target (%)
Stephen Easterbrook	150.3	1,653,315	1,469,797	88.9
Kevin Ozan	94.3	566,055	503,223	88.9
Peter Bensen	121.0	1,149,110	1,021,558	88.9
Douglas Goare	87.5	516,371	659,277	127.7
David Hoffmann	87.5	516,371	227,462	44.1
Christopher Kempczinski	14.7	88,110	78,329	88.9
Donald Thompson	26.3	328,767	292,274	88.9

(1) Target awards were prorated for Messrs. Easterbrook, Ozan and Bensen as a result of their respective promotions on March 1, 2015. Target awards for Messrs. Goare and Hoffmann were prorated as a result of a mid-year increase in their STIP target. Mr. Kempczinski's target award was prorated for his service beginning October 26, 2015 and Mr. Thompson's target award was prorated for his service through March 1, 2015. All STIP payouts were based on 2015 full-year results.

Long-term incentive compensation

lCash LTIP

In early 2015, the Committee approved new Cash LTIP awards for the performance period January 1, 2015 to December 31, 2017. Payouts will be initially determined based on the following quantitative measures over the three-year performance period: growth in operating income and ROIIC. No awards will be earned unless threshold levels of performance are achieved. Payouts are adjusted, positively or negatively, by first applying a modifier based on Share of Traffic; and second, applying a multiplier based on cumulative TSR versus the S&P 500 Index for the performance period.

Final 2015-2017 Cash LTIP payouts will be determined as shown below:

The combination of operating income growth and ROIIC provides the appropriate balance in Cash LTIP, as operating income growth focuses on the key element of growing our business and ROIIC measures the effectiveness of our capital investments. The addition of the Share of Traffic and the relative TSR metrics encourage management's focus on these important measures.

The chart below illustrates 2015-2017 Cash LTIP targets, prior to adjustment based on the change in Share of Traffic and the relative TSR multiplier, and expressed as a percentage of the target award at different levels (threshold, target and maximum):

2015 - 2017	Threshold 0%	Target 100%	Maximum 180%
Compound annual operating income growth	1 %	5 %	9 %
ROIIC	10 %	16 %	19 %

Payout percentage will be interpolated for results that fall between each of the performance levels specifically identified.

The following matrix provides details on 2013-2015 Cash LTIP awards. The matrix also provides details, including projected payouts prior to the application of exclusions, for outstanding Cash LTIP awards.

	Primary Performance targets				
Performance period	Compound annual operating income growth (%)	3-year ROIIC (%)	Payout		Payout date
2013 - 2015	6.5	18	0	*	March 1, 2016
2014 - 2016	5.0	16	0	**	March 1, 2017
2015 - 2017	5.0	16	Below Target	**	March 1, 2018

* Actual payout for 2013-2015 was zero as performance results (including the application of the turnaround-related exclusions) failed to achieve the required threshold.

** Projected payouts based on constant currency performance through December 31, 2015 and estimated future performance.

Beginning in 2016, the Committee has determined that it will no longer make Cash LTIP awards, and will instead grant long-term incentives in the form of performance-based RSUs and stock options in equal economic proportions.

lRSUs

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

RSUs granted to executives in 2015 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 2015-2017 performance period, as set forth in the chart below. Consistent with market practice, the Committee added an above-target payout opportunity with a maximum payout at 200% of the target award.

2015 - 2017	Threshold 0%	Target 100%	Maximum 200%
Compounded annual growth in EPS on a cumulative basis	0%	5-7%	11%

Payout percentage will be interpolated for results that fall between each of the performance levels specifically identified.

The following matrix provides details on 2013-2015 performance-based RSU awards. The matrix also provides details, including projected payouts prior to the application of exclusions, for outstanding performance-based RSU awards.

Performance period	Compound annual EPS growth targets (%)	Payout	Vesting date

2013 - 2015	6	16.4%	*	February 2016
2014 - 2016	6	0	**	February 2017
2015 - 2017	5 - 7	Above Target	**	March 2018

* In determining actual payout, the Committee applied the same turnaround-related exclusions as described above on pages 25 and 27 to the 2013-2015 performance results.

** Projected payouts based on constant currency performance through December 31, 2015 and estimated future performance.

lStock options
Options 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 32.
Retirement savings arrangements
We believe a competitive retirement program contributes to the recruitment and retention of top executive talent. NEOs participate in the same tax-qualified defined contribution retirement savings plan and a supplemental non-qualified deferred compensation retirement plan applicable to U.S.-based employees.
Severance and change in control arrangements
NEOs participate in our broad-based severance plan applicable to U.S.-based employees, except Mr. Kempczinski who is not eligible to receive severance benefits until April 26, 2017 pursuant to the terms of his sign-on compensation awards. Benefits under the severance plan are described under "Potential Payments Upon Termination of Employment" on page 43. Subject to certain exceptions, 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.
During 2015, the Company had a change in control agreement with Mr. Bensen. Benefits under the change in control agreement are described under "Change in control employment agreement (CIC Agreement)" on page 44. 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.
Perquisites and other benefits
McDonald's provides the following limited perquisites to NEOs: company-provided car or car allowance, financial planning, physical examination (which are also available for the NEOs' spouses), executive security (for select NEOs), matching charitable donation, limited personal items and, generally in the case of the CEO and CAO only, personal use of the Company's aircraft (these executives are required to reimburse a portion of the cost). The Company does not provide any tax gross-ups on perquisites. NEOs also participate in all of the broad-based benefit and welfare plans available to Company staff in general.
Retirement and consulting agreement with Mr. Thompson
In 2015, the Company entered into an agreement with Mr. Thompson regarding his retirement benefits. Under the terms of the agreement, Mr. Thompson agreed to: (1) provide consulting services to the Company for 12 months following his retirement; (2) a covenant not to compete lasting until March 2017 (six months beyond what is customarily required under the Company's benefit plans); and (3) a general release of claims and non-disparagement covenant in favor of the Company. In exchange, the Company: (1) waived the six-month notice period customarily required in advance of retirement under STIP, Cash LTIP and the terms of his equity incentive awards; (2) amended the option award made to Mr. Thompson in 2012 upon his promotion to CEO to allow him to receive applicable retirement treatment (i.e., eligibility for continued vesting in accordance with the original vesting schedule and continued exercisability for the full term); and (3) agreed to pay Mr. Thompson $1.5 million in each of September 2015 and March 2016. Except as described in the previous sentence, Mr. Thompson received retirement benefits that are consistent with the established terms of the Company's plans. All payments made to Mr. Thompson under the agreement are subject to the applicable terms and conditions (including performance targets) and may be forfeited or clawed-back in specified circumstances. In determining to provide this compensation, the Committee considered the value of obtaining an extended non-compete period from him, as well as the positive effect derived from his knowledge of the McDonald's System and his key relationships with a varied group of stakeholders.
Compensation policies and practices
Policy regarding management's stock ownership
Historically, the Company has maintained stock ownership requirements because it believes executives will more effectively pursue the long-term interests of shareholders if they are shareholders themselves. The Committee reviews compliance with these stock ownership requirements annually, and currently all executives are in compliance with the

policy.

The following table illustrates our stock ownership requirements.

Stock ownership requirements	Multiple of salary
President & CEO	6x
CAO	5x
Other Executives	4x

Executives have five years to achieve the required ownership level. This five-year period restarts when 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 Company has adopted restrictions that prohibit executives from engaging in derivative transactions to hedge the risk associated with their stock ownership. Further, executives may not enter into an agreement that has the effect of transferring or exchanging economic interest in any award.

Independent compensation consultant

The Committee has the sole authority to retain and dismiss an independent compensation consultant, and has engaged FWC as its consultant. FWC also provides assistance to the Board in compiling and summarizing the results of Board and Director evaluations and advising on Director fees. Consistent with its Charter, the Committee regularly considers FWC's independence and, in 2015, the Committee concluded that FWC is independent and that its work for the Committee did not raise any conflicts of interest. Management may not engage the Committee's consultant for any purpose.

Clawbacks and forfeiture provisions

The Company's compensation plans contain clawback provisions that require the repayment of compensation previously awarded under STIP and Cash 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 also 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 options and RSUs.

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. The Committee reviews our compensation programs, including broad-based programs, taking into consideration the factors described above. Based on this review, the Committee has concluded that the risks arising from its compensation program are not reasonably likely to have a material adverse effect on the Company.

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 (for example, Mr. Kempczniski's awards in 2015). These awards permit us to meet one-time business objectives with minimum impact to long-term pay equity.

Policy with respect to tax deductibility of compensation

Our compensation programs are designed to 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.

Compensation tables

Summary compensation table

The table below summarizes the total compensation earned by our NEOs in 2015, 2014 and 2013.

Name and principal position (a)	Year (b)	Salary (3)($)(c)	Bonus ($)(d)	Stock awards (4)($)(e)	Option awards (5)($)(f)	Non-equity incentive plan compensation (6)($)(g)		All other compensation (7)($)(i)	Total ($)(j)
Stephen Easterbrook President and Chief Executive Officer (1)	2015	1,025,000	0	2,968,674	2,104,524	Annual:	1,469,797	341,301	7,909,296
						Long-term:	0		
						Total:	1,469,797		
	2014	633,333	0	535,453	386,627	Annual:	0	134,449	1,689,862
						Long-term:	0		
						Total:	0		
Kevin Ozan Corporate Executive Vice President and Chief Financial Officer (1)	2015	568,333	0	534,434	378,818	Annual:	503,223	76,662	2,061,470
						Long-term:	0		
						Total:	503,223		
Peter Bensen Chief Administrative Officer (1)	2015	941,667	0	1,068,782	757,635	Annual:	1,021,558	186,424	3,976,066
						Long-term:	0		
						Total:	1,021,558		
	2014	858,333	0	1,026,200	741,028	Annual:	0	168,735	2,794,296
						Long-term:	0		
						Total:	0		
	2013	765,000	0	1,511,447	589,899	Annual:	569,000	164,298	3,599,644
						Long-term:	0		
						Total:	569,000		
Douglas Goare President, International Lead Markets	2015	586,667	0	623,463	441,950	Annual:	659,277	963,909	3,275,266
						Long-term:	0		
						Total:	659,277		
	2014	570,000	0	624,611	451,055	Annual:	0	1,259,655	2,905,321
						Long-term:	0		
						Total:	0		
	2013	566,000	0	969,078	383,437	Annual:	408,000	1,592,893	3,919,408
						Long-term:	0		
						Total:	408,000		
David Hoffmann	2015	586,667	0	534,434	378,818	Annual:	227,462	1,200,155	2,927,536
						Long-term:	0		

President, High Growth Markets						Total:	227,462			
	2014	533,333	0	490,832	354,401	Annual: Long-term: Total:	0 0 0	1,381,119		2,759,685
	2013	507,500	0	724,635	221,212	Annual: Long-term: Total:	207,000 0 207,000	1,578,609		3,238,956
Christopher Kempczinski Corporate Executive Vice President - Strategy (2)	2015	111,538	200,000	1,268,848	447,479	Annual: Long-term: Total:	78,329 0 78,329	14,607		2,120,801

(table continues on following page)

Name and principal position (a)	Year (b)	Salary (3)($)(c)	Bonus ($)(d)	Stock awards (4)($)(e)	Option awards (5)($)(f)	Non-equity incentive plan compensation (6)($)(g)		All other compensation (7)($)(i)	Total ($)(j)
Donald Thompson Former President and Chief Executive Officer (1)	2015	251,603	0	0	0	Annual:	292,274	1,544,554	2,088,431
						Long-term:	0		
						Total:	292,274		
	2014	1,250,000	0	3,271,818	2,362,665	Annual:	0	404,095	7,288,578
						Long-term:	0		
						Total:	0		
	2013	1,225,000	0	4,667,552	1,769,687	Annual:	1,400,000	434,425	9,496,664
						Long-term:	0		
						Total:	1,400,000		

(1) Mr. Easterbrook was elected CEO effective March 1, 2015, and Mr. Thompson retired from the Company on that same date. Also effective March 1, 2015, Mr. Bensen (who was then-serving as Senior Executive Vice President and CFO) was promoted to the newly created role of CAO, and Mr. Ozan was promoted to Executive Vice President and CFO.

(2) Mr. Kempczinski joined the Company on October 26, 2015. As an incentive to join the Company, Mr. Kempczinski received a sign-on bonus, $200,000 of which was paid in 2015, and an initial equity grant consisting of performance-based RSUs, service-based RSUs and options. In light of his initial equity grant, Mr. Kempczinski did not receive an equity grant in February 2016 when the other NEOs received their annual awards. Additional information is disclosed in the Grants of Plan-Based Awards table, and accompanying notes, on pages 36-38.

(3) Reflects annual increases in base salary that took effect during 2015 for the NEOs other than Messrs. Kempczinski and Thompson. Annual base salaries as of December 31, 2015 were as follows: Messrs. Easterbrook: $1,100,000; Ozan: $600,000; Bensen: $950,000; Goare: $590,000; Hoffmann: $590,000 and Kempczinski: $600,000.

(4) 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 2012 Omnibus Stock Ownership Plan (the "2012 Plan"). 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. Performance-based RSUs vest on the third anniversary of the grant date and are subject to performance-based vesting conditions linked to the achievement of an EPS growth target over the performance period running from January 1, 2015 to December 31, 2017 (as described on page 29). For Mr. Kempczinski, this also includes a grant of service-based RSUs that vest in three equal installments on the first, second and third anniversaries of the grant date. Additional information is disclosed in the Grants of Plan-Based Awards table on pages 36-38 and the Outstanding Equity Awards at 2015 Year-end table on pages 39-41. 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 46 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

(5) 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 2012 Plan, as applicable. Values for options granted in 2015 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 18.8%; an expected annual

dividend yield of 3.6%; a risk-free return of 1.7%; and expected option life based on historical experience of 6.0 years. Additional information about options is disclosed in the Grants of Plan-Based Awards table on pages 36-38 and the Outstanding Equity Awards at 2015 Year-end table on pages 39-41. 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 36 and 46 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

(6) Our annual cash incentive plan is referred to as STIP and our long-term cash incentive plan is referred to as Cash LTIP. Mr. Kempczinski received a prorated STIP award for service from October 26, 2015 through December 31, 2015, and Mr. Thompson received a prorated STIP award for service from January 1, 2015 through March 1, 2015.

(7) "All other compensation" for 2015 includes the Company's contributions to the Profit Sharing Plan and Excess Benefit and Deferred Bonus Plan as follows:

Stephen Easterbrook	$92,250
Kevin Ozan	$51,150
Peter Bensen	$84,750
Douglas Goare	$52,800
David Hoffmann	$52,800
Christopher Kempczinski	$0
Donald Thompson	$22,644

Also included are the following categories of perquisites: personal use of Company-provided cars or an allowance; financial planning; annual physical examinations for the executives and their spouses; executive security (for select executives); matching charitable donations; limited personal items; and personal use of the Company's aircraft by the CEOs and CAO, with a net cost to the Company in 2015 for Mr. Easterbrook of $224,235 and for Mr. Bensen of $66,940. In general, the CEO and CAO are the only executives 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.

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, CAO and any other executive who is permitted per the above to use the Company's aircraft for personal use 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.

In the case of the Company's NEOs based overseas, Messrs. Goare and Hoffmann, the amount in this column for 2015 also includes certain benefits in connection with their international assignments, as follows:

For Mr. Goare: Company-provided housing (in the amount of $163,531), which includes rent, rental furniture, utilities, cleaning and maintenance; a cost-of-living adjustment (in the amount of $124,624); home leave travel allowance; tax preparation services; and tax equalization (in the amount of $78,120), which is designed to satisfy tax obligations arising solely as a result of his international assignment.

For Mr. Hoffmann: Company-provided housing (in the amount of $382,592), which includes rent, rental furniture, utilities and maintenance; a cost-of-living adjustment; home leave travel allowance; educational expenses; transportation expenses; relocation expenses and related allowances; membership in an expatriate organization; tax preparation services; and tax equalization (in the amount of $227,718), which is designed to satisfy tax obligations arising solely as a result of his international assignment.

For each of Messrs. Goare and Hoffmann, certain amounts were paid in local currency. In these cases, when the information is available, the amounts reported reflect the exchange rate on the date the respective payments were made, and when the information is not available, the amounts reported reflect the average monthly exchange rate.

For Mr. Thompson, the amount also includes $1,500,000 paid under his retirement and consulting agreement, as described in the Compensation Discussion and Analysis on page 30 under the heading "Retirement and consulting agreement with Mr. Thompson."

Grants of plan-based awards

			Estimated future payouts under non-equity incentive plan awards (1)			Estimated future payouts under equity incentive plan awards (2)			All other stock awards: number of shares of stock or units	All other option awards: number of securities underlying option	Exercise or base price of option awards	Grant date fair value of stock and option awards
		Grant date (b)	Threshold	Target	Maximum	Threshold	Target	Maximum				
Name (a)	Plan		($)(c)	($)(d)	($)(e)	(#)(f)	(#)(g)	(#)(h)	(#)(i)	(#)(j)	($/Sh)(k)	(3)($)(l)
Stephen Easterbrook	Cash LTIP		0	3,189,815	7,336,575							
	STIP		0	1,653,315	3,306,630							
	Equity Plan (4)	3/16/15				0	34,312	68,624				2,968,674
	Equity Plan (5)	3/16/15								201,776	97.15	2,104,524
Kevin Ozan	Cash LTIP		0	575,000	1,322,500							
	STIP		0	566,055	1,132,110							
	Equity Plan (4)	3/16/15				0	6,177	12,354				534,434
	Equity Plan (5)	3/16/15								36,320	97.15	378,818
Peter Bensen	Cash LTIP		0	1,197,222	2,753,611							
	STIP		0	1,149,110	2,298,220							
	Equity Plan (4)	3/16/15				0	12,353	24,706				1,068,782
	Equity Plan (5)	3/16/15								72,640	97.15	757,635
Douglas Goare	Cash LTIP		0	585,000	1,345,500							
	STIP		0	516,371	1,032,742							
	Equity Plan (4)	3/16/15				0	7,206	14,412				623,463
		3/16/15								42,373	97.15	441,950

	Equity Plan (5)											
David Hoffmann	Cash LTIP		0	585,000	1,345,500							
	STIP		0	516,371	1,032,742							
	Equity Plan (4)	3/16/15				0	6,177	12,354				534,434
	Equity Plan (5)	3/16/15								36,320	97.15	378,818
Christopher Kempczinski	Cash LTIP		0	311,250	715,875							
	STIP		0	88,110	176,220							
	Equity Plan (4)	11/12/15				0	5,575	11,150				565,751
	Equity Plan (5)	11/12/15								37,166	112.11	447,479
	Equity Plan (6)	11/12/15							6,690			703,097
Donald Thompson	STIP		0	328,767	657,534							

(1) In 2015, the NEOs received annual cash awards under the STIP and, except Mr. Thompson, long-term cash awards under the Cash LTIP. Columns (d) and (e) show the target and maximum awards they could have earned. Actual STIP payouts are in column (g) of the Summary Compensation Table. Amounts provided to Messrs. Kempczinski and Thompson are prorated to reflect service during 2015.

(2) In 2015, the NEOs other than Messrs. Kempczinski and Thompson received two types of equity awards: RSUs subject to performance-based vesting criteria (see columns (f), (g), (h) and (l)) and options (see columns (j), (k) and (l)). Mr. Kempczinski received performance-based RSUs, service-based RSUs and options in connection with sign-on arrangements. Mr. Thompson did not receive an equity award in 2015 as a result of his retirement.

(3) The values in this column for RSUs and options were determined based on the assumptions described in footnotes 4 and 5, respectively, to the Summary Compensation Table.

(4) Reflects grants of RSUs subject to performance-based vesting conditions. The RSUs granted to Messrs. Easterbrook, Ozan, Bensen, Goare and Hoffmann vest on March 16, 2018, subject to achievement of a specified EPS growth target during the performance period ending on December 31, 2017. The performance target for these RSU awards is compounded annual EPS growth of 5-7% on a cumulative basis. If the target range is achieved, 100% of the RSUs will vest. If no compounded EPS growth is achieved, no RSUs will vest. If compounded EPS growth is either above or below the target range, the awards will vest proportionally, as determined by the Committee, up to a maximum of 200% of target.

The performance-based RSUs granted to Mr. Kempczinski vest on November 12, 2018, subject to achievement of a specified net income and ROIIC targets during the performance period ending on December 31, 2018. The performance targets for this RSU award are compound annual net income growth of 5% and 3-year ROIIC of 10-25%. If the targets are achieved, 100% of the RSUs will vest. If net income and ROIIC performance is either above or below the target range, the awards will vest proportionally, as determined by the Committee. In addition, if net income and ROIIC thresholds are achieved, a TSR modifier can impact final payouts by up to plus or minus 20 percentage points. The maximum payout is 200% of target.

(5) Reflects grants of options in 2015. For details regarding options, refer to footnote 5 to the Summary Compensation Table.

(6) Reflects service-based RSUs granted to Mr. Kempczinski in connection with his sign-on arrangements. The RSUs vest in three equal installments on each of the first three anniversaries of the grant date.

STIP Awards

Target STIP awards for 2015 were equal to a percentage of salary. STIP measures performance using a “team factor” that is initially determined based on growth in operating income. The team factor increases with growth in operating income up to 100% at the target level of growth and to higher percentages at higher levels of growth, up to the maximum of 200% of target. The team factor can then be adjusted up or down, within specified limits, based on “modifiers” reflecting other measures of Corporate and/or AOW performance. The target amount is multiplied by the team factor, which includes the modifiers.

The following flowchart illustrates this process:

The target STIP awards, the team factors (including the modifiers), and the final payouts as a percentage of target awards for the NEOs in 2015 are summarized below:

Named executive officer	Target STIP award (% of salary) (1)	Applicable team factor(s)	Team factor(s) before application of modifiers (% of target award)	Impact of modifiers (% added or subtracted)	Final STIP award (2)
Stephen Easterbrook	150.3	Corporate	95.1	-6.2	1,469,797
Kevin Ozan	94.3	Corporate	95.1	-6.2	503,223
Peter Bensen	121.0	Corporate	95.1	-6.2	1,021,558
Douglas Goare	87.5	Corporate (weighted 25%)	95.1	-6.2	659,277
		Europe (weighted 75%)	129.0	+11.6	
David Hoffmann	87.5	Corporate (weighted 25%)	95.1	-6.2	227,462
		APMEA (weighted 75%)	38.5	-9.4	
Christopher Kempczinski	14.7	Corporate	95.1	-6.2	78,329
Donald Thompson	26.3	Corporate	95.1	-6.2	292,274

(1) Target awards were prorated for Messrs. Easterbrook, Ozan and Bensen as a result of their respective promotions on March 1, 2015. Target awards for Messrs. Goare and Hoffmann were prorated as a result of a mid-year increase in their STIP target. Mr. Kempczinski's target award was prorated for his service beginning October 26, 2015 and Mr. Thompson's target award was prorated for his service through March 1, 2015.
(2) These amounts are also reflected in column (g) to the Summary Compensation Table.
The applicable modifiers are described in the following table: