



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

April 3, 2024

Ning Chiu
Davis Polk & Wardwell LLP

Re: McDonald's Corporation (the "Company")
Incoming letter dated January 23, 2024

Dear Ning Chiu:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by Legal and General Investment Management America, Inc. for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal asks that the board of directors institute a policy that the Company comply with World Health Organization Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals throughout the Company's supply chains.

There appears to be some basis for your view that the Company may exclude the Proposal under Rule 14a-8(i)(10). Based on the information you have presented, it appears that the Company has already substantially implemented the Proposal. Accordingly, we will not recommend enforcement action to the Commission if the Company omits the Proposal from its proxy materials in reliance on Rule 14a-8(i)(10). In reaching this position, we have not found it necessary to address the alternative basis for omission upon which the Company relies.

Copies of all of the correspondence on which this response is based will be made available on our website at <https://www.sec.gov/corpfin/2023-2024-shareholder-proposals-no-action>.

Sincerely,

Rule 14a-8 Review Team

cc: Sara E. Murphy
The Shareholder Commons

January 23, 2024

VIA ELECTRONIC SUBMISSION

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Ladies and Gentlemen:

On behalf of McDonald's Corporation, a Delaware corporation (the "**Company**"), and in accordance with Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), we are filing this letter with respect to the shareholder proposal (the "**Proposal**") submitted by Shareholder Commons on behalf of Legal and General Investment Management America, Inc. (collectively, the "**Proponent**") for inclusion in the proxy materials the Company intends to distribute in connection with its 2024 Annual Meeting of Shareholders (the "**2024 Proxy Materials**"). The Proposal is attached hereto as Exhibit A.

We hereby request confirmation that the Staff of the Division of Corporation Finance (the "**Staff**") will not recommend any enforcement action if, in reliance on Rule 14a-8, the Company omits the Proposal from the 2024 Proxy Materials.

In accordance with relevant Staff guidance, we are submitting this letter and its attachments to the Staff through the Staff's online Shareholder Proposal Form. In accordance with Rule 14a-8(j), we are simultaneously sending a copy of this letter and its attachments to the Proponent as notice of the Company's intent to omit the Proposal from the 2024 Proxy Materials. This letter constitutes the Company's statement of the reasons it deems the omission of the Proposal to be proper. We have been advised by the Company as to the factual matters set forth herein.

THE PROPOSAL

The Proposal states:

Resolved: shareholders ask that the board of directors institute a policy that the Company ("McDonald's") comply with World Health Organization ("WHO") Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals ("WHO Guidelines") throughout McDonald's supply chains.

REASON FOR EXCLUSION OF THE PROPOSAL

The Company believes that the Proposal may be properly omitted from the 2024 Proxy Materials pursuant to:

1. Rule 14a-8(i)(7): The Proposal deals with matters related to the Company's ordinary business operations by seeking to micromanage the Company; and
2. Rule 14a-8(i)(10): The Proposal has been substantially implemented by the Company.

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I. Background

In 2005, the World Health Organization (the “WHO”) established criteria for classifying medically important antimicrobials as either important, highly important, or critically important for human medicine. These criteria were then used to establish the WHO List of Critically Important Antimicrobials for Human Medicine (the “WHO CIA List”). In 2017, the WHO issued Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals (the “WHO Guidelines”), which present recommendations and best practice statements based on the WHO CIA List.¹ The WHO Guidelines also rate the strength of the recommendations and the quality of the underlying evidence.

The Company’s 2017 Global Vision for Antibiotic Stewardship in Food Animals (“VAS”)² outlines its framework for developing policies regarding responsible antibiotic use within its supply chains. The Company has also adopted protein-specific antibiotic use policies for chicken³ and beef⁴.

The Company is committed to a responsible-use approach and works collaboratively with industry and supply chain producers, veterinarians, academics, nongovernmental organizations and other experts to do its part to help advance practices related to the responsible use of antibiotics.

II. The Proposal May Be Excluded under Rule 14a-8(i)(7) Because the Proposal Deals with Matters Related to the Company’s Ordinary Business Operations.

Rule 14a-8(i)(7) allows a company to omit a shareholder proposal from its proxy materials if such proposal deals with a matter relating to the company’s ordinary business operations. The policy underlying the ordinary business exception is based on two central considerations: (i) that “[c]ertain tasks are so fundamental to management’s ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight” and (ii) the “degree to which the proposal seeks to ‘micromanage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.” Exchange Act Release No. 34-40018 (May 21, 1998) (the “1998 Release”); see also Staff Legal Bulletin No. 14L (Nov. 3, 2021) (“SLB 14L”). The 1998 Release further states that “[t]his consideration may come into play in a number of circumstances, such as where the proposal involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies.”

The Proposal Seeks to Micromanage the Company by (1) Inappropriately Limiting the Company’s Discretion and (2) Probing Matters “Too Complex” for Shareholders, as a Group, to Make an Informed Judgment.

In SLB 14L, the Staff clarified that the determination of whether a proposal impermissibly micromanages the Company “will focus on the level of granularity sought in the proposal and whether and to what extent it inappropriately limits discretion of the board or management.” The Staff further clarified that this approach is “consistent with the Commission’s views on the ordinary business exclusion, which is designed to preserve management’s discretion on ordinary business matters.” SLB 14L.

The Staff has consistently concurred with the exclusion of proposals that inappropriately limit management’s discretion. In *Chubb Limited* (Mar. 27, 2023), the Staff concurred with the exclusion of a proposal that would require the board to adopt and disclose a policy for the timebound phase out of

¹ Available at <https://iris.who.int/bitstream/handle/10665/259240/WHO-NMH-FOS-FZD-17.4-eng.pdf?sequence=1>.

² Available at <https://corporate.mcdonalds.com/content/dam/sites/corp/nfl/pdf/McDonalds-Global-Vision-for-Antimicrobial-Stewardship-in-Food.pdf>.

³ Available at <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/food-quality-and-sourcing/responsible-antibiotic-use.html#advocatingForResponsibleAntibioticUseInChicken>.

⁴ Available at https://corporate.mcdonalds.com/content/dam/sites/corp/nfl/pdf/McDonalds_Beef_and_Dairy%20_Antibiotic_Policy.pdf.

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underwriting risks associated with new fossil fuel exploration and development projects. The proposal dictated a particular method – a categorical prohibition on underwriting all new fossil fuel projects – for the company to help limit global temperature rise to 1.5 degrees Celsius. *See also, e.g., The Kroger Co.* (Apr. 25, 2023) (concurring with exclusion of a proposal requesting the company pilot participation in the Fair Food Program for tomato purchases in order to mitigate severe risks of forced labor and other human rights violations in the company’s produce supply chain); *Amazon.com, Inc.* (Apr. 7, 2023) (concurring that a proposal requiring the company measure and disclose scope 3 greenhouse gas emissions across its “full value chain” and all products that it sells directly and by third party vendors micromanaged the company); and *AT&T Inc.* (Mar. 15, 2023) (concurring with exclusion of a proposal requesting the board adopt a policy of obtaining shareholder approval for any future “golden coffin” arrangements).

The Proposal imposes a single, specific method – compliance with the WHO Guidelines throughout the Company’s supply chains – for addressing the use of antibiotics in food producing animals, without providing management with the discretion to adopt any other means for promoting the responsible use of antibiotics to accomplish the same objectives. This request inappropriately interferes with the discretion of management to implement the approach on the responsible use of antibiotics that, in their business judgment, would be best for the Company.

Evolving scientific evidence and the complexities of different global industry structures, government bodies and regulatory oversight make it difficult to implement a single global approach to responsible antibiotic use in food producing animals. The VAS and the Company’s protein-specific policies draw from multiple recognized frameworks for responsible antibiotic use in food producing animals, in addition to the WHO Guidelines.⁵ The Company is also engaged with its supply chains to begin building access to use data that will help enable future measurement of antibiotic use and trends over time, which will in turn help inform future policy evolution.

The Proposal eliminates the discretion of the Board and management to use multiple frameworks and resources to inform the development of what the Company believes are the most optimal responsible antibiotic use policies, taking into account the diverse needs of the Company’s suppliers and their animals, because it limits the Company to the exclusive method of compliance with the WHO Guidelines. As in the *Amazon* letter cited above, concerning a proposal which would have required that the company track emissions across its “full value chain,” here the Proposal also imposes far-ranging requirements that would apply across the entirety of the Company’s complex supply chain. The Company considers it critical to be able to enact policies that reflect the evolving body of knowledge and scientific evidence concerning antibiotic use in food animals.

The importance of maintaining the ability to draw from multiple frameworks in the development of responsible antibiotic use policies is further evidenced by the fact that the research related to the use of antibiotics in food-producing animals continues to evolve, as recognized even by the WHO Guidelines.⁶ All recommendations set forth in the WHO Guidelines are also currently based on either “low quality evidence” or “very low quality evidence.” The Company’s approach currently aligns with the WHO Guidelines, but is also informed by the guidelines of other recognized public and animal health bodies and the Company acknowledges the importance of continuing to evolve its policies in response to emerging data and developments, and the needs of its suppliers and their animals. The Proposal forecloses the discretion and ability of the Board and management to maintain such needed latitude in order to apply their best judgment as the knowledge on responsible antibiotic use develops.

⁵ For example: the VAS is informed by the WHO Guidelines, the World Veterinary Association’s Prudent Use of Antibiotics Global Basic Principles and the American Veterinary Medical Association’s Judicious Therapeutic Use of Antimicrobials General Principles; the Company’s beef antibiotic policy is informed by the World Animal Health Organization List of Antimicrobial Agents of Veterinary Importance, Codex Alimentarius Code of Practice to Minimize and Contain Antimicrobial Resistance and additional country-specific guidance including, but not limited to, the U.S. Animal Medical Drug Use of Clarification Act, the Responsible Use of Medicines in Agriculture Alliance, the European strategic action plan on antibiotic resistance, and the German Antimicrobial Resistance Strategy.

⁶ World Health Organization, WHO Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals, page 29.

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The Proposal does not recommend or suggest that the Company consider following the WHO Guidelines, but rather makes doing so a requirement, which limits the discretion of the Board and management to determine whether adherence to additional standards and recommendations would provide the most appropriate path for the Company's full supply chain.

The micromanagement element of the ordinary business exception under Rule 14a-8(i)(7) is also based on whether a proposal probes matters "too complex" for shareholders, as a group, to make an informed judgment. SLB 14L, citing the 1998 Release. According to SLB 14L, in making this determination as to whether a proposal probes matters "too complex" for shareholders, the Staff may consider "the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic," as well as "references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate." The Staff has consistently granted no-action relief for shareholder proposals that probe matters too complex for shareholders by substituting shareholder judgment for that of management with respect to complex day-to-day business operations that are beyond the knowledge and expertise of shareowners. See, e.g., *GameStop Corp.* (Apr. 24, 2023) (concurring with exclusion of a proposal requesting the company to create a service and provide a daily report on certain shareholding information, a service that was not related to any existing business offering of the company); *Phillips 66* (Mar. 20, 2023) (concurring with exclusion of a proposal requesting the company to disclose specific and detailed information related to the undiscounted expected value to settle obligations for asset retirement obligations with indeterminate settlement dates); and *Valero Energy Corporation* (Mar. 20, 2023) (same).

The Proposal asks shareholders to vote on the specific methods for the Company to ensure the responsible use of antibiotics in its supply chains, a matter that is integrally intertwined with the Company's ordinary business operations and fundamental to management's ability to run the Company's operations on a day-to-day basis. Establishing appropriate antibiotic use policies is a highly complex, market- and protein-specific issue that requires input from subject matter experts and consideration of how disease pressures, weather impacts or other external factors affect the use of antibiotics. In addition, the evidence gaps in the existing research further illustrate the complexity in determining appropriate policies for the responsible use of antibiotics.

The Board has determined the appropriate path toward the responsible use of antibiotics in the Company's supply chain. The Company's strategies are publicly disclosed on its website.⁷ The Company's approach reflects guidance and input from across the Company's various specialized departments, as well outside experts. The Company, rather than shareholders, is best equipped to consider, understand and address the nuances and complexities of responsible antibiotic use throughout the Company's supply chains. The Proposal seeks to micromanage the Company by substituting the shareholder's decisions regarding the Company's supply chain for management's, on an issue which the shareholders, as a group, are not in a position to make an informed judgment.

Because the Proposal seeks to micromanage the Company, the Company believes that the Proposal should be omitted from its 2024 Proxy Materials pursuant to Rule 14a-8(i)(7).

II. The Proposal May Be Excluded under Rule 14a-8(i)(10) Because the Company has Substantially Implemented the Proposal.

Rule 14a-8(i)(10) permits a company to exclude a shareholder proposal if the company has already "substantially implemented" the proposal. According to the Securities and Exchange Commission (the "**Commission**"), the purpose of this rule is to "avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management." See Exchange Act Release No. 34-20091 (Aug. 15, 1983); Exchange Act Release No. 34-12598 (July 1976). The Commission has

⁷ Available at <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/food-quality-and-sourcing/responsible-antibiotic-use.html>.

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also stated that "substantial" implementation under the rule does not require implementation in full or exactly as presented by the proponent. See Exchange Act Release No. 34-40018 (May 21, 1998, n.30).

The Staff has consistently found that "a determination that the company has substantially implemented the proposal depends upon whether [the company's] particular policies, practices, and procedures compare favorably with the guidelines of the proposal." See *Texaco, Inc.* (March 28, 1991). See also, e.g., *Anavex Life Sciences Corp.* (May 2, 2023); *Best Buy Co., Inc.* (Apr. 22, 2022); *BlackRock, Inc.* (Apr. 2, 2021); *JPMorgan Chase & Co.* (Mar. 9, 2021); *Devon Energy Corp.* (Apr. 1, 2020); *Johnson & Johnson* (Jan. 31, 2020); *Pfizer Inc.* (Jan. 31, 2020); *The Allstate Corp.* (Mar. 15, 2019); *Johnson & Johnson* (Feb. 6, 2019); *United Cont'l Holdings, Inc.* (Apr. 13, 2018); *eBay Inc.* (Mar. 29, 2018); *Kewaunee Scientific Corp.* (May 31, 2017); and *Wal-Mart Stores, Inc.* (Mar. 16, 2017). The Staff has permitted exclusion of a proposal under Rule 14a-8(i)(10) when a company has substantially implemented and therefore satisfied the "essential objective" of a proposal, even if the company did not take the exact action requested by the proponent, did not implement the proposal in every detail, or exercised discretion in determining how to implement the proposal. See, e.g., *Salesforce.com, Inc.* (Apr. 20, 2021); *Apple Inc.* (Dec. 17, 2020); *Wal-Mart Stores, Inc.* (Mar. 25, 2015); and *Exelon Corp.* (Feb. 26, 2010).

The Proposal requests that the Board institute a policy that the Company comply with the WHO Guidelines throughout the Company's supply chains. The Company has already substantially addressed the underlying concern and satisfied the essential objective of the Proposal by instituting antibiotic use policies that are aligned with the WHO Guidelines.

The Company's long-standing commitment to reducing antibiotic use in food animals, including those defined as medically important antibiotics by the WHO, stretches back to 2003, when the Company initially outlined its position on antibiotic use in its supply chains. As the Company has publicly disclosed and repeatedly stated, the Company's focus is on the responsible use of antibiotics in food producing animals, and its strategies are aligned with the WHO Guidelines. In the VAS, the Company has prioritized establishing "principles and criteria for responsible use of antibiotics in food animals" and developing "methods to verify responsible use of antibiotics and establish goals for measuring progress."⁸

The VAS as well as the Company's protein-specific policies have been drafted in alignment with the WHO Guidelines and the recommendations set forth therein as follows:

- *The WHO Guidelines recommend an overall reduction in use of all classes of medically important antimicrobials in food-producing animals.* In the VAS, a guiding criteria is to "utilize animal production practices that reduce, and where possible eliminate, the need for antibiotic therapies in food animals and adopt existing best practices and/or new practices that would result in subsequent reductions of antibiotic use" (pg. 2). The Company's Antibiotic Policy for its beef supply chain provides that "medically important antibiotics not currently approved for food animal production are not allowed in [the Company's] supply chain" (pg. 6). In addition, the Company has established and disclosed its view on market-specific responsible use targets for medically important antibiotics in its global beef supply chain for 10 in-scope sourcing markets (representing more than 80% of its global beef supply chain as of the end of 2021). These targets are publicly disclosed in the Company's beef antibiotic policy (pg. 7). Moreover, the Company's policies further restrict the use of medically important antimicrobials in line with the second and third recommendations of the WHO Guidelines, as set forth below.
- *The WHO Guidelines recommend complete restriction of use of all classes of medically important antimicrobials in food-producing animals for growth promotion.* The Company's VAS sets as a goal the sourcing of "raw material (meat) (beef, chicken, pork, dairy cows and laying hens) from food animals that are not treated with antibiotics used solely for growth promotion" (pg. 1). The Company's Antibiotic Policy for its beef supply chain provides that "use of antibiotics, defined by

⁸ Note that the capitalization of defined terms in quotations from the Company's policies cited herein have been disregarded to ease review.

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the WHO as medically important for human medicine, are not permitted for growth promotion in food-producing animals in [the Company's] supply chain" (pg. 5).

- *The WHO Guidelines recommend complete restriction of use of all classes of medically important antimicrobials in food-producing animals for prevention of infectious diseases that have not yet been clinically diagnosed.* The VAS states that "routine prevention use of antibiotics is not permitted" (pg. 1). The Company's beef antibiotic policy provides that "habitual use of medically important antibiotics for disease prevention is a probable indication of an underlying herd-specific and/or management issue and is not permitted," except in narrowly defined situations, such as upon the determination of a qualified veterinarian familiar with the disease history in the herd (pg. 5).
- *The WHO Guidelines suggest that antimicrobials classified as critically important for human medicine should not be used for control of the dissemination of a clinically diagnosed infectious disease identified within a group of food-producing animals.* The VAS states that "antibiotics identified as high priority critically important, critically important, highly important and important for human medicine and currently approved for veterinary use, should not be used as first line treatment" (pg. 1). The Company's beef antibiotic policy provides that "critically important antibiotics for human medicine are not permitted for the control within a group or treatment of a group for a clinically diagnosed infectious disease identified within a population of food-producing animals in the Company's supply chain. Allowances can be made for the immediate treatment of animals exhibiting clinical signs when a qualified veterinarian determines that the critically important antimicrobial is the best or only treatment option available to prevent suffering and/or death" (pg. 5).
- *The WHO Guidelines suggest that antimicrobials classified as highest priority critically important for human medicine should not be used for treatment of food-producing animals with a clinically diagnosed infectious disease.* The VAS states that "antibiotics identified as High Priority Critically Important, Critically Important, Highly Important and Important for human medicine and currently approved for veterinary use, should not be used as first line treatment" (pg. 1). The Company's beef antibiotic policy provides that "when multiple effective treatment options exist, McDonald's encourages adoption of a tiered approach to antibiotic selection with the least important to human medicine being the first choice, and highest priority critically important antibiotics (HPCIA) reserved for last resort" (pg 5). This approach is sanctioned by the WHO Guidelines themselves.⁹ As noted on the Company's website, "The use of Highest Priority Critically Important Antibiotics (HPCIA) to human medicine has been eliminated from all chicken served in Australia, Brazil, Canada, Europe, Japan, South Korea and the U.S., with China expected to comply before the end of 2027."¹⁰
- *The WHO Guidelines include a best practice statement providing that any new class of antimicrobials or new antimicrobial combination developed for use in humans will be considered critically important for human medicine unless categorized otherwise by WHO.* The Company's beef antibiotic policy provides that "any new class of antibiotics or new antimicrobial combination

⁹ "The GDG acknowledges that, when a veterinary professional judges that there is a high risk of spread of a particular infectious disease, use of antimicrobials for disease prevention is justified, if such a judgement is made on the basis of recent culture and sensitivity testing results. The antimicrobials used *should start with those of least importance for human health* e.g. start with classes not used in humans, and then as listed on the WHO CIA List (important and then highly important). Antimicrobials classified as critically important in human medicine on the WHO CIA List should be used only when the most recent culture and sensitivity results of bacteria known to have caused the disease indicate that the critically important antimicrobial *is the only option*" (pgs. 4-5). [emphasis added].

¹⁰ Available at <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/food-quality-and-sourcing/responsible-antibiotic-use.html>.

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developed for humans will be treated the same as those critically important for human medicine unless otherwise classified by the WHO” (pg. 6).

- *The WHO Guidelines include a best practice statement providing that medically important antimicrobials that are not currently used in food production should not be used in the future in food production including in food-producing animals or plants.* Again, the Company’s beef antibiotic policy provides that “medically important antibiotics not currently approved for food animal production are not allowed in [the Company’s] supply chain” (pg. 6).

In addition, the Proposal argues that the Company’s policies have no deadline, but the WHO Guidelines do not include a deadline or require that parties implementing them adopt one. In this respect, the Company’s voluntary responsible-use targets may actually exceed the requirements of the WHO Guidelines.


In addition to having substantially incorporated the WHO requirements in the VAS and its protein-specific policies, the Company continues to take expansive measures to implement the underlying concern of the Proposal: to promote the responsible use of antibiotics in the Company’s supply chains. For example, the Company was a founding member of the International Consortium for Antimicrobial Stewardship in Agriculture (ICASA). Through this cross-industry collaboration, the Company works to identify and advance commercial solutions to address antimicrobial resistance. Moreover, in 2023 the Company worked with supply chain partners to deploy data collection processes and begin building access to ‘use’ data that will help enable future measurement of antibiotics administered and establish trends over time in the Company’s supply chains. Because there is limited data on antibiotic use in the industry as a whole, the Company’s intention is to help drive positive behavioral change and transparency, as well as enable comprehensive assessment of antibiotic use across its supply chains in the future.

As set forth above, the Company already substantially follows the WHO Guidelines in alignment with the essential objective of the Proposal and has disclosed its strategies to promote the responsible use of antibiotics in its supply chains. Accordingly, the Company believes it has already substantially implemented the Proposal and that the Proposal should be omitted from the Company’s 2024 Proxy Materials pursuant to Rule 14a-8(i)(10).

CONCLUSION

For the foregoing reasons, I request your confirmation that the Staff will not recommend enforcement action to the Commission if the Company omits the Proposal from its 2024 Proxy Materials.

Respectfully yours,



Ning Chiu

Attachment

cc w/ att: Jeffrey Pochowicz
McDonald’s Corporation

Sara E. Murphy
Shareholder Commons

Proposal

ITEM 4* – Comply with Expert Guidelines on Antimicrobial Use

RESOLVED, shareholders ask that the board of directors institute a policy that the Company (“McDonald’s”) comply with World Health Organization (“WHO”) Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals (“WHO Guidelines”)¹ throughout McDonald’s supply chains.

SUPPORTING STATEMENT: McDonald’s is the largest beef purchaser in the United States and one of the largest in the world; its policies thus have tremendous influence on the overall market. Investor activists applauded² McDonald’s when it committed in 2018 to reduce antibiotics use in all beef sold in its restaurants, and to announce reduction targets by the end of 2020.³ McDonald’s has not done so. While McDonald’s updated its policy⁴ in December 2022 to encourage substantial antibiotics intensity reductions from its beef suppliers, its guidance has no deadline. Given the Company’s history of failing to meet its commitments in this area, this latest guidance should not satisfy investors.

Antibiotics overuse is known to exacerbate antimicrobial resistance (“AMR”), which the WHO describes as “one of the top 10 global public health threats facing humanity.”⁵ AMR poses a systemic threat to public health and the economy. When the efficacy and availability of life-saving drugs are compromised, the entire economy suffers. And when the economy suffers, investors lose. By 2050, AMR could cause \$100 trillion in lost global production,⁶ thus lowering the economy’s intrinsic value.

McDonald’s policies deviate from the WHO Guidelines, which recommend “an overall reduction in use of all classes of medically important antimicrobials in food-producing animals” and provide evidence-based recommendations and best practices. A November 2022 investigation⁷ found that McDonald’s supplier Cargill sources meat from U.S. farms that use “highest priority critically important antibiotics,” which are so essential to human medicine that the WHO Guidelines suggest their use in livestock farming be stopped.

As a McDonald’s competitor explained, robust AMR protections raise “[t]he challenge of individual costs and widely distributed societal benefits.”⁸ But for diversified investors, the portfolio-wide costs associated with AMR are paramount.

McDonald’s decision not to prioritize broad AMR risks does not account for its diversified owners’ interests in optimizing public health, the economy, and their long-term portfolio returns. By engaging meat suppliers that use medically important drugs beyond WHO Guidelines, McDonald’s adds to the economic threat AMR poses to its diversified shareholders: reducing the economy’s intrinsic value will directly

¹ <https://apps.who.int/iris/bitstream/handle/10665/258970/9789241550130-eng.pdf>

² <https://www.npr.org/sections/thesalt/2018/12/11/675559302/there-are-lots-of-antibiotics-in-the-beef-supply-mcdonalds-vows-to-change-this>

³ https://corporate.mcdonalds.com/corpmcd/our-stories/article/beef_antibiotics.html

⁴ <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/food-quality-and-sourcing/responsible-antibiotic-use.html#advocatingForResponsibleAntibioticUseInBeef>

⁵ <https://www.who.int/news-room/fact-sheets/detail/antimicrobial-resistance>

⁶ https://amr-review.org/sites/default/files/160518_Final%20paper_with%20cover.pdf, p.1

⁷ <https://www.theguardian.com/global/2022/nov/21/mcdonalds-and-walmart-beef-suppliers-put-public-health-at-risk-with-reckless-antibiotics-use>

⁸ <https://www.yum.com/wps/wcm/connect/yumbrands/41a69d9d-5f66-4a68-bdee-e60d138bd741/Antimicrobial+Resistance+Report+2021+11-4+-+final.pdf?MOD=AJPERES&CVID=nPMkceo>, p. 14

reduce diversified portfolios' long-term returns.⁹ McDonald's profit gain that comes at the expense of public health is a bad trade for McDonald's diversified shareholders, who rely on broad economic growth to achieve their financial objectives.

By changing its policies and adhering to the WHO Guidelines, McDonald's could save lives, contribute to a more resilient economy, and protect its diversified investors' portfolios.

Please vote for: Comply with Expert Guidelines on Antimicrobial Use – Item 4*

⁹ https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf



FROM:

Sara E. Murphy

sara@theshareholdercommons.com

+1.202.578.0261

February 22, 2024

Submission via Online Form

TO:

Office of Chief Counsel

Division of Corporation Finance

U.S. Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549

RE: Shareholder Proposal to McDonald's Corporation Regarding World Health Organization Guidelines on Antimicrobials Use

Greetings,

Legal and General Investment Management America, Inc. and Amundi Asset Management (together, the "Proponents") are beneficial owners of common stock of McDonald's Corporation (the "Company"). The Shareholder Commons ("TSC") has submitted a shareholder proposal (the "Proposal") on behalf of the Proponents to the Company.

TSC is responding on behalf of the Proponents to the letter dated January 23, 2024 ("Company Letter") sent to the Securities and Exchange Commission by Ning Chiu of Davis Polk. In that letter, the Company contends the Proposal may be excluded from the Company's 2024 proxy statement.

We have redacted personal information consistent with the Staff's guidance. A copy of this letter is being emailed concurrently to Ning Chiu.

SUMMARY

The Proposal requests that the board institute a policy that the Company comply with World Health Organization ("WHO") Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals ("WHO Guidelines" or the "Guidelines") throughout McDonald's supply chains. The full text of the Proposal is attached as an exhibit to this letter.

The Proponents are unable to ascertain whether McDonald's *existing policies result in compliance* with the WHO Guidelines, and there is significant cause for concern. As an example, a November 2022 investigation found that McDonald's supplier Cargill sources meat from U.S. farms that use "highest

priority critically important antibiotics.” That subcategory of antibiotics is so essential to human medicine that the WHO Guidelines suggest use in livestock farming be halted. It is unclear how widely these antibiotics are being used in the McDonald’s supply chain, and whether exceptions provided by the McDonald’s policy are effectively enabling a harmful continued level of use of these critically important antibiotics in McDonald’s supply chains.

The Proponents believe there is sufficient evidence to justify concern regarding whether the Company’s policies lead to compliance with the WHO guidelines. Therefore, the current proposal is appropriate for consideration by investors, including diversified investors concerned with the severe global economic outcomes posed by antibiotic resistant epidemics.

The Company letter asserts that the Proposal is excludable under Rule 14a-8(i)(7) because it relates to the Company’s ordinary business by seeking to micromanage the Company, and under Rule 14a-8(i)(10) because the Company has substantially implemented the Proposal.

However, the Proposal does not micromanage the Company because it maintains the discretion of the board and management. The WHO guidelines present principles, not prescriptive regulatory specifications, for global expectations on current livestock practices. The Company has substantial discretion regarding how to comply with the guidelines.

Consistent with Staff Legal Bulletin 14L, the Proposal benchmarks company activities against a prominent and credible applicable international guidance, that of the World Health Organization, and merely asks the company to adopt a policy to comply with World Health Organization (“WHO”) Guidelines throughout its supply chains.

The Proposal has not been substantially implemented because there is ample evidence from the record to raise the concern that current Company policies may not lead to compliance with the WHO Guidelines. From the standpoint of investors, it is reasonable to ask the company to commit to follow through on these issues globally and consistently given the large impact that the company has on the global market.

BACKGROUND

In 2017, the World Health Organization (“WHO”) issued the “Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals” to “mitigate the adverse human health consequences of use of medically important antimicrobials (i.e. antimicrobials used in humans) in food-producing animals.”¹ The guidelines “present evidence-based recommendations and best practice statements.”²

McDonald’s is the single largest beef purchaser in the United States and one of the largest in the world, and a major purchaser of chickens and pork as well; its policies thus have tremendous influence on the market as a whole. The Proposal requests that the Company comply with expert guidelines on

¹ <https://apps.who.int/iris/bitstream/handle/10665/258970/9789241550130-eng.pdf>

² Id.

antimicrobial use in meat supply chains, with the aim of protecting an essential component of modern medicine that supports a thriving economy.

In its no-action challenge, McDonald's references its existing policy, the 2017 "Global Vision for Antibiotic Stewardship in Food Animals" ("VAS"). The VAS explains that "McDonald's recognizes the importance of continuing to evolve its policies regarding Antibiotic use in Food Animals." In addition to the VAS, the Company has also created "protein-specific antibiotic use policies for chicken and beef."

However, the Proponents are concerned that, in practice, the company policies may not be leading to compliance with the WHO Guidelines across geographic and food-animal categories. The globally accepted WHO Guidelines are built on an evidence-based analysis. Noncompliance with the WHO Guidelines could exacerbate global antimicrobial resistance scenarios and epidemics.

Investors voted on this issue at McDonald's 2023 annual meeting.³ McDonald's did not file a no-action request seeking exclusion of last year's proposal. The 2023 Resolved Clause was identical, with only updated statistics and context included in the Supporting Statement of the 2024 Proposal at issue in this request. **The Proposal garnered 19 percent support in 2023.**⁴

Overuse of Antibiotics in Animal Husbandry Creates Antimicrobial Resistance, a Grave Threat to Human Life, Economic Prosperity, and Diversified Portfolios

Antibiotics overuse is known to exacerbate antimicrobial resistance ("AMR"), which the WHO describes as "one of the top 10 global public health threats facing humanity."⁵ AMR occurs when microbes (i.e., bacteria, parasites, viruses, and fungi) change over time and no longer respond to medicines such as antibiotics, causing standard disease treatments to become ineffective. This, in turn, increases the risk of disease spread, severe illness, and death. The process occurs naturally, but misuse of antimicrobials in animals and humans is accelerating it. **Without urgent action, we are heading for a post-antibiotic era in which common infections and minor injuries can once again kill.** As AMR experts recently warned, "virtually no aspect of modern medicine is possible without access to antimicrobials that work."⁶

Routine antibiotic use for both therapeutic and non-therapeutic purposes has enabled livestock operators to mitigate some of the grim effects of over-crowding, poor ventilation, unnatural feed, and animals' close contact with their own excreta that characterize intensive animal farming operations and contribute to greater disease incidence among animals.

³ https://www.sec.gov/ixviewer/ix.html?doc=/Archives/edgar/data/63908/000155837023005957/mcd-20230525xdef14a.htm#PROPOSAL6_243323

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<https://corporate.mcdonalds.com/content/dam/sites/corp/nfl/pdf/2023%20Annual%20Shareholders%20Meeting%20Voting%20Results%20Form%208K.pdf>

⁵ <https://www.who.int/news-room/fact-sheets/detail/antimicrobial-resistance>

⁶ "Removing the Blindfold on Antimicrobial Resistance," *Open Access Government* (blog), March 16, 2022, <https://www.openaccessgovernment.org/removing-blindfold-antimicrobial-resistance/131783/>.

However, a growing body of evidence demonstrates that antimicrobial-resistant bacteria arising from intensive animal farming operations are transferring to human populations.⁷ This threat to public health is likely to materially reduce the intrinsic value of the global economy, which will in turn affect investment portfolios. **In the absence of effective responses, some models of AMR project GDP loss of 3.8 percent in 30 years, an impact comparable to the 2008 global financial crisis.**

There is substantial evidence that these models *underestimate* impacts significantly.⁸ Some worst-case assessments set AMR costs around \$100 trillion by 2050, and those estimates also rely on incomplete data and limited scope. Another possible indicator of AMR's economic costs is the COVID-19 pandemic, which cost an estimated 10 percent of global GDP in 2021. Experts warn that the next pandemic may well involve an antimicrobial-resistant pathogen.⁹

These losses will have a significant negative effect on the return of diversified portfolios held by McDonald's investors over the long term.¹⁰ A healthy economy is a far greater value driver for diversified portfolios than the profits of any one company within those portfolios. Indeed, a number of studies have shown that systematic factors explain 75-94 percent of average portfolio return.¹¹

ANALYSIS

I. The Proposal does not micromanage the Company.

In 1998, the Commission issued a rulemaking release ("1998 Release") updating and interpreting the ordinary business rule, by both reiterating and clarifying past precedents. That release was the last time that the Commission discussed and explained at length the meaning of the ordinary business exclusion. The Commission summarized two central considerations in making ordinary business determinations: whether the proposal addresses a significant social policy issue, and whether it micromanages.

First, the Commission noted that certain tasks were generally considered so fundamental to management's ability to run a company on a day-to-day basis that they could not be subject to direct shareholder oversight (e.g., the hiring, promotion, and termination of employees, as well as decisions on retention of suppliers, and production quality and quantity). However, proposals related to such matters but focused on sufficiently significant social policy issues (i.e., significant discrimination matters) generally would not be excludable.

⁷ FAIRR, "Feeding Resistance: Antimicrobial Stewardship in the Animal Health Industry," July 2021, <https://www.fairr.org/research/animal-pharma/#report>.

⁸ The Shareholder Commons, "Antimicrobial Resistance & the Engagement Gap: Why Investors Must Do More than Move the Needle, and How They Can," September 2022, <https://theshareholdercommons.com/amr-climate-change-case-studies/#amr>.

⁹ Henry B. Skinner, "We're Already Ignoring the next Pandemic," *Harvard Public Health Magazine*, June 7, 2022, <https://harvardpublichealth.org/were-already-ignoring-the-next-pandemic/>.

¹⁰ Richard Mattison et al., *Universal Ownership: Why environmental externalities matter to institutional investors*, UNEP Finance Initiative and PRI (2011), available at https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf.

¹¹ *Moving Beyond Modern Portfolio Theory: Investing that Matters* by Jon Lukomnik and James Hawley, Routledge, April 30, 2021.

Second, proposals could be excluded to the extent they seek to “micromanage” a company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would be unable to make an informed judgment. This concern did not, however, result in the exclusion of all proposals seeking detailed timeframes or methods. Proposals that passed the first prong but for which the wording involved some degree of micromanagement could be subject to a case-by-case analysis of whether the proposal probes too deeply for shareholder deliberation.

In Staff Legal Bulletin 14L, the SEC Staff notes that in assessing micromanagement and “whether a proposal probes matters ‘too complex’ for shareholders, as a group, to make an informed judgment,” the Staff may consider “references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate.”

The Proposal maintains management’s discretion and does not impose a single method of compliance.

The Company Letter does not dispute the first prong of the ordinary business analysis—the existence of a significant social policy issue—but instead argues that the Proposal attempts to micromanage the Company. The Company argues the Proposal “inappropriately interferes with the discretion of management” because it “imposes a single, specific method – compliance with the WHO Guidelines throughout the Company’s supply chains – for addressing the use of antibiotics in food producing animals, without providing management with the discretion to adopt any other means for promoting the responsible use of antibiotics to accomplish the same objectives.” The Company also argues the Proposal limits the Company’s ability to “draw from multiple frameworks in the development of responsible antibiotic use policies.”

However, the Proposal does not impose a single method of compliance, nor does it interfere with management’s discretion. The Proposal requests that the company’s policies comply with the WHO Guidelines. The WHO Guidelines are principles-based. They are not prescriptive, do not impose a single method of compliance, and allow management to maintain its discretion in implementation.

The Guidelines are framed as “recommendations” and “best practices” and provide flexibility for implementation. There are four Recommendations included in the Guidelines¹², such as “an **overall reduction** in use of all classes of medically important antimicrobials in food-producing animals,” and “**complete restriction** of use of all classes of medically important antimicrobials in food-producing animals **for growth promotion**.” The guidelines also suggest “that **antimicrobials classified as critically important for human medicine** should not be used for control of the dissemination of a clinically diagnosed infectious disease identified within a group of food-producing animals” nor for “**treatment of food-producing animals with a clinically diagnosed infectious disease**.”

In its details, the WHO Guidelines allow a company’s management the flexibility to conduct business consistent with discretion and judgment, but establish some clear principles that are based on evidence

¹² <https://apps.who.int/iris/bitstream/handle/10665/258970/9789241550130-eng.pdf>

and science. The Proposal thus benchmarks company activities and expectations against the well-established WHO framework, while providing the Company with flexibility in implementation. Management has full power to determine *how* the Company should comply with the WHO Guidelines.

SEC Staff No-Action precedent supports inclusion of the Proposal

The Company cites to precedent where the SEC found micromanagement where the proposals “inappropriately limit management’s discretion.” However, as the Company notes, the cited precedents “dictated a particular method” for implementation. Here, the Proposal does not dictate a particular method. Instead, the Proposal references an established international framework, the WHO Guidelines built around flexible principles. The Proposal is therefore more like the numerous precedents in which the Staff rejected micromanagement arguments where the proposals request that the Company take action in alignment with an international framework.

For example, in *Morgan Stanley* (March 25, 2022), the SEC did not concur with exclusion for micromanagement where the proposal requested that the board adopt a policy “committing to proactive measures to ensure that the company’s lending and underwriting do not contribute to new fossil fuel development, consistent with fulfilling the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group, and the International Energy Agency’s Net Zero Emissions by 2050 Scenario, for credible net zero commitments.” As McDonald’s does here, Morgan Stanley also tried to argue that the proposal micromanaged the company because it “mandat[ed] that the Company’s approach must be consistent with specified external frameworks.” The Staff did not agree that this constituted micromanagement. See also *Citigroup Inc.* (March 7, 2022).

In *Chubb Limited* (March 26, 2022), the SEC similarly rejected the company’s micromanagement argument where the proposal requested that the company adopt policies “to help ensure that its underwriting practices do not support new fossil fuel supplies, in alignment with the IEA’s Net Zero Emissions by 2050 Scenario.” See also *The Travelers Companies, Inc.* (March 30, 2022), *The Hartford Financial Services Group, Inc.* (March 28, 2022), and *JPMorgan Chase & Co.* (March 25, 2022).

Similarly, numerous proposals that requested that the company report on its contributions to climate change, such as greenhouse gas emissions, consistent with the goals of the Paris Agreement, survived no-action challenges for micromanagement. See, *i.e.*, *Chubb Limited* (March 26, 2022), *The Travelers Companies, Inc.* (March 30, 2023), and *Anadarko Petroleum Corporation* (March 4, 2019).

The Proposal is not too complex for shareholder consideration.

The inclusion of a well-established framework also provides evidence that the Proposal is not “too complex for shareholders” as the Company alleges. The Proposal is grounded in and benchmarked against key international guidelines. As SLB 14 L notes: “The staff may also consider references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate.” This is not a question of “investors probing too deeply” into Company management, but rather asking the

Company to come into line with the most prominent global benchmark regarding antimicrobial use in food producing animals.

Investors voted on this proposal last year¹³ and were apparently able to meaningfully understand and evaluate the proposal, with 19 percent investor support for the 2023 Proposal.¹⁴ This was an increase from the 13 percent¹⁵ of investor support on a similar proposal from 2022 that did not include the WHO Guidelines.¹⁶ The inclusion of the WHO Guidelines in the proposal, as well as growing global attention to this issue, preceded the increase in shareholder support.

Because the Proposal does not implicate the Company's ordinary business and does micromanage the Company, the Proposal is not excludable on these grounds.

II. The Proposal is not substantially implemented.

Under Rule 14a-8(i)(10), a company may exclude a shareholder proposal if it can meaningfully demonstrate that "the company has already substantially implemented the proposal." Rule 14a-8(i)(10) exclusion is "designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by management." See *Exchange Act Release No. 12598* (regarding predecessor to Rule 14a-8(i)(10)). A company can be said to have "substantially implemented" a proposal when its "policies, practices and procedures compare favorably with the guidelines of the proposal." See *Texaco, Inc.* (March 8, 1991).

The Company argues that the Proposal may be excluded because it has "substantially addressed the underlying concern and satisfied the essential objective of the Proposal by instituting antibiotic use policies that are aligned with the WHO Guidelines." [emphasis added]

However, the Company has not provided evidence that its current policy leads to compliance with the WHO Guidelines throughout McDonald's supply chains. With substantial risks posed to the global economy and human health due to noncompliance with the Guidelines, the company argument that it meets the proposal's essential objectives through its current policies is unpersuasive.

The Company could do more to assuage investor concerns. For example, the Company does not publicly report necessary information such as the data it collects in relation to its policies, the frequency of its audits, or how it manages compliance issues. While the Company does have statements of principle, it does not report outcomes-based disclosures that would allow shareholders to assess whether the company practices are in fact leading to compliance with the WHO guidelines. Shareholders are therefore

¹³ https://www.sec.gov/ixviewer/ix.html?doc=/Archives/edgar/data/63908/000155837023005957/mcd-20230525xdef14a.htm#PROPOSAL6_243323

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<https://corporate.mcdonalds.com/content/dam/sites/corp/nfl/pdf/2023%20Annual%20Shareholders%20Meeting%20Voting%20Results%20Form%208K.pdf>

¹⁵ <https://www.sec.gov/ixviewer/ix.html?doc=/Archives/edgar/data/0000063908/000006390822000028/mcd-20220526.htm>

¹⁶ <https://www.sec.gov/Archives/edgar/data/63908/000120677422001058/mcd3962181-defc14a.htm#mcd3962181-predef14aa046>

left without a mechanism to review if the Company is fulfilling its commitments. McDonald's current reporting makes it impossible to fully understand whether the Company is complying with the WHO recommendations and best practices outlined in the Guidelines. Thus, the Proposal has not been implemented.

Examples raising concern regarding potential noncompliance with the WHO Guidelines.

Despite McDonald's claim that its existing policies *align* with the WHO Guidelines, there continue to be reports raising questions about whether they lead to compliance with the guidelines. A November 2022 investigation¹⁷ by the Bureau of Investigative Journalism and *The Guardian* found that McDonald's supplier Cargill sources meat from U.S. farms that use "highest priority critically important antibiotics" ("HPCIAAs"), which are so essential to human medicine that the WHO Guidelines suggest their use in livestock farming be stopped. HPCIAAs are often the last line or one of limited treatments available for serious infections in humans. The investigation found cattle suppliers to Cargill were using at least five HPCIAAs. How widely are these antibiotics are being used throughout the McDonald's supply chain? Although exceptions for permissible HPCIA usage are provided by the McDonald's policy and the WHO Guidelines, investors cannot currently ascertain the extent to which current policies are containing the use of these vital medicines in McDonald's supply chains.

Notably, as referenced in the Supporting Statement of the Proposal, McDonald's made a commitment in 2018 to reduce antibiotics in all beef sold in its restaurants, and to announce reduction targets by the end of 2020.¹⁸ McDonald's then failed to do so. McDonald's December 2022 policy update encourages antibiotics intensity reductions from its beef suppliers, but includes no deadline. In the opinion of the Proponents, it falls short of a policy *ensuring compliance* with WHO guidelines. In response to the 2022 policy update, Lena Brook of the Natural Resources Defense Council said, "McDonald's chose optics over substance with its new beef policy update."¹⁹

Considering McDonald's lack of a clearly stated policy of compliance with WHO guidelines, rather than "alignment," the Proposal has not been substantially implemented and thus should be included on the proxy statement.

CONCLUSION

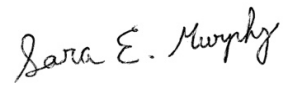
Based on the foregoing, it is clear the Company has provided no basis for the conclusion that the Proposal is excludable from the 2024 proxy statement pursuant to Rule 14a-8. As such, we respectfully request that the Staff deny the Company's no-action letter request. If you have any questions you can write to me at sara@theshareholdercommons.com.

¹⁷ <https://www.theguardian.com/global/2022/nov/21/mcdonalds-and-walmart-beef-suppliers-put-public-health-at-risk-with-reckless-antibiotics-use>

¹⁸ https://corporate.mcdonalds.com/corpmcd/our-stories/article/beef_antibiotics.html

¹⁹ Rachel Oatman, "McDonald's Updates Antibiotics Policy," MEAT+POULTRY, December 30, 2023, <https://www.meatpoultry.com/articles/27807-mcdonalds-updates-antibiotics-policy>.

Sincerely,

A handwritten signature in black ink that reads "Sara E. Murphy". The signature is written in a cursive, flowing style.

Sara E. Murphy
Chief Strategy Officer

EXHIBIT I: SHAREHOLDER PROPOSAL

[McDonald's Corporation: Rule 14a-8 Proposal, December 11, 2023]
[This line and any line above it – Not for publication]

ITEM 4* – Comply with Expert Guidelines on Antimicrobial Use

RESOLVED, shareholders ask that the board of directors institute a policy that the Company (“McDonald’s”) comply with World Health Organization (“WHO”) Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals (“WHO Guidelines”)²⁰ throughout McDonald’s supply chains.

SUPPORTING STATEMENT: McDonald’s is the largest beef purchaser in the United States and one of the largest in the world; its policies thus have tremendous influence on the overall market. Investor activists applauded²¹ McDonald’s when it committed in 2018 to reduce antibiotics use in all beef sold in its restaurants, and to announce reduction targets by the end of 2020.²² McDonald’s has not done so. While McDonald’s updated its policy²³ in December 2022 to encourage substantial antibiotics intensity reductions from its beef suppliers, its guidance has no deadline. Given the Company’s history of failing to meet its commitments in this area, this latest guidance should not satisfy investors.

Antibiotics overuse is known to exacerbate antimicrobial resistance (“AMR”), which the WHO describes as “one of the top 10 global public health threats facing humanity.”²⁴ AMR poses a systemic threat to public health and the economy. When the efficacy and availability of life-saving drugs are compromised, the entire economy suffers. And when the economy suffers, investors lose. By 2050, AMR could cause \$100 trillion in lost global production,²⁵ thus lowering the economy’s intrinsic value.

McDonald’s policies deviate from the WHO Guidelines, which recommend “an overall reduction in use of all classes of medically important antimicrobials in food-producing animals” and provide evidence-based recommendations and best practices. A November 2022 investigation²⁶ found that McDonald’s supplier Cargill sources meat from U.S. farms that use “highest priority critically important antibiotics,” which are so essential to human medicine that the WHO Guidelines suggest their use in livestock farming be stopped.

²⁰ <https://apps.who.int/iris/bitstream/handle/10665/258970/9789241550130-eng.pdf>

²¹ <https://www.npr.org/sections/thesalt/2018/12/11/675559302/there-are-lots-of-antibiotics-in-the-beef-supply-mcdonalds-vows-to-change-this>

²² https://corporate.mcdonalds.com/corpmcd/our-stories/article/beef_antibiotics.html

²³ <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/food-quality-and-sourcing/responsible-antibiotic-use.html#advocatingForResponsibleAntibioticUseInBeef>

²⁴ <https://www.who.int/news-room/fact-sheets/detail/antimicrobial-resistance>

²⁵ https://amr-review.org/sites/default/files/160518_Final%20paper_with%20cover.pdf, p.1

²⁶ <https://www.theguardian.com/global/2022/nov/21/mcdonalds-and-walmart-beef-suppliers-put-public-health-at-risk-with-reckless-antibiotics-use>

As a McDonald's competitor explained, robust AMR protections raise "[t]he challenge of individual costs and widely distributed societal benefits."²⁷ But for diversified investors, the portfolio-wide costs associated with AMR are paramount.

McDonald's decision not to prioritize broad AMR risks does not account for its diversified owners' interests in optimizing public health, the economy, and their long-term portfolio returns. By engaging meat suppliers that use medically important drugs beyond WHO Guidelines, McDonald's adds to the economic threat AMR poses to its diversified shareholders: reducing the economy's intrinsic value will directly reduce diversified portfolios' long-term returns.²⁸ McDonald's profit gain that comes at the expense of public health is a bad trade for McDonald's diversified shareholders, who rely on broad economic growth to achieve their financial objectives.

By changing its policies and adhering to the WHO Guidelines, McDonald's could save lives, contribute to a more resilient economy, and protect its diversified investors' portfolios.

Please vote for: Comply with Expert Guidelines on Antimicrobial Use – Item 4*

[This line and any below are not for publication]
Number 4* to be assigned by the Company

²⁷ <https://www.yum.com/wps/wcm/connect/yumbrands/41a69d9d-5f66-4a68-bdee-e60d138bd741/Antimicrobial+Resistance+Report+2021+11-4+-+final.pdf?MOD=AJPERES&CVID=nPMkceo>, p.14

²⁸ https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf