



DIVISION OF
CORPORATION FINANCE

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

March 28, 2025

Ning Chiu
Davis Polk & Wardwell LLP

Re: McDonald's Corporation (the "Company")
Incoming letter dated January 17, 2025

Dear Ning Chiu:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by the National Legal and Policy Center for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests that the board of directors' Compensation Committee revisit its incentive guidelines for executive pay to identify and consider eliminating discriminatory DEI goals from compensation inducements.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(10). In our view, the Company has not substantially implemented the Proposal.

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/2024-2025-shareholder-proposals-no-action>.

Sincerely,

Rule 14a-8 Review Team

cc: Paul Chesser
National Legal and Policy Center

January 17, 2025

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 National Legal and Policy Center (the "**Proponent**") for inclusion in the proxy materials the Company intends to distribute in connection with its 2025 Annual Meeting of Shareholders (the "**2025 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 2025 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 2025 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 request the Board of Directors' Compensation Committee to revisit its incentive guidelines for executive pay, to identify and consider eliminating discriminatory DEI goals from compensation inducements.

REASONS FOR EXCLUSION OF THE PROPOSAL

The Company believes that the Proposal may be properly omitted from the 2025 Proxy Materials pursuant to Rule 14a-8(i)(10) because the Company has already substantially implemented the Proposal.

DavisPolk

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

A. Rule 14a-8(i)(10) Background.

Rule 14a-8(i)(10) permits a company to exclude a shareholder proposal if the company has already substantially implemented the proposal. The Staff has stated that 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 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.* (1991). 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., *Kyndryl Holdings, Inc.* (Apr. 22, 2024); *McDonald’s Corp.* (Apr. 3, 2024); *Best Buy Co., Inc.* (Apr. 22, 2022); *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 Staff has also recently concurred with the exclusion on substantial implementation grounds of proposals related to a company’s compensation policies. See, e.g., *Exxon Mobil Corp.* (Mar. 20, 2024) (proposal requesting the company amend its recoupment policy to cover additional misconduct and negligence, where the company already maintained such policies and provisions); and *Amgen Inc.* (Apr. 3, 2024) (same). In particular, the Staff has found that proposals involving factors and metrics for companies’ executive compensation-related policies, practices and procedures may be excluded as being substantially implemented where the companies have already evaluated and disclosed such metrics. See, e.g., *Visa Inc.* (Oct. 11, 2019) (proposal recommending that the compensation committee reform the company’s executive compensation philosophy to include social factors to enhance the company’s social responsibility where the company had disclosed such factors in its sustainability report); *Dunkin’ Brands Groups, Inc.* (Mar. 6, 2019) (proposal requesting a report on the feasibility of integrating sustainability metrics into the company’s compensation program where the company had addressed the proposal’s essential objective through disclosures); and *eBay Inc.* (avail. Mar. 29, 2018) (proposal requesting a report assessing the feasibility of integrating sustainability metrics into the performance measures of the CEO where the company had already made the assessment and incorporated such measures).

B. The Company Has Substantially Implemented the Proposal.

The Company believes that the Proposal may be excluded pursuant to Rule 14a-8(i)(10) because it has fulfilled the essential objective of the Proposal, which is for the Company to (i) review the Company’s metrics for incentive compensation paid to executive officers and (ii) consider and identify in particular the compensation metrics related to diversity goals. This review, identification and consideration by the Company are demonstrated in each case by the changes the Company has made.

The Company’s Compensation Committee of the Board of Directors (the “**Committee**”) is responsible for annually reviewing and approving the compensation of the Company’s executive officers under the

Davis Polk

Committee's charter.¹ As disclosed in the Company's 2024 Proxy Statement,² the Committee annually reviews the Company's executive compensation program, which includes both a short-term cash incentive program (the "**STIP**") and long-term incentive awards, to evaluate whether the overall program and performance metrics are designed to help drive execution of the Company's business strategy. The Company follows three principles in designing its executive compensation program: (i) pay for performance; (ii) drive business results with a focus on creating long-term shareholder value; and (iii) pay competitively. These principles inform the design, operation and risk profile of the Company's executive compensation program.

The Committee considered and first determined to include metrics related to employee diversity in the Company's STIP for the 2021 fiscal year (the "**2021 STIP Metrics**") by adding four quantitative metrics. These metrics focused on championing the Company's core values, improving diversity representation for women and underrepresented groups, and creating a strong culture of inclusion among employees (the "**2021 Human Capital Metrics**"). The 2021 Human Capital Metrics constituted 15 percent of the target STIP awards.³

In the following year, the Committee revisited, considered and determined to continue to include metrics related to diversity in the Company's 2022 STIP (the "**2022 STIP Metrics**"). For 2022, the Committee made a change to the diversity-related element of the human capital metrics (the "**2022 Human Capital Metrics**") by providing an additional payout modifier for two named executive officers – the President, McDonald's USA and the President, International – if they increased the diversity in the Company's franchisee pipeline to the specified threshold. The two executives covered by the modifier needed to achieve a diverse franchisee recruitment target that represented a significant increase in the number of new registered applicants in the franchisee pipeline for their respective business segments. The modifier could potentially increase payouts to the covered executives by up to 15 percentage points.⁴

For the 2023 fiscal year, the Committee revisited, considered and determined to include metrics related to diversity in the Company's 2023 STIP (the "**2023 STIP Metrics**"). The Committee approved several changes to the diversity-related elements of the human capital metrics, specifically consolidating the prior quantitative human capital metrics into one metric focused on championing the Company's core values by improving diversity representation in leadership roles for women globally and underrepresented groups in the United States (the "**2023 Human Capital Metric**"). The Committee also added a modifier to measure the number and diversity of new franchisees applicable to the compensation of the President, McDonald's USA and President – IOM.⁵

Finally, for the metrics in the Company's 2024 STIP (the "**2024 STIP Metrics**"), the Committee eliminated the human capital metrics and replaced them with a qualitative "strategic scorecard" measuring

¹ Available at <https://corporate.mcdonalds.com/content/dam/sites/corp/nfl/pdf/COMPENSATION%20COMMITTEE%20CHARTER%20Approved%20December%202023.pdf>.

² See the 2024 Proxy Statement from pg. 56 (available at <https://www.sec.gov/Archives/edgar/data/63908/000155837024004818/mcd-20240522xdef14a.htm>).

³ See the Form 8-K filed February 16, 2021 (available at <https://www.sec.gov/Archives/edgar/data/63908/000006390821000007/mcd-20210216.htm>); the 2021 Proxy Statement from pg. 45 (available at <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000063908/89df0a6f-9b83-4881-9b7a-192d5ae52b35.pdf>).

⁴ See the Form 8-K filed February 14, 2022: <https://www.sec.gov/Archives/edgar/data/63908/000006390822000007/mcd-20220214.htm>; the 2022 Proxy Statement from pg. 64 (available at <https://www.sec.gov/Archives/edgar/data/63908/000120677422001058/mcd3962181-defc14a.htm>).

⁵ See the Form 8-K filed February 13, 2023 (available at <https://www.sec.gov/Archives/edgar/data/63908/000006390823000008/mcd-20230213.htm>); the 2023 Proxy Statement from pg. 56 (available at https://www.sec.gov/Archives/edgar/data/63908/000155837023005957/mcd-20230525xdef14a_c.pdf).

Davis Polk

leadership’s efforts on key initiatives, including the Company’s franchising strategy, employee engagement and DEI, which together represented 15 percent of the STIP (the “**2024 Scorecard**”).⁶

The change to the 2024 Scorecard within the STIP demonstrates that the Company has fulfilled the essential objective of the Proposal, given that the Company has already revisited the metrics for incentive compensation paid to executive officers, considered and identified the compensation metrics related to employee representation and made modifications as the Committee deemed appropriate. This process is also summarized below:

2021 Human Capital Metrics as part of 2021 STIP Metrics	2022 Human Capital Metrics as part of 2022 STIP Metrics	2023 Human Capital Metric as part of 2023 STIP Metrics	2024 Scorecard as part of 2024 STIP Metrics
Quantitative human capital metrics focused on championing the Company’s core values, improving diversity representation for women and underrepresented groups, and creating a strong culture of inclusion among employees	Quantitative human capital metrics focused on championing the Company’s core values, improving diversity representation for women and underrepresented groups, and creating a strong culture of inclusion among employees Modifier applicable to the President, McDonald’s USA and the President, International if they increase the diversity in the franchisee pipeline to a specified level	Quantitative human capital metric focused on championing the Company’s core value by improving diversity representation in leadership roles for women globally and underrepresented groups in the United States Modifier applicable to the President, McDonald’s USA and President – IOM that measures the number and diversity of new franchisees	Strategic scorecard measuring leadership’s efforts on key initiatives, including the Company’s franchising strategy, employee engagement and DEI

As illustrated above, since the incorporation of diversity goals in the 2021 Human Capital Metrics, which were part of the Company’s 2021 STIP Metrics, the Committee has continuously revisited the incentive guidelines and identified and considered diversity goals, as demonstrated through the modification of these metrics each year.

Because the Company has already taken the steps necessary to meet the essential objective of the Proposal, the Company has substantially implemented and satisfied the essential objective of the Proposal.

⁶ See the Form 8-K filed February 12, 2024 (available at <https://www.sec.gov/Archives/edgar/data/63908/000006390824000059/mcd-20240212.htm>); the 2024 Proxy Statement from pg. 56 (available at <https://www.sec.gov/Archives/edgar/data/63908/000155837024004818/mcd-20240522xdef14a.htm>).

Davis Polk

CONCLUSION

Because the Company has substantially implemented the Proposal, the Company believes that the Proposal may be excluded from its 2025 Proxy Materials pursuant to Rule 14a-8(i)(10).

Respectfully yours,



Ning Chiu

Attachment

cc w/ att: Jeffrey Pochowicz, McDonald's Corporation
Paul Chesser, National Legal and Policy Center

Proposal

Revisit DEI Goals in Executive Pay Incentives

WHEREAS: Since the June 2023 U.S. Supreme Court decision in *Students for Fair Admissions v. Harvard College*,¹ hundreds of higher education institutions have shuttered their diversity, equity and inclusion (DEI) programs and positions.²

Consequently, “there has been a sharp uptick in litigation challenging corporate DEI programs and initiatives, alleging that they require unlawful employment and contracting decisions to be made on the basis of race, in violation of Title VII of the Civil Rights Act of 1964...”³

Corporations’ compliance lawyers now advise clients that “DEI initiatives and programs that are not open to all applicants or those that apply an explicit race- or gender-based focus will likely face continued and heightened scrutiny.” Also: “We also expect to see ongoing scrutiny of perceived hiring quotas and set-asides, particularly those that may appear to be incentivized by bonuses for management or company leadership.”⁴

Further, “companies, and their management teams and boards, should be prepared for increased employment-related litigation including litigation that seeks to hold executive officers and directors personally liable for purported breaches of their fiduciary duties in connection with the corporation’s DEI policies.”⁵

Many corporations dramatically reduced or eliminated their DEI programs,⁶ and companies face retribution for their discrimination. For example, Starbucks was the subject of a \$28.3 million judgment after a former worker claimed she was fired for being white.⁷

SUPPORTING STATEMENT: McDonald’s Corporation (“Company”) has set leadership representation goals of 45 percent for women and 35 percent for “underrepresented groups” by the end of 2025.⁸ Additionally, the Company “aspires to increase U.S. systemwide spend with diverse-owned suppliers to 25% by the end of 2025.”

Pay for the Company’s executives includes incentives for progress towards “human capital metrics,” which “align with our strategic aspirations and hold executives accountable for efforts towards the Company’s DEI ambitions.”⁹ McDonald’s has devised a point system in its short-term incentive plan for attaining “diverse representation in leadership roles,” which also includes

¹ https://www.supremecourt.gov/opinions/22pdf/20-1199_hgdj.pdf

² <https://www.chronicle.com/article/tracking-higher-eds-dismantling-of-dei>

³ <https://www.wilmerhale.com/insights/client-alerts/20240627-corporate-dei-landscape-one-year-after-sffa>

⁴ <https://www.skadden.com/insights/publications/2023/12/2024-insights/esg/the-supreme-courts-affirmative-action-opinion>

⁵ <https://corpgov.law.harvard.edu/2024/02/14/how-boards-should-be-thinking-about-the-supreme-courts-sffa-affirmative-action-decision/>

⁶ <https://nypost.com/2024/09/03/us-news/how-robby-starbuck-is-prompting-brands-like-ford-to-ditch-dei/>

⁷ <https://www.cnn.com/2023/08/17/business/starbucks-payment-racial-discrimination-white/index.html>

⁸ <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/impact-strategy-and-reporting/performance-reports.html#diversityEquityAndInclusion>

⁹

https://corporate.mcdonalds.com/content/dam/sites/corp/nfl/pdf/2024%20Notice%20of%20Meeting%20and%20Proxy%20Statement_vf.pdf

conversion of franchisee applicants into new restaurant owners, “and diversity of such new owners.” Calculation of the Company’s Human Capital Metrics points “progress” represents 15% of the payout to executives in its short-term incentives plan.

These discriminatory quotas leave the Company ripe for regulatory, reputational and litigation risk. Its attempt to cram DEI’s non-GAAP nature into the proxy statement’s compensation discussion demands either a legally dubious quota regime, or it fails SEC compliance.¹⁰ The Council of Institutional Investors’ general counsel stated that research shows “companies are engaging in an opportunistic use of non-GAAP earnings to justify higher executive pay.”

FTI Consulting advises there is a “heightened focus” on “litigation risk,” which “has transitioned from being merely an operational concern to becoming a strategic priority for the highest levels of corporate governance.”¹¹

RESOLVED: Shareholders request the Board of Directors’ Compensation Committee to revisit its incentive guidelines for executive pay, to identify and consider eliminating discriminatory DEI goals from compensation inducements.

¹⁰ <https://tax.thomsonreuters.com/news/council-of-institutional-investors-again-urges-sec-to-close-loophole-on-non-gaap-in-executive-pay/>

¹¹ <https://www.fticonsulting.com/insights/articles/de-risking-litigation-exposure-conflict-management-integral-business-administration>

March 3, 2025

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**"), we are writing to supplement the Company's no-action letter request dated January 17, 2025 (the "**No-Action Letter**") regarding the shareholder proposal (the "**Proposal**") submitted by National Legal and Policy Center (the "**Proponent**") for inclusion in the proxy materials the Company intends to distribute in connection with its 2025 Annual Meeting of Shareholders (the "**2025 Proxy Materials**"). Capitalized terms not defined herein are used as defined in the No-Action Letter. We have been advised by the Company as to the factual matters set forth herein.

We are supplementing the No-Action Letter to inform the Staff of a recent disclosure made by the Company that provides further support that the Company is implementing the Proposal under Rule 14a-8(i)(10). As disclosed in a Form 8-K,¹ on February 12, 2025, the Committee approved the metrics for the Company's STIP for the 2025 fiscal year (the "**2025 STIP Metrics**"). As illustrated below, this Form 8-K further supports that the Committee has revisited, considered and modified its executive pay incentive guidelines under the 2025 STIP Metrics to align executives' focus to the Company's key initiatives.

The 2024 Scorecard had measured leadership's efforts on key initiatives, including (i) the Company's franchising strategy, (ii) employee engagement, and (iii) DEI. The scorecard for the 2025 STIP Metrics (the "**2025 Scorecard**") will measure executives' efforts towards the following Company initiatives: (i) executing its franchising strategy, (ii) driving employee engagement and (iii) advancing the Company's values. Because the 2025 Scorecard has been reviewed and revised by the Committee in this manner, the Proposal's primary objectives have been substantially implemented, and it may be properly excluded.

Respectfully yours,



Ning Chiu

cc w/ att: Jeffrey Pochowicz, McDonald's Corporation

Paul Chesser, National Legal and Policy Center

¹ See the Form 8-K filed February 14, 2025 (available at <https://www.sec.gov/Archives/edgar/data/63908/000006390825000009/mcd-20250212.htm>).



March 5, 2025

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

Re: *McDonald's Corporation*
Shareholder Proposal of the National Legal and Policy Center ("NLPC")
Securities Exchange Act of 1934—Rule 14a-8

SUBMITTED THROUGH THE SEC ONLINE SHAREHOLDER PROPOSAL FORM
Reference #628716

Ladies and Gentlemen:

This letter responds to the letter dated January 17, 2025, and the supplemental submission dated March 3, 2025, from Ning Chiu of Davis Polk & Wardwell LLC, legal counsel for McDonald's Corporation ("McDonald's" or "Company"), requesting that the Division of Corporation Finance ("Staff") take no action if the Company excludes our shareholder proposal ("Proposal") from its proxy materials ("Proxy") for its 2025 Annual Meeting of Shareowners.

The Company's request provides insufficient justification for exclusion and should be denied no-action relief.

The Proposal requests the "Board of Directors' Compensation Committee to revisit its incentive guidelines for executive pay, to identify and consider eliminating discriminatory DEI goals from compensation inducements."

McDonald's request to exclude the Proposal—on the grounds that it has been "substantially implemented" under Rule 14a-8(i)(10)—is insufficient and should be denied. Contrary to the Company's arguments, the Proposal has not been meaningfully addressed by its existing annual compensation review processes. Therefore, as explained below, the Proposal is eligible for inclusion in the Proxy, and the Staff should recommend enforcement action if McDonald's omits it.

Nat'l Headquarters: 107 Park Washington Court, Falls Church, Virginia 22046

Phone: (703) 237-1970 Email: pchesser@nlpc.org

The Proposal has not been “substantially implemented,” and therefore the Proposal should NOT be excluded from its Proxy under Rule 14a-8(i)(10)

The Company’s argument in favor of no-action relief under Rule 14a-8(i)(10) relies on the notion that the Proposal has already been “substantially implemented,” citing the Board of Directors’ (“Board”) Compensation Committee’s (“Committee”) existing annual review of executive compensation. Specifically, McDonald’s claims the Committee automatically satisfies the Proposal’s request by virtue of its ordinary, year-to-year executive pay review process.

Under that reasoning, no shareholder proposal addressing any executive pay matter could ever survive, because the Company could simply say the Committee examines its compensation practices every year. By this logic, shareholders would lose the ability to voice concerns about any executive compensation issue – which should take all aspects into consideration – on the grounds that boards already have authority over it. Such a result would directly undermine the rights of shareholders as contemplated under the federal securities laws. Indeed, executive compensation is routinely subject to shareholder scrutiny and input, as reflected by the long-standing statutory requirement of “Say-on-Pay.”¹ If it is the Board’s fiduciary duty to represent the will and interests of shareholders, then shareholders must be allowed the opportunity to highlight the Board’s shortcomings and encourage changes when necessary.

Moreover, it is precisely because the Committee’s routine annual review has *not* adequately addressed investor concerns that the Proposal calls for reexamination of executive compensation incentives that hinge on Diversity, Equity and Inclusion (“DEI”) goals. The Company’s objection reads as though the Proposal demanded *only* that the Committee “look at the issue again.” In fact, the Proposal urges the Committee to *consider eliminating* what shareholders view as discriminatory goals from executive compensation, placing a sharper focus on whether these goals are actually aligned with the best interests of the Company and its shareholders. Tinkering with how DEI incentives are paid out – as the Company has done – does not meet this standard.

If we as the Proponent had instead drafted the Proposal to *require* the Committee to remove DEI criteria, the Company would almost certainly argue that it impermissibly micromanages “ordinary business” under Rule 14a-8(i)(7). In short, we carefully structured our request – “to revisit...identify and consider eliminating discriminatory DEI goals from compensation inducements” – in a way that allows the Company maximum flexibility to implement it, while remaining true to the Proposal’s concerns.

¹ David C. Lee and Brian D. O’Neill. “Dodd-Frank’s “Say-on-Pay” Provisions,” Insights, Gibson Dunn, October 2010. <https://www.gibsondunn.com/wp-content/uploads/documents/publications/Lee-ONEill-DoddFranksSayonPayProvisions.pdf>

Allowing McDonald's to exclude the Proposal on a "substantial implementation" basis would leave shareholders no avenue to request change in areas boards habitually review. That would set a dangerous precedent. A board's or committee's routine processes should meaningfully address the same essential objective of a proposal for a company to claim it has been "substantially implemented."

Further, the Company never acknowledges the crux of the Proposal: the significant concern that DEI-based compensation metrics may be inherently discriminatory and should be reevaluated. The Company instead asserts that it is entitled to omit the Proposal simply because it has an ongoing compensation review process. The requested action – to "identify and *consider eliminating* (emphasis added) discriminatory DEI goals from compensation inducements" – has not been taken, at least to the degree it has been disclosed to NLPC as the proponent, or in the Company's no-action pleading.

Despite media attention and its minimal DEI policy tweaks, McDonald's has clearly NOT considered eliminating DEI incentives from executive pay

The Company received much attention at the beginning of 2025 as another in a long string of U.S. corporations that allegedly backed away from their DEI policies. Associated Press reported that McDonald's was "ending some of its diversity practices,"² based on a memo the Company issued to employees explaining some of the changes. Notably, McDonald's titled its memo, "Our Commitment to Inclusion at McDonald's."³ Contrary to the concept that the Company might be "roll[ing] back diversity goals" or "ending some of its diversity practices," as AP reported, the corporate memo instead assured the opposite to its recipients. Among its statements:

- "We want to also update you on our accomplishments embedding inclusion throughout our system..."
- "'Inclusion' is one of our core values and in 2024 'we opened our doors' to hundreds of millions of customers and two million crew people from all walks of life."
- "Our success has come through purposeful actions that have supported inclusion throughout our system."
- "We are immensely proud of these accomplishments, but we are not satisfied. Our commitment to inclusion requires ongoing focus..."

² Dee-Ann Durbin. "McDonald's is the latest company to roll back diversity goals," Associated Press, Jan. 6, 2025. See <https://apnews.com/article/mcdonalds-diversity-dei-goals-845d94cd46511341a43e98e057b0fa8e>.

³ "Our Commitment to Inclusion at McDonald's," McDonald's Corporation, Jan. 6, 2025. See <https://corporate.mcdonalds.com/corpmcd/our-stories/article/our-commitment-to-inclusion.html>.

- “McDonald’s position and our commitment to inclusion is steadfast.”
- “This important work will continue and McDonald’s leaders will continue to be held accountable for fostering an inclusive environment within their teams.”
- “McDonald’s will continue to transparently report our demographic information in our annual Purpose & Impact report with respect to the Board, employees and suppliers.”
- “We are evolving how we refer to our diversity team, which will now be the Global Inclusion Team.”

These statements (and several others from the memo not cited above) hardly leave the impression that the Company is shifting away from DEI policies – or more relatedly to the Proposal, considering elimination of DEI goals from executive incentives.

Further, as NLPC has pointed out in recent months, other companies that have claimed to jettison their DEI policies have done so only in terms of eliminating the acronym – not in actual practice. Instead, they have replaced “DEI” with other terms⁴ such as “belonging,”⁵ “talent strategy,”⁶ or by “evolving” their “aspirational representation goals.” McDonald’s is taking a similar approach by substituting alternative language and terms for “DEI,” as seen from the Company’s memo cited above.⁷

And yet as if that wasn’t enough, there is even more evidence beyond the memo that shows the Committee has refused to consider eliminating such incentives in its executive compensation formulations, and consequentially that the Company has not substantially implemented the Proposal. In its March 3, 2025 supplementary submission to Staff, the Company refers to its Feb. 12, 2025 8-K filing with the Securities and Exchange Commission which claims “that the Committee has revisited, considered and modified its executive pay incentive guidelines under the 2025 [Short-Term Incentive

⁴ Paul Chesser. “#WeToldYouSo: Corporate Strategy for Next Phase of DEI is to Call It Something Else,” Feb. 3, 2025. See <https://nlpc.org/corporate-integrity-project/wetoldyouso-corporate-strategy-for-next-phase-of-dei-is-to-call-it-something-else/>.

⁵ Paul Chesser. “#Rollback? Walmart Tried to Avoid DEI Accountability Only Seven Months Ago (and Earlier),” National Legal and Policy Center, Nov. 26, 2024. See <https://nlpc.org/corporate-integrity-project/rollback-walmart-tried-to-avoid-dei-accountability-only-seven-months-ago-and-earlier/>.

⁶ Paul Chesser. “Yet Another Fraudulent Corporate DEI ‘Rollback;’ This Time It’s Disney,” National Legal and Policy Center, Feb. 12, 2025. See <https://nlpc.org/corporate-integrity-project/yet-another-fraudulent-corporate-dei-rollback-this-time-its-disney/>.

⁷ Paul Chesser. “McDonald’s ‘Rollback:’ Will Company Remove Execs’ Incentives for DEI Goals?”, National Legal and Policy Center, Jan. 7, 2025. See <https://nlpc.org/corporate-integrity-project/mcdonalds-rollback-will-company-remove-execs-incentives-for-dei-goals/>.

Plan] Metrics to align executives' focus to the Company's key initiatives."⁸ We have attached a copy of that 8-K filing for Staff's convenience as Exhibit A.

In its March 3 submission to Staff, the Company explained:

The 2024 (Compensation) Scorecard had measured leadership's efforts on key initiatives, including (i) the Company's franchising strategy, (ii) employee engagement, and (iii) DEI. The scorecard for the 2025 STIP Metrics (the "2025 Scorecard") will measure executives' efforts towards the following Company initiatives: (i) executing its franchising strategy, (ii) driving employee engagement and (iii) advancing the Company's values. Because the 2025 Scorecard has been reviewed and revised by the Committee in this manner, the Proposal's primary objectives have been substantially implemented, and it may be properly excluded.

On February 26, 2025 NLPC received an email notification from a Company representative that notified us of the same 8-K filing, explaining the new "2025 Scorecard" information as follows:

"2025 TIP payouts for the named executive officers listed above will include ... a strategic scorecard (15%) that will measure leadership's efforts on strategic initiatives. ... The strategic scorecard will measure executives' efforts towards the following Company initiatives: (i) advancing the Company's values, (ii) driving employee engagement and (iii) executing its franchising strategy."

The Company representative suggested a teleconference discussion about the new information, with the implied expectation that NLPC might consider withdrawing the Proposal considering the new information. We expressed a willingness to meet, while at the same time requesting more specific information about McDonald's "strategic scorecard."

The Company responded by scheduling a teleconference with NLPC representatives, but refused to provide any further detail beyond what was provided in the 8-K filing. We responded by notifying the McDonald's representative that if NLPC was not provided further detail about the Scorecard's metrics, "then we do not plan to withdraw the proposal." We informed the Company representative that NLPC had reached an agreement with PepsiCo, Inc. regarding a similar proposal which was withdrawn after the soft drink company agreed to affirm in a brief statement on its

⁸ Form 8-K. McDonald's Corporation, Feb. 12, 2025. See <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000063908/61d301bb-ab5f-4069-a0a6-8bd5e2a9e45a.pdf>.

website that it removed DEI goals from its executive pay incentives.⁹ We further added in our email response that in order to consider withdrawing our McDonald's Proposal, that:

We would be looking for clear and public commitments from McDonald's addressing the removal of any kind of DEI goals or aspirations in incentivizing named executive officers, made clear in the compensation discussion of the proxy, and that those metrics are not part of McDonald's "(i) advancing the Company's values, (ii) driving employee engagement and (iii) executing its franchising strategy" in its 'strategic scorecard.'"

In our view these initiatives under the Company's scorecard can easily retain DEI metrics, unless they explicitly say that they don't. Additionally we have seen with other companies that while DEI metrics are not explicitly expressed in compensation discussions, they are still a consideration by boards' compensation committees and thus payouts boosted based on DEI are issued based on their discretion.

We stated that, unless the Company was willing to provide that additional information about its scorecard, that a teleconference to discuss the Proposal was probably not worthwhile. The representative responded by canceling the meeting. A copy of the email thread about that discussion is attached as Exhibit B.

The refusal by McDonald's to provide NLPC with any further detail about the nature and contents of its Scorecard is telling, because the information will be included in its 2025 proxy statement anyway. It will be disseminated to all shareholders. Merely replacing the metric "DEI" with "advancing the Company's values" does not mean DEI has been removed from incentives considerations – whether it has or not can only be known if it is explained what the "Company's values" are, which McDonald's has refused to provide us as the proponent.

The Company only had to make a minimal statement regarding the executive incentives, as PepsiCo did – even if it did not proceed with eliminating them. The only conclusion that can be drawn is that DEI metrics, or "aspirations," or some other alternative measurement, remain in the compensation calculations and that removal of them was not even considered by the Committee.

Conclusion

Absent a genuine, standalone review that specifically weighs whether DEI metrics are consistent with the Company's fiduciary obligations, and whether they should be

⁹ "NLPC Withdraws Proposal as Pepsi Removes DEI from Exec Pay," National Legal and Policy Center, Feb. 25, 2025. See <https://nlpc.org/corporate-integrity-project/fox-business-nlpc-withdraws-proposal-as-pepsi-removes-dei-from-exec-pay/>.

retained even in the slightest measure, the requested action has not been taken, and therefore the Proposal has not been substantially implemented.

Accordingly, the assertion that the Proposal is “substantially implemented” fails. The Committee’s standard annual compensation review is no substitute for the specific policy reexamination proposed by NLPC. Thus, the Proposal should not be excluded on the basis of Rule 14a-8(i)(10).

Shareholders deserve the chance to vote on the issue identified in the Proposal, and the Company’s effort to seek no-action relief is simply an attempt to sidestep meaningful engagement on DEI-related incentives. Staff should allow the Proposal to proceed to a vote, to allow shareholders to deliver a message as to whether the Board ought to revisit and potentially remove these DEI metrics.

Therefore, as outlined above in further explanatory detail and context, the Proposal is fully compliant with all aspects of Rule 14a-8. For this reason, NLPC asks the Staff to recommend enforcement action should the Company omit the Proposal.

A copy of this correspondence has been timely provided to the Company. If you have any questions or need more information, please feel free to contact me via email at pchesser@nlpc.org. NLPC would be happy to supply any needed additional information through the SEC’s online shareholder proposal form, after which we would disclose such communications to the Company’s representatives.

Sincerely,



Paul Chesser
Director
Corporate Integrity Project

Cc: McDonald’s Corporation (via corporatesecretary@us.mcd.com)

Office of Chief Counsel
Division of Corporation Finance
March 5, 2025

Page 8

EXHIBIT A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): February 12, 2025

McDONALD'S CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-5231
(Commission
File Number)

36-2361282
(IRS Employer
Identification No.)

110 North Carpenter Street
Chicago, Illinois
(Address of Principal Executive Offices)

60607
(Zip Code)

(630) 623-3000

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	MCD	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) Compensatory Arrangements of Certain Officers

On February 12, 2025, the Compensation Committee of the Board of Directors of McDonald's Corporation (the "Company") approved the payout structure for the 2025 Target Incentive Plan ("TIP") awards for executives.

The target 2025 TIP awards for the Company's named executive officers, as reflected in the Company's 2024 proxy statement, are as shown in the table below.

Name	Position	Target TIP Award as a Percentage of Base Salary
Christopher Kempczinski	Chairman, President and Chief Executive Officer	200%
Ian Borden	Executive Vice President and Global Chief Financial Officer	130%
Gillian McDonald	President, International Operated Markets	120%
Jonathan Banner	Executive Vice President and Global Chief Impact Officer	90%
Joseph Erlinger	President, McDonald's USA	120%

2025 TIP payouts will continue to be primarily determined by the Company's 2025 performance on two key financial performance metrics: operating income (40%) and Systemwide sales (30%), which include sales at all restaurants, whether operated by the Company or by franchisees. In addition to the financial metrics, 2025 TIP payouts for the named executive officers listed above will include a metric measuring new restaurant openings (15%) and a strategic scorecard (15%) that will measure leadership's efforts on strategic initiatives.

Each of these metrics is viewed as a critical driver of the Company's success.

- Operating income is a key component of the Company's strategy because it requires the Company to balance increases in revenue with financial discipline to produce strong margins.
- Systemwide sales is important in our franchise model because income generation is closely correlated to sales growth and is a good measure of franchisee health given our large percentage of franchised restaurants.
- New restaurant openings measures a key component of the Company's *Accelerating the Arches* growth strategy.
- The strategic scorecard will measure executives' efforts towards the following Company initiatives: (i) advancing the Company's values, (ii) driving employee engagement and (iii) executing its franchising strategy.

The financial metrics and new store openings are measured on a consolidated or business segment level basis, as applicable to each individual. For Messrs. Banner, Borden and Kempczinski, the payout will be based on (i) consolidated financial performance (operating income and Systemwide sales); (ii) the number of new restaurant openings for both the McDonald's USA and International Operated Markets business segments; and (iii) a qualitative evaluation of the Company's performance related to the initiatives reflected on the strategic scorecard. For Mr. Erlinger, the payout will be based on (i) a combination of McDonald's USA and consolidated financial performance (operating income and Systemwide sales); (ii) the number of new restaurant openings for McDonald's USA; and (iii) a qualitative evaluation of the Company's performance related to the initiatives reflected on the strategic scorecard. For Ms. McDonald, the payout will be based on (i) a combination of McDonald's International Operated Markets and consolidated financial performance (operating income and Systemwide sales); (ii) the number of new restaurant openings for McDonald's International Operated Markets; and (iii) a qualitative evaluation of the Company's performance related to the initiatives reflected on the strategic scorecard.

The payout factor for the 2025 TIP awards for all of the above individuals can range from zero to a maximum of 200% of the target award.

For compensation purposes, performance results may be adjusted from those reported in our financial statements in order to focus our executives on the fundamentals of the Company's underlying business performance. For example, results are expressed in constant currencies to neutralize the impact of foreign currency translation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

McDONALD'S CORPORATION

(Registrant)

Date: February 14, 2025

By: /s/ Jeffrey J. Pochowicz
Jeffrey J. Pochowicz
Vice President – Associate General Counsel and Corporate
Secretary

Office of Chief Counsel
Division of Corporation Finance
March 5, 2025

Page 9

EXHIBIT B



From: Fortson Alina [REDACTED]
Subject: RE: MCD/NLPC Proposal Engagement Call
Date: February 27, 2025 at 4:16 PM
To: Paul Chesser [REDACTED]
Cc: Luke Perlot [REDACTED]; Pochowicz Jeffrey [REDACTED]; Weber Christopher [REDACTED]; Schwind Caitlin [REDACTED]; Pereira Annabelle [REDACTED]

We appreciate the follow up with this perspective, and we will plan to cancel the meeting for tomorrow.

Thank you,

Alina

From: Paul Chesser [REDACTED] >
Sent: Thursday, February 27, 2025 10:43 AM
To: Fortson Alina [REDACTED] >
Cc: Luke Perlot [REDACTED] >; Pochowicz Jeffrey [REDACTED] >; Weber Christopher [REDACTED] >; Schwind Caitlin [REDACTED] >; Pereira Annabelle [REDACTED] >
Subject: Re: MCD/NLPC Proposal Engagement Call

Invite received, Alina.

If the extent of information you are able to provide is only reflected in the 8-K, and that's the only basis we have to go on, then we do not plan to withdraw the proposal and will submit our response to McDonald's no-action filings sometime soon.

We did, FYI, reach an agreement with PepsiCo earlier this week and withdrew a similar proposal. See here:

<https://nlpc.org/corporate-integrity-project/fox-business-nlpc-withdraws-proposal-as-pepsi-removes-dei-from-exec-pay/>

We would be looking for clear and public commitments from McDonald's addressing the removal of any kind of DEI goals or aspirations in incentivizing named executive officers, made clear in the compensation discussion of the proxy, and that those metrics are not part of McDonald's "(i) advancing the Company's values, (ii) driving employee engagement and (iii) executing its franchising strategy" in its "strategic scorecard."

In our view these initiatives under the Company's scorecard can easily retain DEI metrics, unless they explicitly say that they don't. Additionally we have seen with other companies that while DEI metrics are not explicitly expressed in compensation discussions, they are still a consideration by boards' compensation committees and thus payouts boosted based on DEI are issued based on their discretion.

If you still feel it's worth discussing considering our request above, then we will look forward to meeting tomorrow with you all. If not, then no problem — it might be more beneficial for us to utilize that valuable time to work on our respective duties

more beneficial for us to utilize that valuable time to work on our respective duties.

Sincerely,

Paul

Paul Chesser
Director, Corporate Integrity Project
National Legal and Policy Center
<https://www.nlpc.org/corporate-integrity-project/>

On Feb 27, 2025, at 11:04 AM, Fortson Alina
[REDACTED] > wrote:

Thank you, Paul.

I just sent an invite for tomorrow morning – please let us know if that time works well.

The detail provided in the 8K is what we are able to share at this time, and we welcome the opportunity to answer any questions you have during our discussion.

Best regards,

Alina

From: Paul Chesser [REDACTED] >
Sent: Wednesday, February 26, 2025 4:09 PM
To: Fortson Alina [REDACTED] >
Cc: Luke Perlot [REDACTED] >; Pochowicz Jeffrey
[REDACTED] >; Weber Christopher
[REDACTED] >; Schwind Caitlin
[REDACTED] >; Pereira Annabelle
Subject: Re: MCD/NLPC Proposal Engagement Call

Alina,

Thank you for the information. We are open to further discussion relative to our proposal, and we have availability in the next few days. In the meantime, if you could send along more detail about what is contained in the Company's "strategic scorecard," it would help us with further context as to whether we'd be inclined to reach some kind of agreement with you all.

Sincerely,

Paul

Paul Chesser

Paul Cresser
Director, Corporate Integrity Project
National Legal and Policy Center
<https://www.nlpc.org/corporate-integrity-project/>

On Feb 26, 2025, at 4:47 PM, Fortson Alina <[REDACTED]> wrote:

Luke and Paul,

In follow up to the below, providing a link [here](#) to our Feb 14, 2025 8K, which includes the following information: "2025 TIP payouts for the named executive officers listed above will include ... a strategic scorecard (15%) that will measure leadership's efforts on strategic initiatives. ... The strategic scorecard will measure executives' efforts towards the following Company initiatives: (i) advancing the Company's values, (ii) driving employee engagement and (iii) executing its franchising strategy."

We'd be happy to discuss with you relative to your proposal, and please note that we plan to supplement our No-Action Request to include reference to this most recent 8K.

Best regards,

Alina

From: Fortson Alina
Sent: Tuesday, December 3, 2024 2:41 PM
To: [REDACTED]; Luke Perlot <[REDACTED]>
Cc: Pochowicz Jeffrey <[REDACTED]>; Weber Christopher <[REDACTED]>; Schwind Caitlin <[REDACTED]>; Pereira Annabelle <[REDACTED]>
Subject: RE: MCD/NLPC Proposal Engagement Call

Thank you for your time today.

As discussed, here is a [link](#) to our 8K from February, which includes some information regarding the 2024 TIP/strategic scorecard.

You can also find information about some of our leadership training/development opportunities on pp. 61-62 of our [most recent P&I Report](#) (covering 2023).

We welcome any follow up questions.

Best regards,

Alina