

McDonald's Corporation | 2022 Annual Shareholders' Meeting

May 26, 2022 | 9:00 a.m. CT

Operator:

This presentation contains forward-looking statements that reflect management's expectations regarding future events and operating performance. Forward-looking statements are not guarantees of performance and are subject to a number of risks and uncertainties, including those described in McDonald's Quarterly Report on Form 10-Q for the first quarter of 2022 and its subsequent filings with the SEC. You can access these filings by visiting the Investor Section of McDonald's website.

Forward-looking statements speak only as of today's date, May 26th, 2022. Except as required by law, McDonald's does not undertake to update any forward-looking statements. McDonald's website also includes reconciliations of any non-GAAP financial measures mentioned in this presentation to their corresponding GAAP measures.

At McDonald's request, today's meeting will be recorded. If you do not consent to such recordings, please disconnect immediately.

Rick Hernandez:

Good morning. My name is Rick Hernandez, and it's my honor. As chairman of your board of directors, to welcome you all to McDonald's Corporation's annual shareholder meeting. I now call this meeting to order. Information about meeting procedures and standards of conduct can be found in the meeting materials box on your screen.

Also, on the line and attending today's meeting are members of McDonald's board of directors. They include Lloyd Dean, CEO of CommonSpirit Health. Bob Eckert, Operating Partner, FFL Partners and former CEO of both Mattel and Kraft Foods. Cathy Engelbert, Commissioner of the Women's National Basketball Association. Margo Georgiadis, CEO, Partner of Flagship Pioneering, and former CEO of Ancestry. Rick Lenny, Non-Executive Chairman of ConAgra Brands. John Mulligan, Executive Vice President and Chief Operating Officer Target Corporation. Sheila Penrose, Former Non-Executive Chairman Jones Lang LaSalle. John Rogers Jr., founder, chairman, co-CEO, and CIO of Ariel Investments. Paul Walsh, Executive Chairman McLaren

Group. And Miles White, Former Executive Chairman Abbott Laboratories. Our Chairman Emeritus Andy McKenna. Our President and Chief Executive Officer, Chris Kempczinski. And our General Counsel and Corporate Secretary, Desiree Ralls-Morrison.

I will, first, provide a few comments before we turn to the formal business of today's meeting and then hear from Chris. Amidst the backdrop of a challenging 2021, last year was the start of a new chapter for McDonald's Corporation. It was the first time we entered a year guided by our newly evolved growth strategy accelerating the arches, placing even greater focus on our marketing, core menu, delivery, digital, and drive thru offerings.

Our 2021 progress is proof that we launched this strategy at the right time. For the full year, McDonald's achieved revenues of \$23 billion and systemwide sales of \$112 billion. Importantly, the integration of McDonald's values, purpose, and mission within our growth strategy has given the entire McDonald's community a deeper understanding of our role in the world and provides ongoing guidance as we continually navigate uncertainty and opportunity in equal measure.

Our shareholders can be confident that McDonald's has the right leadership, the right resources, and the strategic vision to ride this momentum and drive the business forward. The strength of the McDonald's system remains our biggest competitive advantage. And at the end of the day, our success is marked by our ability to provide franchisees, suppliers, and employees with diverse, equitable, and inclusive platforms and environments in which to thrive.

This is why in 2021, the Compensation Committee of the board implemented new metrics that tie executive leadership compensation to objectives that mirror the values that our system exemplifies in our communities every day. From improving diverse representation to fostering inclusion among employees, central to the strength of the McDonald's system is our focus on continued action, progress, reporting, and accountability across pressing issues affecting our communities, both locally and globally.

McDonald's has continued to lead the industry across the most pressing ESG matters, building on the company's track record of meeting its ESG commitments. More than half of McDonald's directors have significant sustainability and corporate responsibility experience facilitating robust oversight on these important issues. We're proud of the progress we've made towards our

ambitious goals, including with respect to animal health and welfare, climate, responsible sourcing, and DEI. And we will continue to advance these goals in the future.

While we've demonstrated meaningful action on our purpose to feed and foster communities in 2021, our work is never done, and I'm proud to report that we are making strong progress against our ambitions. As we look ahead, the board will leverage its deep experience to continue to push leadership and the brand forward while keeping the customer and our role in communities at the center.

Last year's global leadership appointments of Manu Steijaert as Executive Vice President and Chief Customer Officer and Morgan Flatley as Global Chief Marketing Officer were more evidence of our progress on this front. Their appointments from within our system demonstrate the strength of our leadership, both at our corporate headquarters and markets around the world. Macdonald's next great chapter will be defined by our agility, ingenuity, and ambition. The board's commitment to stewarding shareholder's investments remains at the heart of our decision making, alongside our focus on doing right by our system, our customers, and the communities that we serve. We believe the brand's progress in 2021 only strengthens McDonald's investment approach and its long-term prospects, as reflected in the decision to continue the company's 45-year tradition of annual dividend increases.

The board would like to extend a sincere and heartfelt thank you to every single member of the McDonald's system for their tireless efforts, achievements, and dedication. We also would like to thank McDonald's investors for your continued support. We're confident that McDonald's is well positioned to thrive.

This time, I'll turn this meeting over to General Counsel and Corporate Secretary General Desiree Ralls-Morrison, who will describe the procedures for the business of today's meeting.

Desiree Ralls-Morrison:

Thank you, Rick. Based on a preliminary tabulation by our proxy solicitors, we believe that a quorum of the company's outstanding shares is present to conduct today's meeting. Accordingly, we will proceed with the business of the meeting, subject to confirmation by our Independent

Inspector of Elections First Coast Results, whose report will be filed with the minutes of the meeting.

A representative of First Coast is present today, as is a representative of the company's independent auditor, Ernst & Young LLP. If today's meeting ends unexpectedly before the polls close and we are unable to re-establish the webcast within 30 minutes, the meeting will be adjourned to a new date and time.

The polls are open. Shareholders of record or their proxy holders may now vote online. If you have not already voted your shares, please vote using the online ballot on the left-hand side of your screen. The polls will close following the presentation of the proposals. If you voted by proxy before the meeting, you do not need to vote now unless you wish to revoke or change your prior vote.

As Rick mentioned, the meeting agenda, as well as the meeting procedures and standards of conduct are in the meeting materials box on your screen. Here is today's order of events. The Chairman will introduce each proposal as well as the presenters of the six shareholder proposals. The voting results for today's meeting based on the inspector of elections preliminary tabulation will be reported on a Form 8-K, which will be filed with the SEC within four business days of this meeting and posted on our corporate website. Final results that are certified by the Inspector of Elections will also be reported on a Form 8-K and posted on our corporate website as soon thereafter as practicable.

Following the adjournment of the formal portion of the meeting and Chris's remarks, I will facilitate a question-and-answer session pursuant to the meeting procedures and standards of conduct. Shareholders may submit a question by typing in the Ask a Question box on your screen and clicking the Send button. Similar questions may be combined so that we may answer questions on a variety of topics. Due to time constraints, we may not be able to answer all questions. However, all questions and answers relevant to the meeting matters will be posted to the Investor Relations section of our website after the meeting.

I will now turn the meeting back over to the Chairman for the presentation of the proposals. Rick.

Rick Hernandez:

Thank you, Desiree. Our first order of business is the election of directors. The board's nominees who are standing for re-election are Lloyd Deane, Robert Eckert, Catherine Engelbert, Margaret Georgiadis, myself. Chris Kempczinski, Richard Lenny, John Mulligan, Sheila Penrose, John Rogers Jr., and Paul Walsh and Miles White. In addition, a shareholder is given notice that it intends to nominate two candidates for election at today's meeting.

The second item is an advisory vote to approve executive compensation. The third item is an advisory vote to ratify the appointment of Ernst & Young as the company's independent auditor for 2022. The fourth item is an advisory vote on a shareholder proposal requesting to modify the threshold to call special shareholders meetings. The fifth item is an advisory vote on a shareholder proposal requesting a report on reducing plastics use. The sixth item is an advisory vote on a shareholder proposal requesting a report on antibiotics and public health costs.

The seventh item was withdrawn by the shareholder proponent prior to today's meeting. As a result, proposal number seven will not be voted on at today's meeting, and any votes previously submitted on proposal number seven will have no effect. The eighth item is an advisory vote on a shareholder proposal requesting a third-party civil rights audit. The ninth item is an advisory vote on a shareholder proposal requesting a report on lobbying activities and political expenditures. The tenth item is an advisory vote on a shareholder proposal requesting a report on global public policy and political influence.

Moving to the first item of business proposal number one, the election of 12 directors to hold office until the 2023 annual shareholders meeting and until their successors are duly elected and qualified. The board's 12 director nominees who are standing for re-election are named in the company's proxy statement for today's meeting and were introduced earlier. Additional information about each of the board's nominees is also included in the company's proxy statement. Pursuant to the procedures outlined in the company's bylaws. Barbieri Corp., an investment firm affiliated with Carl Icahn, has nominated two candidates for election as directors at today's meeting. Mr. Icahn was invited and afforded time to speak to his nominations during today's meeting but declined two days ago.

The second item, proposal number two is an advisory vote to approve executive compensation. The third item, proposal number three is an advisory vote to ratify the appointment of Ernst & Young as the company's independent auditor for 2022. A representative of Ernst & Young is present today and available to answer any shareholder questions during the question-and-answer session that follows the official business of the meeting.

Before I introduce our next presenter, I'd like to remind everyone that in accordance with the stated meeting procedures and standards of conduct, each proponent will limit their remarks to the presentation of their specific proposal and will limit their presentation to 2 minutes. At this time. I call on John Chevedden, who will present proposal number four, an advisory vote on a shareholder proposal requesting to modify the threshold to call special shareholders meeting in 2 minutes or less. Operator, will you please open Mr. Chevedden's line?

Operator:

And your line is open.

John Chevedden:

Hello, this is John Chevedden. Can you hear me, okay?

Rick Hernandez:

Yes, we can.

John Chevedden:

Proposal four, special shareholder meeting improvement. Shareholders request the board to take the steps necessary to amend the governing documents to give the owners of 10% of our outstanding common stock the power to call a special shareholder meeting. Currently, it takes a theoretical 25% of all shares outstanding to call for a special shareholder meeting. This theoretical 25% of all shares outstanding translates into 37% of the shares, the voter annual meeting.

It would be hopeless to think that shares that do not have the time to vote would have the time to go through the special procedural steps to call for a special shareholder meeting. Plus 100% of shares are excluded that are not held in a net long position. Thus, a group of shareholders who

own 30% of the shares to vote at the annual meeting could determine they own 45% of the shares that voted the annual meeting after they include their shares that are not net long.

A theoretical 25% share ownership to call a special shareholder meeting that potentially translates into a 45% share ownership is nothing for management to brag about. However, McDonald's management made the dubious claim that this 45% share ownership requirement to call a special shareholder meeting was a strong communication tool for our shareholders. Plus, we have absolutely no right to act by written consent. We gave 42% support to a 2021 proposal for Right to Act by written consent. In spite of extreme management resistance statement, this 42% support, likely translated into 51% support from the shares who have access to independent proxy voting advice.

There is no evidence that management subsequently talked to the large shareholders who voted in favor of the 2021 proposal to determine the action they expected McDonald's management to take. Management should support a majority vote from the shares who have access to independent proxy voting advice. They are not forced to rely on the dubious resistance statement from management. Deep pockets that are [inaudible].

Rick Hernandez:

Mr. Chevedden, can you hear me? Could you wrap up your comments, please?

John Chevedden:

To call for a special shareholder meeting to make up for this [inaudible].

Rick Hernandez:

Mr. Chevedden, I'm going to instruct the operator to close your microphone.

John Chevedden:

The fact that we have absolutely no –

Rick Hernandez:

Operator, will you please close Mr. Chevedden's line? He's far exceeded a lot of time. Thank you. Thank you, Mr. Chevedden. The next item is proposal number five and the advisory vote on the shareholder proposal requesting a report on plastics use. This time I call on Kelly McBee,

who will present proposal number five. And again, 2 minutes or less. Good morning, Ms. McBee. Operator, please open Ms. McBee's line. Good morning.

Operator:

And your line is open.

Kelly McBee:

Good morning. I represent As You Sow, which filed item five on the proxy statement. The proposal asks McDonald's to evaluate opportunities to reduce use of plastic packaging as part of a much-needed comprehensive policy to tackle the reputational and financial risks associated with its plastic pollution. Our world is in the middle of a plastic pollution crisis, and McDonald's lags competitors in taking measures to reduce its impact on global plastic waste.

As our company has helped foster a wasteful disposable packaging culture, plastic pollution of land and water has become an urgent environmental issue. Corporations collectively face an annual financial risk of approximately \$100 billion if global governments continue the growing policy trend of holding corporations financially accountable for plastic packaging pollution.

Experts predict that there will be more plastic than fish by weight in oceans by 2050. Imagine that for just a moment. Plastic pollution fatally impacts more than 800 marine species, causing up to \$2.5 trillion in damage annually to marine ecosystems. Toxins adhere to plastics consumed by marine species, which potentially transfer to human diets. And as many as 1 million people a year die annually from diseases and illnesses caused by plastic pollution.

McDonald's has made some encouraging steps to tackle plastic pollution, including its goal to source all plastic packaging from renewable or recycled materials. Though unnotable step, the company cannot adequately reduce the risks associated with plastic pollution by substituting virgin plastic for recycled plastic, as the company's goal suggests. Our company must fundamentally re-evaluate product delivery and innovate and redesign packaging to reduce single use plastic packaging overall, whether it be a virgin or recycled origin.

McDonald's is notably absent from the world's largest collaborative corporate effort to reduce plastic pollution. The Ellen MacArthur Foundation Global Commitment. Corporate competitors participating in this effort have committed to substantially –

Rick Hernandez:

Can you please conclude your remarks?

Kelly McBee:

Certainly.

Rick Hernandez:

Can you please conclude your remarks? Thank you.

Kelly McBee:

Shareholders would benefit from Proposal five. I encourage your support. Thank you.

Rick Hernandez:

Ms. McBee, thank you very much. Operator, please close Ms. McBee's line. And we'll move on to the next proposal item, which is proposal number six, which is an advisory vote on a shareholder proposal requesting a report on antibiotics and public health costs. This time, I call upon Sara Murphy, who will present proposal number six again in the two minutes or less allocated time. Operator, please open Ms. Murphy's line. Ms. Murphy, Good morning,

Operator:

Ms. Murphy, your line is open.

Sara Murphy:

I'm Sara Murphy of the Shareholder Commons. Antimicrobial Resistance, AMR for short poses a systemic threat to public health and the economy. When lifesaving drugs are compromised, the entire economy suffers. And when that happens, investors lose. Millions of people die each year from AMR. Beyond the human tragedy, the economic impact is grievous. Conservative projections see AMR costing up to 3.8% of global GDP by 2050, comparable to the 2008 financial crisis.

Modern medicine depends on access to antimicrobials that work. Such costs create broad losses across investment markets, as diversified portfolio value relates directly to GDP. For the diversified investors who make up most of McDonald's shareholders, AMR's cost to GDP swamps any profits McDonald's receives from inadequate prevention measures.

McDonald's fails to address this concern, instead, attempting to divert our attention to its existing prevention efforts. And yet, McDonald's failed not only to require optimal antibiotics use, but also to meet its own meagre commitments, thereby exacerbating AMR that drags down diversified portfolios.

Gestation crates are intimately linked to antibiotics, as pigs can only survive such grotesquely cramped conditions if they're awash in antibiotics. Defending McDonald's failure to eliminate these crates, our CEO said, "It's our understanding from industry partners and suppliers that neither can anyone else at any meaningful volume scale." What he really meant is that McDonald's considers the cost of doing so too high.

There's no shortage of farming models that provide an alternative. McDonald's acknowledges no tension between maximizing internal profits and optimizing AMR prevention, revealing its failure to recon honestly with a difficult issue. Of course, McDonald's decision makers are heavily compensated in equity, so they don't share the same broad market risk most of us do. Shareholders deserve to understand the trade-offs McDonald's makes on our behalf. Please vote for proposal six.

Rick Hernandez:

Ms. Murphy, thank you very much. I appreciate your comments. Operator, would you please close Ms. Murphy's line? As noted earlier, proposal number seven was withdrawn by the shareholder proponent prior to the meeting. As a result, proposal number seven will not be voted on at today's meeting. And we will move on to the next item, which is proposal number eight, an advisory vote on a shareholder proposal requesting a third-party civil rights audit. This time I call upon Rashad Robinson, who will present proposal number eight again in two minutes or less. Good morning, Mr. Robinson. Operator, will you please open Mr. Robinson's line?

Rashad Robinson:

Mr. Robinson, your line is open.

Rick Hernandez:

Thank you. Hello. My name is Rashad Robinson. I'm the president of Color Of Change, the nation's largest online racial justice organization. On behalf of the SOC Investment Group, I

hereby move proposal eight, requesting that the Board of Directors of McDonald's oversee a third-party civil rights audit based on stakeholder input.

For decades now, McDonald's has billed itself as a community staple, but the company's commitments are not reflected in their actions. And we've seen in the details of lawsuit after lawsuit, McDonald's has reinforced a system of inequity and discrimination against black people and women within its corporate ranks and throughout its franchise network.

Investors should be as concerned as civil rights experts that McDonald's does not have a roadmap in place to ensure equity, fairness, and basic safety for its workers. There is only so long this can be ignored before it all breaks down. An independent civil rights audit will ensure transparency for shareholders and provide a comprehensive assessment of steps that must be taken to improve the experience at McDonald's for workers, consumers, and community stakeholders.

This company has proven it requires a third-party assessment that enlists experts with a racial justice lens to create proper guidelines and procedures for establishing gender and racial equity within its ranks. McDonald's leaders lack a proper understanding of the way systemic inequity has taken root within its companies' business practices. And that is why we've seen the same mistakes repeated again and again.

For example, McDonald's announced a plan to address underrepresented franchisee recruitment, but we've seen zero details on the effort being made to retain black restaurant operators once they are within the system. Those plans also fail to rectify the fact that for decades the company has pushed black franchisee owners into less lucrative locations and denied them equal access to expansion opportunities. And while workers have filed complaint after complaint alleging workplace sexual harassment at the franchise locations, the company will allow store owners to choose their own –

Rick Hernandez:

Mr. Robinson, you've exceeded a lot of time. Could you please wrap up your comments?

Rashad Robinson:

In the best interest of McDonald's and its shareholders, I hope you all will approve proposal eight and move us forward with justice and fairness for all.

Rashad Robinson:

Thank you, Mr. Robinson. Operator, please close Mr. Robinson's line. And we'll move on. The next item is the proposal number nine, an advisory vote on a shareholder proposal requesting a report on lobbying activities and political expenditures. This time I call on Paul Chesser, who will present proposal number nine in two minutes or less. Operator, please open Mr. Chesser's line. Good morning, Mr. Chesser.

Operator:

And your line is open.

Paul Chesser:

I'm Paul Chesser, director of the Corporate Integrity Project for National Legal and Policy Center. I think the favorite adjective of investor relations lawyers is the word robust. I see it in almost every proxy statement. It's the word McDonald's uses to describe its lobbying disclosures. Unfortunately, I find the company's disclosures are less robust than McDonald's coffee, and that's pretty weak stuff.

Our resolution seeks one-stop shopping for the convenience of shareholders and interested parties to find lobbying information in a single organized report. The company says that's not needed because you can find some of that information, but not all of it scattered across various federal government websites, spread across unspecified websites for each of the 50 states in the US territories and wherever else in the world McDonald's lobbies.

Do you have time to search for all that? Does that sound like robust disclosure to you? So, McDonald's is gaslighting you. Like almost every other major corporation that did business in Russia, McDonald's wants you to know they're doing the noble thing and getting out. However, they will still sell burgers in China, where McDonald's has at least four to five times as many restaurants as they did in Russia.

It's also where Uyghurs are enslaved and tortured at the order of communist dictators Xi Jinping and where Taiwan is under threat on a near-daily basis and where religious leaders are arrested in Hong Kong and on the mainland and countless other human rights are consistently violated. So, what's keeping you in China, McDonald's?

Human rights are supposed to be part of ESG principles, but they're always the lowest priority. But corporations love the E part of ESG because they think they can get away with lying about achieving zero emissions by buying carbon indulgences and paying off environmental pressure groups. So, it was pretty funny last year when McDonald's got the World Wildlife Fund to praise the company for joining the UN's Race to Zero program. Not long after, the company helped with a \$6 million donation to the group. That's the kind of mutual political back scratching you won't find in any lobbying report.

Rick Hernandez:

Thank you, Mr. Chesser. I appreciate your remarks. Operator, will you please close Mr. Chesser's line? Thank you. The last item is proposal number ten, an advisory vote on a shareholder proposal requesting a report on a global public policy and political influence. At this time, I call on Palesa Ramolefo, who will present proposal number ten in two minutes or less. Operator, please open Ms. Ramolefo's line. Good morning, Ms. Ramolefo.

Palesa Ramolefo:

Thank you. Good morning. Thank you for this opportunity to introduce proposal ten on behalf of Harrington Investments regarding McDonald's global political transparency. I am Palesa Ramolefo, campaigner at the South African NGO, [inaudible]. I grew up in Soweto, a low-income black township where Nelson Mandela and Desmond Tutu lived. Over the years, I've seen more McDonald's and other fast-food outlets open.

The lines at our public health clinics have grown longer as [inaudible] related diseases have increased. When South Africa has worked to pass health policies such as the recent tax on sugar sweetened beverages, it faced opposition from the food industry and its proxies. Health experts fear corporate interests will obstruct other policies meant to protect the country's health.

The public has a very limited view of what McDonald's, and its competitors are doing to influence lifesaving policies.

That needs to change. And it's something our president, Cyril Ramaphosa, affirmed when he divested his ownership stake in 145 South African McDonald's franchises before being elected. His actions sent a message that fast food corporations shouldn't dictate public policy, let alone operate with full political transparency.

McDonald's political activities in the US have been toxic to its reputation. I know the corporation argues it has nothing to hide and that its global activities are limited. But by opposing this resolution, McDonald's is sending a clear signal to investors that it has something to hide from them that could hurt the corporation's bottom line and harm billions of customers worldwide. Vote yes on proposal ten and proposal five, six, eight, and nine, which also demand the corporation aligns its stated values to its actual business practice. Thank you.

Rick Hernandez:

Thank you. Ms. Ramolefo. Operator, will you please close Ms. Ramolefo's line? The Board of directors recommends a vote for the election of all of the board's 12 director nominees for the approval of executive compensation and for the ratification of Ernst & Young as the company's independent auditor for 2022. The Board recommends a vote against each of the six shareholder proposals. The reasons for the board's recommendations are outlined in the company's proxies statement.

If you are voting at today's meeting, please complete your online ballot now. Again, if you voted by proxy before the meeting, you do not need to vote now unless you wish to revoke or change your prior vote. We'll, now briefly pause so that any voting by ballot may occur. Okay. The polls are now closed.

With respect to proposal number one, based on the inspector of elections preliminary tabulation, we are pleased to be able to announce that it appears that all 12 of the boards' director nominees have been re-elected. And further that Mr. Icahn's two nominees received approximately 1% of the company's outstanding shares.

The voting results for all of the shareholder proposals based on the inspector of elections preliminary tabulation will be reported on a Form 8-K, which will be filed with the SEC within four business days of this meeting and posted on our corporate website. Final results that are certified by the Inspector of Elections will also be reported on a Form 8-K and posted on our corporate website as soon thereafter as practicable.

This concludes the formal business of today's meeting, and the annual shareholders meeting is adjourned. What is clear to me today is that McDonald's shareholders value a board of directors with a breadth of experience to advise the brand on the multitude of issues that can impact the business on a daily basis.

This has certainly come to the fore in recent months alone, as the brand confronted its path forward in light of an unprecedented war in Ukraine. Working closely with McDonald's leadership team, we sought a principled, values-based approach that ultimately led us to pause our operations at the outset of the war and most recently, to announce that McDonald's would exit the market entirely.

All of this was done alongside an express focus on supporting our people. In our 67-year history, this was the first time we ceased operations in a major market, but it was clear that our continued ownership of the Russian business was no longer sustainable or consistent with McDonald's values. While nobody wishes these circumstances, they are examples of the difficult and profound choices that confront a board and a board such as ours.

I'm proud to work alongside such a talented group of individuals who can provide sage counsel on behalf of shareholders, even in the most challenging of times. Starting a brand like McDonald's is complex, and the recent actions in Russia are a fine example of McDonald's doing the right thing and its leaders demonstrating values-based decision making.

And certainly, that is exemplified by our Chief Executive Officer, Chris Kempczinski, who has so effectively led this company to its strength. Now, it is my pleasure to turn the program over to our CEO, Chris.

Chris Kempczinski:

Thank you, Rick. And thank you to the McDonald's board of directors for your ongoing partnership. I also want to express my sincere appreciation to everyone listening in and participating. And to all our shareholders joining us today, we're grateful for your investment and for your continued belief in McDonald's.

As we reflect on what was a monumental year, even one filled with a variety of challenges across the world, there has never been a better time to be part of brand McDonald's. In an increasingly complex and unpredictable external environment, the past few years have demonstrated that resiliency of the McDonald's brand and our ability to drive historic growth. We continue to transform the customer experience, build a culture of care for our restaurant teams, and create an environment where employees, franchisees, and suppliers thrive.

As Rick mentioned, in 2021, we achieved yet another record year of business performance. We saw global revenues of \$23 billion and systemwide sales of \$112 billion, the highest ever recorded annual comparable sales growth of 13.8% in the US, which represents over 5 billion of systemwide sales growth. And we reached a record operating income of more than \$10 billion.

Moreover, franchisee cash flow hit all-time highs in most of our top markets. And as you likely heard during our first quarter earnings call last month, our momentum continues. Our progress is remarkable, and I believe that we are well positioned for the long-term, even as broader challenges like inflation, supply chain issues, labor availability, COVID resurgences, and the tragic humanitarian crisis in Ukraine persist.

There's power in dialing up our execution and focusing on what's within our control during these challenging times. Continuing to put the customer first and executing our plan while living our values is and always has been our model for driving growth regardless of the backdrop. Under our Accelerating the Arches strategy, we continue to find new ways to reach our customers where they are and make their experience more seamless and personalized.

We're building customer affinity by elevating our creative risk taking with fan truths, a concept that's come to life all over the world through activations like famous orders. We're increasing the

frequency in which we connect with our customers through MyMcDonald's Rewards! now, in more than 40 markets and with more than 26 million loyalty members earning rewards in the US. McDelivery has become the largest QSR delivery program in the world with further opportunities to innovate. This year, in select markets, our customers will be able to order delivery directly on our MyMcDonald's app. This will let us better control the delivery experience for our most loyal customers and learn from the data they share, ultimately creating more seamless, memorable, and personalized experiences.

And the competitive strength of our 25,000 plus drive thru locations around the world continues to provide unparalleled convenience to our customers as they reestablish routines and grab the delicious core menu items they love. [Inaudible] shows that when we leverage our systems collective ingenuity, curiosity, and collaboration there is no limit to what we can achieve.

This is McDonald's legacy. To fulfill our roles as a leading business while also living our purpose to feed and foster communities to the fullest. We continue to meaningfully advance efforts that support our broader role in communities. From our commitment to achieving net zero emissions across our global operations by 2050, to our progress to create more sustainable Happy Meal toys by the end of 2025.

Equally as important is our ongoing commitment to invest in our people. By creating the type of environment where people want to work. Whether they're looking to develop skills that they can take to future jobs or planning to build a career with us, McDonald's provide a holistic employee value proposition.

We do so through our global brand standards, which further strengthen our commitment to foster safe, respectful, and inclusive workplaces, as well as our mutual commitment to diversity, equity, and inclusion, which we announced last year. Ongoing efforts to reach global gender pay parity and steps that include raising wages at US company owned restaurants.

The enduring strength of the McDonald's brand gives us confidence that we will continue to deliver sustained, long-term profitable growth for our system and shareholders. McDonald's board of directors has provided counsel and an unwavering dedication to ensure that in pursuit of

this objective, we continue to represent all stakeholders. I want to thank them, our system, our shareholders, and our customers for their continued support.

As we work to raise our ambition and accelerate the arches, we will continue to shape opportunities in ways that help people and McDonald's achieve their full potential. I truly believe our best days are ahead of us. With that, I'll pass it back to Desiree.

Desiree Ralls-Morrison:

Thank you, Chris. We'll now begin the question-and-answer portion of the meeting. We received numerous questions and comments in advance of the meeting and have received many others during the meeting as well. As described in the meeting procedures and standards of conduct, we have grouped together questions and comments that are substantially similar so that Chris and Rick can address a variety of topics.

Let's get started. Chris, this first question is for you. How is McDonald's keeping a focus on operations while delivering a great customer experience?

Chris Kempczinski:

Well, thanks for the question. Last year, with the creation of our customer experience team, we brought together a variety of capabilities operations, marketing, digital and innovation, data and analytics, and restaurant design to meet this moment with the customer at the center. Historically, we've run our restaurants from the back to the front, creating things and then offering them to customers. Now we're thinking about it from the front to the back, starting with customer needs, asking them what they want, and then aligning our operations to deliver.

We can't talk about the customer experience without the crew experience as being part of that. So, their operations are critical as well. The more we show our restaurant teams that we care about their experience, the more they show the same care for our customers. Our people enable us to deliver an unequalled customer experience backed by the power of our brand. We'll continue to build on this position of strength to raise the bar in how we can deliver a seamless and more memorable customer experience.

Desiree Ralls-Morrison:

Right. Thank you, Chris. Rick, our next question is for you. What ESG experience does the current board possess? How have they held McDonald's accountable on ESG initiatives?

Rick Hernandez:

Interesting. First, I have to say that through our Accelerating the Arches strategy, we have a very strong track record of achieving our ESG goals while at the same time generating industry-leading returns for shareholders and driving long-term sustainable growth. More than half of McDonald's directors have significant sustainability and corporate responsibility expertise, including Sheila Penrose, who chairs our Sustainability and Corporate Responsibility Committee. And beyond that, we've got a compensation committee that's embedded ESG metrics into executive compensation. Our SER committee has been longstanding and specifically charged with like monitoring and holding McDonald's accountable on the ESG issues, including DEI and climate and responsible sourcing, and animal health and welfare.

So, under the current board's leadership, I think McDonald's has been a leader across most of the pressing ESG issues. Our ESG strategy is designed to create sustainable value creation by managing risks and identifying and supporting innovation and opportunity areas, strengthening reputation, and driving positive impact for all the communities we serve around the world. So, I'd say together, all of these elements aim to support sustainable and resilient business growth, enhance brand trust, and confidence in our long-term outlook.

Desiree Ralls-Morrison:

Thank you, Rick. Chris, I'm coming back to you with the next question. Why does McDonald's take a stance on social and/or political issues?

Chris Kempczinski:

Well, I think it's important to recognize McDonald's is part of 40,000 communities around the world, and with that comes a responsibility to support our people. It comes back to this purpose of feeding and fostering communities. The very backbone of this brand is our commitment to a core set of values that define who we are and how we run our business in restaurants.

That said, I would also assert that we are very selective on the issues that we weigh in and only do so on the topics that are directly relevant to our business and stakeholders, including issues that we see as a violation of our core set of values. Reality is that words matter, but actions go further.

Beyond what we say, the actions we take across people, communities, and our planet. Make sure that we build a better business and a more trusted brand. The more our customers trust us, the more pride they have in our brand and the more often they come to visit us.

Desiree Ralls-Morrison:

Thank you. Rick, our next question references a concern that minority shareholders are distracting from the desires of the majority of shareholders. How are you addressing the concerns of all shareholders?

Rick Hernandez:

Well, that's right. The McDonald's board of directors is entrusted, and we're really responsible for the oversight of the corporation in an honest, fair, diligent, ethical manner. And trying to do that or in accomplishing that, we consider all the stakeholders in the short and long-term interests of our decisions and our values. The boards believe that good corporate governance and tries to implement that as we believe it is critical to fulfilling the company's obligation to all our shareholders.

So, I want to underscore that the board takes its role very seriously to ensure sustainable value creation for all the shareholders, while acting on some of the world's most pressing social and environmental challenges that are important to our stakeholders.

So evidenced by our leadership positions and our progress against our pioneering commitments, we take issues such as animal welfare very seriously. Our approaches have sought, and they'll continue to seek to make a real impact across our supply chain, while also considering the needs of all the stakeholders, including customers. So, moving forward, McDonald's board and leadership team are going to stay focused on continuing to take the actions that uphold and advance all of our values.

Desiree Ralls-Morrison:

Right. That brings us to the end of our meeting. Thank you, Rick and Chris. And thanks to everyone for joining us today. Please stay safe and well.

Operator:

This concludes today's meeting. You may now disconnect.