Yum!

FEED THE WORLD

YUM! BRANDS 2015 ANNUAL REPORT

DEAR STAKEHOLDERS,

2015 was a landmark year for Yum! Brands. Late in the year we announced our intention to spin-off our China business into an independent, publicly-traded company. Our decision to create two powerful, independent, focused growth companies is a classic example of one plus one being greater than two. Yum! China will be China's largest independent restaurant company, with no meaningful external debt. New Yum! will be a global, diversified, franchise company with an optimized capital structure. The separation of these two distinctly different businesses will give shareholders the best of both worlds. Yum! China will be a focused China investment with strong national appeal and major growth potential and will target annual ongoing EPS growth of approximately 15%. This company will have tremendous new-unit potential in China's growing consumer economy and inherent value from improving unit economics. Yum! China will also have a self-sufficient business model, funding all of its capital needs, while having the potential for stock buybacks in year one. New Yum! will be an even more highly franchised company with three leading global brands, leadership in emerging markets, clear average-unit volume and new-unit growth opportunities, less volatile cash and earnings streams, and high shareholder cash returns. New Yum! will target approximately 15% annual ongoing shareholder return, defined as EPS growth plus dividend yield. In addition, we intend to return approximately $6.2 billion in capital to our shareholders prior to the completion of the spin-off. This is an incremental return of capital beyond our regularly planned dividend.

15%
ANNUAL ONGOING EPS GROWTH IN CHINA

Needless to say, 2016 will be a transformational year for Yum! as we complete this spin-off. The fundamental goal of Yum!, however, is unchanged. We are 100% dedicated to building and strengthening KFC, Pizza Hut and Taco Bell all around the world as strong brands are critical to delivering sustained growth and creating long-term shareholder value.

$6.2 BILLION
OF INCREMENTAL CAPITAL RETURN PRIOR TO CHINA BUSINESS SPIN-OFF COMPLETION

CONTENTS

02 DEAR STAKEHOLDERS
04 CHINA DIVISION
06 KFC DIVISION
07 PIZZA HUT DIVISION
08 TACO BELL DIVISION
09 HUGE HEART
10 CONCLUSION

Please see our Safe Harbor Statement in the back following the Form 10-K.

In 2015 EPS excluding Special Items grew to $3.18 per share, or 3%, despite a 7% decline in the first half of the year. With restaurants in over 130 countries and territories we have foreign exchange exposure from the impact of translating our foreign profits from local currencies into U.S. dollars. In 2015 we had six percentage points of foreign currency headwinds. Excluding these currency headwinds full-year EPS grew 9% despite lower than expected sales in our China division. While 2015 EPS was below our initial expectations, I was pleased with the sales momentum we generated across the majority of Yum! in the fourth quarter and look forward to building on this in 2016.

GREG CREED | CHIEF EXECUTIVE OFFICER YUM! BRANDS, INC.

ONE PLUS ONE IS GREATER THAN TWO

YUM! CHINA	NEW YUM!
FOCUSED CHINA INVESTMENT	FOCUSED, HIGH MARGIN, GLOBAL FRANCHISE COMPANY
STRONG NATIONAL APPEAL	MAJOR GLOBAL GROWTH
MAJOR GROWTH POTENTIAL	TARGET APPROXIMATELY 15% ANNUAL ONGOING SHAREHOLDER RETURN
TARGET APPROXIMATELY 15% ANNUAL ONGOING EPS GROWTH	

For the full year our brand divisions collectively grew operating profit 8% in constant currency, which is in-line with our ongoing growth model target. This was led by 12% operating profit growth at Taco Bell – a remarkable result given the significant investments we made in the fourth quarter to position the brand for continued momentum and category leadership for years to come. Operating profit grew 8% in constant currency in China, with impressive cost management partially offsetting weaker than originally anticipated sales results.

In 2015 worldwide system sales grew 5% in constant currency, which included increases of 8% at Taco Bell, 7% at KFC, 2% at Pizza Hut and 2% in China. Same-store sales growth was positive across all three of our brand divisions, with Taco Bell at 5%, KFC at 3% and Pizza Hut at 1%. China's same-store sales declined 4% in 2015 but we have plans to return both KFC China and Pizza Hut Casual Dining to positive growth in 2016.

We opened 2,365 new restaurants globally in 2015. This year we expect to open nearly 2,400 new restaurants, which means we're opening over 6 new restaurants a day, laying the groundwork for future growth. Given the plans we have laid out for each of the divisions, we're confident in our ability to deliver 10% operating profit growth in constant currency in 2016, which includes the benefit of a 53rd operating week for part of our brand divisions.

In China we opened 743 new restaurants in 2015. Our disciplined approach to development balances our continued, strong belief in China's long-term growth potential and strong cash paybacks on new restaurants with current market realities. In 2016 we plan to open 600 more restaurants in China. This reflects the opportunities we see across our brands to enter new trade zones and expand our presence in existing ones. Our net-new unit growth in 2016 will be similar to 2015 as we expect fewer closures this year. We expect 2016 to be another year of sequential operating profit improvement with growth of 10%.

743
NEW RESTAURANT OPENINGS IN 2015

KFC CHINA

KFC, which represents about 75% of China's operating profit, grew same-store sales 6% in the fourth quarter, continuing the sequential improvement we saw throughout the year. While same-store sales declined 4% for the year, total system sales in constant currency were even as we added 175 net-new units, surpassing the 5,000 unit mark. KFC has more than twice the number of restaurants of our nearest Western QSR competitor and is in about five times more cities. This beloved brand reported restaurant-level margins of 16%, a full percentage point higher than 2014, despite a decline in same-store sales. These fundamentals demonstrate our progress in productivity initiatives and the tremendous operating leverage the brand should realize as sales continue to improve.

KFC BOX MEAL

We know we still have work to do at KFC and I'm thrilled the China team is applying global best practices, fresh thinking and new insights to revitalize the brand and achieve traction with consumers. Early test results of proven, global, sales-driving tactics are encouraging and the implementation of these programs should drive transactions and benefit the division later this year. One example is box meals, which have proven successful globally and which we expect to be similarly well received in China. I can assure you we are taking the right steps to grow this business – and the momentum we are seeing makes me confident we will.

PIZZA HUT CASUAL DINING CHINA

Pizza Hut Casual Dining, which represents about 25% of China's operating profit, is the Western Casual Dining category leader with nearly 1,600 restaurants in over 400 cities. This is a lead of around 6:1 over our nearest Western Casual Dining competitor. In 2015 system sales in constant currency grew 10% as we added 259 net-new units, but same-store sales declined 5%. The macroeconomic environment and volatile stock market impacted the casual dining segment and we know we must generate more exciting news and value to counter this headwind. We'll be more focused on value going forward with workday lunch specials and value pizzas – as well as other initiatives to drive traffic. We have our work cut out for us here, but the China team has a number of strategies and concepts in test that we expect to improve results. We know there is substantial runway for new units and same-store sales growth for China's leading Western Casual Dining brand.

259 NET-NEW PIZZA HUT CASUAL DINING UNITS IN 2015

6:1 PIZZA HUT CASUAL DINING'S LEAD IN RESTAURANT COUNT OVER NEAREST WESTERN CASUAL DINING COMPETITOR

NEARLY
15,000
RESTAURANTS WORLDWIDE

MELBOURNE, AUSTRALIA

KFC is a franchise-led, emerging-market powerhouse. With nearly 15,000 restaurants in 120 countries and territories, the brand generated $16 billion in annual system sales and has grown operating profit over the last three years at a 9% compound annual growth rate in constant currency. I'm thrilled to see KFC's "Always Original" positioning gaining momentum and being adopted globally, which I believe will lend further strength to the brand.

Franchisees opened 85% of our 705 new international restaurants in 2015. Total system sales grew 11% in emerging markets for the year, with particular strength in Russia and Central and Eastern Europe. In fact, Russia has generated system-sales growth of at least 40% in each of the last four years. We have tremendous potential in emerging markets, where we have a significant lead over the competition. I'm also encouraged by our recent performance in developed markets, such as Australia, the U.S., and Japan. International developed markets' system sales grew 6% in 2015 and U.S. system sales grew 2%. These results reinforce my confidence in the brand's ability to drive sales going forward. We have an unbelievable ability to generate meaningful growth in mature markets, where we have a long established presence. We are taking our global brand identity and unifying that with local cultural insights to expand and grow our business all around the world. We are 100% focused on our real, authentic and freshly prepared food and merging that with value and innovation to drive results. On the international front we've enjoyed success with lunch and dinner box meals. In the U.S. we recently introduced Nashville Hot Chicken. This is a spicy version of our crispy chicken, inspired by one of Nashville's most famous dishes. We're excited about the possibility of this innovative product finding its way into the system outside of the U.S.

NASHVILLE HOT CHICKEN

The new-unit pipeline at KFC remains impressive. In KFC's top 12 emerging markets, excluding China, we only have one restaurant per million people today. With an aggregate population of 3 billion people in these markets, think of the potential. Across the world we have plans in place to grow sales and to build on the division's consistent operating profit growth performance. This year we expect at least 675 new international restaurant openings and to grow operating profit 11%, which includes a one percentage point benefit from the 53rd operating week. I am confident KFC will continue to excel and reward shareholders in the years to come.

STUFFED GARLIC KNOTS PIZZA

525 NEW INTERNATIONAL RESTAURANT OPENINGS PROJECTED IN 2016

At Pizza Hut U.S., which generates about 60% of the division's operating profit, we are starting to turn the corner with our focused emphasis on "making it easier to get a better pizza." This runs the gamut from improved operations and insight-driven food innovation to digital enhancements and consistent value. While we recognize there is a lot more work to do, we're now generating positive momentum with same-store sales growth.

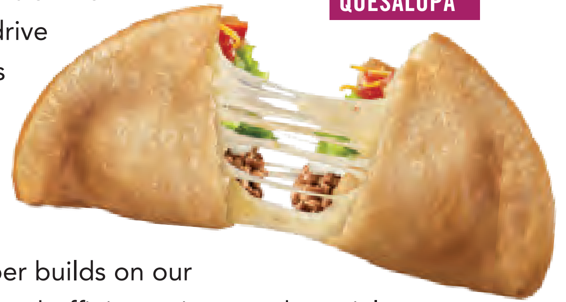
Equally significant, we reached an important agreement with our U.S. franchisees. Starting in January, we and our franchisees began an overhaul of Pizza Hut's assets, replacing ovens and upgrading in-store technology. From a marketing calendar perspective, we are focused on a balanced approach. You may have seen the launch of our $5 Flavor Menu, the most compelling value menu in the pizza business. In conjunction with our ongoing $6.99 Any Pairs deal it provides our customers with great value on an ongoing basis. Simultaneously, we are offering premium-priced innovation, such as our recent launch of the Stuffed Garlic Knots Pizza, to protect and improve unit-level economics.

Our international business at Pizza Hut is led by strength in emerging markets but offset by weakness in some developed markets. We believe we can apply best practices from the U.S. business to drive growth in these developed markets going forward. In 2016 we expect to open at least 525 new international restaurants. We also expect to grow operating profit 7% in constant currency, which includes a two percentage point benefit from the 53rd operating week.

NEW PIZZA HUT U.S. DESIGN

PIZZA HUT

Taco Bell delivered a fantastic 2015, surpassing $9 billion in system sales, and we expect a solid year in 2016 as well. Taco Bell is on the cutting edge of QSR and is the industry gold standard for social engagement, product development, brand positioning and advertising. The brand's Live Más positioning is an example of how strong brand identity can drive success across the spectrum. We have several new, exciting products launching this year, including the Quesalupa, which we introduced during Super Bowl 50. Our innovation focus extends beyond just food. We are encouraged by early results of our delivery program and are developing expansion plans for additional cities. The addition of our loyalty program in November builds on our mobile app and will increase brand affinity as it rewards social behavior. Furthermore, we are focused on our core value messaging to drive transactions. We continue to build our breakfast day-part where sales are growing at twice the rate of the business as a whole. In fact, we grew breakfast transactions 6% in the fourth quarter.



QUESALUPA

SYSTEM SALES OF MORE THAN **$9 BILLION**

Given the brand's strong economics and broad franchisee appeal, we continue to accelerate new-unit openings both domestically and internationally. We had a record number of U.S. openings in 2015 and expect to build upon this in 2016. I'm particularly excited that we're starting to get some traction expanding this great brand internationally. We know this process will take time, but we're making real progress here. In 2016 we expect to open at least 300 global new restaurants and to grow operating profit in constant currency 9%, which includes a three percentage point benefit from the 53rd operating week. Our growth plans both domestically and internationally will lay the groundwork for higher operating profit growth in the years to come.

TACO BELL

TOKYO, JAPAN

HUGE HEART Last but not least, I want you to know I am proud of the way our three iconic brands come together to show we're a company with a Huge Heart – opening doors, growing people and truly caring about the world. Making responsible decisions as we build brands people trust and champion is core to us being a good corporate citizen. This includes leading the world's largest private sector hunger relief effort, where we set the bar high every year in support of World Hunger Relief and raised more than $35 million in cash and food donations in 2015. Since 2007, our efforts have raised $640 million in cash and food donations resulting in 2.6 billion meals going to people in need. Together we are making a meaningful difference in peoples' lives.

FEED THE WORLD AMBASSADOR PROGRAM

GRADUATES FOR MÁS

I am equally pleased that all of our divisions have meaningful community engagement efforts that positively impact the local communities where they live and work. And trust me, we are going to get better and more courageous every day at delivering the high quality, high integrity contributions our consumers most care about in our food, people, communities and environment. I invite you to view our progress in our online Corporate Social Responsibility report.

ADD HOPE

LIFE UNBOXED

With all this progress you can see why I am very excited about what's happening at our company. We are undertaking the biggest strategic move in the history of Yum! with the planned spin-off of our China business. We're confident this will create two powerful, optimally-structured, independent companies with unique investment profiles. And, I want to assure you that while the spin-off transaction is critically important we're not going to let it distract us from running the business in China or anywhere else.

"We have three iconic brands and are making them even stronger."

All three of our brands have significant opportunities for growth as they progress along the journey to brand excellence. We expect to achieve 10% growth in operating profit in constant currency this year, which includes the benefit of the 53rd operating week, and are setting up two separate companies that will lead the restaurant industry going forward. Yum! is in a unique position. We have three iconic brands and are making them even stronger. As you've heard me say before, my goal as CEO is to build three global, iconic brands that people trust and champion. We are well on our way to achieving this, led by our brand positionings, courageous leadership and committed team members and franchisees. Needless to say, there is a lot to be excited about at Yum! and I could not be more pleased to lead this company into its next phase.

Finally, I want to take the opportunity to thank several senior executives who are retiring from Yum!, each of whom made significant contributions to the company for many years. First and foremost, David Novak, who will step down as Executive Chairman in May, completing his retirement plan. As co-founder, Executive Chairman and former CEO, David's contributions to this company are far too many to put into words. He has created a world-class company, renowned recognition culture and high-performance orientation that will stand the test of time. As a result, our shareholders were well-rewarded during his tenure. David served as a caring and inspirational coach and mentor to many, including me. I thank him for his visionary leadership and for entrusting our company to the next generation of leaders. I'd also like to thank Sam Su, who retired in August from Yum! China as Chairman and CEO, and as Vice Chairman of Yum! Brands. Sam is a true pioneer who led the tremendous growth of our China business, creating one of the finest restaurant companies in the world. Lastly, I'd like to recognize Massimo Ferragamo, who also will be stepping off the Board. He joined the company at its inception and has been an invaluable Director since that time. We owe each of them a debt of gratitude and wish them continued success and happiness. And of course, I thank our Board of Directors, employees and franchisees around the globe, whose contributions are truly inspiring and who are helping Yum! Feed The World.

FEED THE WORLD

Cheers,

GREG CREED | CHIEF EXECUTIVE OFFICER
YUM! BRANDS, INC.

YUM! Brands, Inc.
1441 Gardiner Lane
Louisville, Kentucky 40213

April 8, 2016

Dear Fellow Shareholders:

On behalf of your Board of Directors, we are pleased to invite you to attend the 2016 Annual Meeting of Shareholders of YUM! Brands, Inc. The Annual Meeting will be held Friday, May 20, 2016, at 9:00 a.m., local time, in the YUM! Conference Center at 1900 Colonel Sanders Lane in Louisville, Kentucky.

Once again, we encourage you to take advantage of the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their shareholders over the Internet. We believe that this e-proxy process expedites shareholders' receipt of proxy materials, lowers the costs of delivery and helps reduce the Company's environmental impact.

Your vote is important. We encourage you to vote promptly whether or not you plan to attend the meeting. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding the three methods of voting are contained on the notice or proxy card.

If you plan to attend the meeting, please bring your notice, admission ticket from your proxy card or proof of your ownership of YUM common stock as of March 22, 2016 as well as a valid picture identification. Whether or not you attend the meeting, we encourage you to consider the matters presented in the proxy statement and vote as soon as possible.

Sincerely,

Greg Creed
Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on May 20, 2016—this notice and the proxy statement are available at *www.yum.com/investors/investor_materials.asp*. The Annual Report on Form 10-K is available at *www.yum.com/annualreport*.

YUM! Brands, Inc.
1441 Gardiner Lane
Louisville, Kentucky 40213

Notice of Annual Meeting of Shareholders

Friday, May 20, 2016 9:00 a.m.

YUM! Conference Center, 1900 Colonel Sanders Lane, Louisville, Kentucky 40213

ITEMS OF BUSINESS:

(1) To elect twelve (12) directors to serve until the 2017 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified.

(2) To ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2016.

(3) To consider and hold an advisory vote on executive compensation.

(4) To approve the Company's Long Term Incentive Plan As Amended.

(5) To consider and vote on one (1) shareholder proposal, if properly presented at the meeting.

(6) To transact such other business as may properly come before the meeting.

WHO CAN VOTE:

You can vote if you were a shareholder of record as of the close of business on March 22, 2016.

ANNUAL REPORT:

A copy of our 2015 Annual Report on Form 10-K is included with this proxy statement.

WEBSITE:

You may also read the Company's Annual Report and this Notice and proxy statement on our website at *www.yum.com/annualreport and www.yum.com/investors/investor_materials.asp.*

DATE OF MAILING:

This Notice, the proxy statement and the form of proxy are first being mailed to shareholders on or about April 8, 2016.

By Order of the Board of Directors

Marc L. Kesselman
General Counsel and Secretary

YOUR VOTE IS IMPORTANT

Under securities exchange rules, brokers cannot vote on your behalf for the election of directors or on executive compensation related matters without your instructions. Whether or not you plan to attend the Annual Meeting, please provide your proxy by following the instructions on your Notice or proxy card. On or about April 8, 2016, we mailed to our shareholders a Notice containing instructions on how to access the proxy statement and our Annual Report and vote online.

If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail, unless you request a copy. Instead, you should follow the instructions included in the Notice on how to access and review the proxy statement and Annual Report. The Notice also instructs you on how you may submit your vote by proxy over the Internet.

If you received the proxy statement and Annual Report in the mail, please submit your proxy by marking, dating and signing the proxy card included and returning it promptly in the envelope enclosed. If you are able to attend the Annual Meeting and wish to vote your shares personally, you may do so at any time before the proxy is exercised.

Table of Contents

PROXY STATEMENT 1

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING 1

GOVERNANCE OF THE COMPANY 6

MATTERS REQUIRING SHAREHOLDER ACTION 16

ITEM 1 Election of Directors and Director Biographies (Item 1 on the Proxy Card) 16
ITEM 2 Ratification of Independent Auditors (Item 2 on the Proxy Card) 24
ITEM 3 Advisory Vote on Executive Compensation (Item 3 on the Proxy Card) 25
ITEM 4 Proposal to Approve the Company's Long Term Incentive Plan As Amended (Item 4 on the Proxy Card) 26
ITEM 5 Shareholder Proposal Concerning Responsible and Accurate Labeling (Item 5 on the Proxy Card) 35

STOCK OWNERSHIP INFORMATION 37

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE 39

EXECUTIVE COMPENSATION 39

Compensation Discussion and Analysis 39
Summary Compensation Table 62
All Other Compensation Table 63
Grants of Plan-Based Awards 64
Outstanding Equity Awards at Year-End 65
Option Exercises and Stock Vested 67
Pension Benefits 67
Nonqualified Deferred Compensation 69
Potential Payments Upon Termination or Change in Control 72

DIRECTOR COMPENSATION 75

EQUITY COMPENSATION PLAN INFORMATION 77

AUDIT COMMITTEE REPORT 79

ADDITIONAL INFORMATION 81

APPENDIX A: YUM! BRANDS, INC. LONG TERM INCENTIVE PLAN (As Amended and Restated Effective as of May 20, 2016) 83

YUM! Brands, Inc.
1441 Gardiner Lane
Louisville, Kentucky 40213

PROXY STATEMENT

For Annual Meeting of Shareholders To Be Held On

May 20, 2016

The Board of Directors (the "Board of Directors" or the "Board") of YUM! Brands, Inc., a North Carolina corporation ("YUM" or the "Company"), solicits the enclosed proxy for use at the Annual Meeting of Shareholders of the Company to be held at 9:00 a.m. (Eastern Daylight Saving Time), on Friday, May 20, 2016, in the YUM! Conference Center, at 1900 Colonel Sanders Lane, Louisville, Kentucky. This proxy statement contains information about the matters to be voted on at the Annual Meeting and the voting process, as well as information about our directors and most highly paid executive officers.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

What is the purpose of the Annual Meeting?

At our Annual Meeting, shareholders will vote on several important Company matters. In addition, our management will report on the Company's performance over the last fiscal year and, following the meeting, respond to questions from shareholders.

Why am I receiving these materials?

You received these materials because our Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting. As a shareholder, you are invited to attend the Annual Meeting and are entitled to vote on the items of business described in this proxy statement.

Why did I receive a one-page Notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

As permitted by Securities and Exchange Commission ("SEC") rules, we are making this proxy statement and our Annual Report available to our shareholders electronically via the Internet. On or about April 8, 2016, we mailed to our shareholders a Notice containing instructions on how to access this proxy statement and our Annual Report and vote online. If you received a Notice by mail you will not receive a printed copy of the proxy materials in the mail, unless you request a copy. The Notice instructs you on how to access and review all of the important information contained in the proxy statement and Annual Report. The Notice also instructs you on how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials contained on the Notice.

We encourage you to take advantage of the availability of the proxy materials on the Internet in order to help lower the costs of delivery and reduce the Company's environmental impact.

Who may attend the Annual Meeting?

The Annual Meeting is open to all shareholders of record as of close of business on March 22, 2016, or their duly appointed proxies. Seating is limited and admission is on a first-come, first-served basis.

What do I need to bring to attend the Annual Meeting?

You will need a valid picture identification and either an admission ticket or proof of ownership of YUM's common stock to enter the Annual Meeting. If you are a registered owner, your Notice will be your admission ticket.

If you received the proxy statement and Annual Report by mail, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the Annual Meeting, please so indicate when you vote and bring the ticket with you to the Annual Meeting. If your shares are held in the name of a bank or broker, you will need to bring your legal proxy from your bank or broker and your admission ticket. If you do not bring your admission ticket, you will need proof of ownership to be admitted to the Annual Meeting. A recent brokerage statement or letter from a bank or broker is an example of proof of ownership. If you arrive at the Annual Meeting without an admission ticket, we will admit you only if we are able to verify that you are a YUM shareholder. Your admittance to the Annual Meeting will depend upon availability of seating. All shareholders will be required to present valid picture identification prior to admittance. IF YOU DO NOT HAVE A VALID PICTURE IDENTIFICATION AND EITHER AN ADMISSION TICKET OR PROOF THAT YOU OWN YUM COMMON STOCK, YOU MAY NOT BE ADMITTED INTO THE ANNUAL MEETING.

Please note that computers, cameras, sound or video recording equipment, cellular and smart phones, tablets and other similar devices, large bags, briefcases and packages will not be allowed in the meeting room.

May shareholders ask questions?

Yes. Representatives of the Company will answer shareholders' questions of general interest following the Annual Meeting. In order to give a greater number of shareholders an opportunity to ask questions, individuals or groups will be allowed to ask only one question and no repetitive or follow-up questions will be permitted.

Who may vote?

You may vote if you owned YUM common stock as of the close of business on the record date, March 22, 2016. Each share of YUM common stock is entitled to one vote. As of March 22, 2016, YUM had 407,176,521 shares of common stock outstanding.

What am I voting on?

You will be voting on the following five (5) items of business at the Annual Meeting:

- The election of twelve (12) directors to serve until the next Annual Meeting of Shareholders and until their respective successors are duly elected and qualified;
- The ratification of the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2016;
- An advisory vote on executive compensation;
- The approval of the Company's Long Term Incentive Plan As Amended; and
- One (1) shareholder proposal.

We will also consider other business that properly comes before the meeting.

How does the Board of Directors recommend that I vote?

Our Board of Directors recommends that you vote your shares:

- **FOR** each of the nominees named in this proxy statement for election to the Board;
- **FOR** the ratification of the selection of KPMG LLP as our independent auditors;
- **FOR** the proposal regarding an advisory vote on executive compensation;
- **FOR** the proposal to approve the Company's Long Term Incentive Plan; and
- **AGAINST** the shareholder proposal.

How do I vote before the Annual Meeting?

There are three ways to vote before the meeting:

- By Internet — If you have Internet access, we encourage you to vote on *www.proxyvote.com* by following instructions on the Notice or proxy card;
- By telephone — by making a toll-free telephone call from the U.S. or Canada to 1(800) 690-6903 (if you have any questions about how to vote over the phone, call 1(888) 298-6986); or
- By mail — If you received your proxy materials by mail, you can vote by completing, signing and returning the enclosed proxy card in the postage-paid envelope provided.

If you are a participant in the Direct Stock Purchase Plan, the administrator of this program, as the shareholder of record, may only vote the shares for which it has received directions to vote from you.

If you are a participant in the YUM! Brands 401(k) Plan ("401(k) Plan"), the trustee of the 401(k) Plan will only vote the shares for which it has received directions to vote from you.

Proxies submitted through the Internet or by telephone as described above must be received by 11:59 p.m., Eastern Daylight Saving Time, on May 19, 2016. Proxies submitted by mail must be received prior to the meeting. Directions submitted by 401(k) Plan participants must be received by 12:00 p.m., Eastern Daylight Saving Time, on May 18, 2016.

Also, if you hold your shares in the name of a bank or broker, your ability to vote by telephone or the Internet depends on their voting processes. Please follow the directions on your notice carefully. A number of brokerage firms and banks participate in a program provided through Broadridge Financial Solutions, Inc. ("Broadridge") that offers telephone and Internet voting options. If your shares are held in an account with a brokerage firm or bank participating in the Broadridge program, you may vote those shares telephonically by calling the telephone number shown on the voting instruction form received from your brokerage firm or bank, or through the Internet at Broadridge's voting website *(www.proxyvote.com)*. Votes submitted through the Internet or by telephone through the Broadridge program must be received by 11:59 p.m., Eastern Daylight Saving Time, on May 19, 2016.

Can I vote at the Annual Meeting?

Shares registered directly in your name as the shareholder of record may be voted in person at the Annual Meeting. Shares held through a broker or nominee may be voted in person only if you obtain a legal proxy from the broker or nominee that holds your shares giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we encourage you to vote your shares by proxy. You may still vote your shares in person at the meeting even if you have previously voted by proxy.

Can I change my mind after I vote?

You may change your vote at any time before the polls close at the Annual Meeting. You may do this by:

- Signing another proxy card with a later date and returning it to us prior to the Annual Meeting;
- Voting again by telephone or through the Internet prior to 11:59 p.m., Eastern Daylight Saving Time, on May 19, 2016;
- Giving written notice to the Secretary of the Company prior to the Annual Meeting; or
- Voting again at the Annual Meeting.

Your attendance at the Annual Meeting will not have the effect of revoking a proxy unless you notify our Secretary in writing before the polls close that you wish to revoke a previous proxy.

Who will count the votes?

Representatives of American Stock Transfer and Trust Company, LLC will count the votes and will serve as the independent inspector of election.

What if I return my proxy card but do not provide voting instructions?

If you vote by proxy card, your shares will be voted as you instruct by the individuals named on the proxy card. If you sign and return a proxy card but do not specify how your shares are to be voted, the persons named as proxies on the proxy card will vote your shares in accordance with the recommendations of the Board. These recommendations are:

- **FOR** the election of the twelve (12) nominees for director named in this proxy statement (Item 1);
- **FOR** the ratification of the selection of KPMG LLP as our independent auditors for the fiscal year 2016 (Item 2);
- **FOR** the proposal regarding an advisory vote on executive compensation (Item 3);
- **FOR** the proposal to approve the Company's Long Term Incentive Plan As Amended (Item 4); and
- **AGAINST** the shareholder proposal (Item 5).

What does it mean if I receive more than one proxy card?

It means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is American Stock Transfer and Trust Company, LLC, which may be reached at 1 (888) 439-4986.

Will my shares be voted if I do not provide my proxy?

Your shares may be voted if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under the New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain "routine" matters.

The proposal to ratify the selection of KPMG LLP as our independent auditors for fiscal year 2016 is considered a routine matter for which brokerage firms may vote shares for which they have not received voting instructions. The other proposals to be voted on at our Annual Meeting are not considered "routine" under applicable rules. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a "broker non-vote."

How many votes must be present to hold the Annual Meeting?

Your shares are counted as present at the Annual Meeting if you attend the Annual Meeting in person or if you properly return a proxy by Internet, telephone or mail. In order for us to conduct our Annual Meeting, a majority of the outstanding shares of YUM common stock, as of March 22, 2016, must be present in person or represented by proxy at the Annual Meeting. This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the Annual Meeting.

How many votes are needed to elect directors?

You may vote "FOR" each nominee or "AGAINST" each nominee, or "ABSTAIN" from voting on one or more nominees. Unless you mark "AGAINST" or "ABSTAIN" with respect to a particular nominee or nominees or for all nominees, your proxy will be voted "FOR" each of the director nominees named in this proxy statement. In an uncontested election, a nominee will be elected as a director if the number of "FOR" votes exceeds the number of "AGAINST" votes. Abstentions will be counted as present but not voted. Abstentions and broker non-votes will not affect the outcome of the vote on directors. Full details of the Company's majority voting policy are set out in our Corporate Governance Principles at *www.yum.com/investors/governance/principles.asp* and at page 9 under "What other significant Board practices does the Company have? — Majority Voting Policy."

How many votes are needed to approve the other proposals?

The other proposals must receive the "FOR" vote of a majority of the shares, present in person or represented by proxy, and entitled to vote at the Annual Meeting. For each of these items, you may vote "FOR", "AGAINST" or "ABSTAIN." Abstentions will be counted as shares present and entitled to vote at the Annual Meeting. Accordingly, abstentions will have the same effect as a vote "AGAINST" the proposals. Broker non-votes will not be counted as shares present and entitled to vote with respect to the particular matter on which the broker has not voted. Thus, broker non-votes will not affect the outcome of any of these proposals.

When will the Company announce the voting results?

The Company will announce the voting results of the Annual Meeting on a Current Report on Form 8-K filed within four business days of the Annual Meeting.

What if other matters are presented for consideration at the Annual Meeting?

The Company knows of no other matters to be submitted to the shareholders at the Annual Meeting, other than the proposals referred to in this Proxy Statement. If any other matters properly come before the shareholders at the Annual Meeting, it is the intention of the persons named on the proxy to vote the shares represented thereby on such matters in accordance with their best judgment.

GOVERNANCE OF THE COMPANY

The business and affairs of YUM are managed under the direction of the Board of Directors. The Board believes that good corporate governance is a critical factor in achieving business success and in fulfilling the Board's responsibilities to shareholders. The Board believes that its practices align management and shareholder interests.

The corporate governance section of the Company website makes available the Company's corporate governance materials, including the Corporate Governance Principles (the "Governance Principles"), the Company's Articles of Incorporation and Bylaws, the charters for each Board committee, the Company's Worldwide Code of Conduct, the Company's Political Contributions and U.S. Government Advocacy Policy, and information about how to report concerns about the Company. To access these documents on the Company's website, *www.yum.com*, click on "Investors" and then "Corporate Governance".

Highlights of our corporate governance practices are described below.

Proxy Statement

What is the composition of the Board of Directors and how often are members elected?

Our Board of Directors presently consists of 15 directors whose terms expire at this Annual Meeting. Messrs. Ferragamo, Novak and Su will be retiring and are not standing for re-election at the Annual Meeting.

As discussed in more detail later in this section, the Board has determined that 11 of the 12 current directors standing for election are independent under the rules of the New York Stock Exchange ("NYSE").

How often did the Board meet in fiscal 2015?

The Board of Directors met 10 times during fiscal 2015. Each director attended at least 75% of the meetings of the Board and the committees of which he or she was a member and that were held during the period he or she served as a director.

What is the Board's policy regarding director attendance at the Annual Meeting of Shareholders?

The Board of Director's policy is that all directors should attend the Annual Meeting and all 12 directors on the Board during the 2015 Annual Meeting were in attendance.

How does the Board select nominees for the Board?

The Nominating and Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and shareholders. The Committee's charter provides that it may retain a third-party executive search firm to identify candidates from time to time.

In accordance with the Governance Principles, our Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and are selected based upon contributions they can make to the Board and management. The Committee's assessment of a proposed candidate will include a review of the person's judgment, experience, independence, understanding of the Company's business or other related industries and such other factors as the Nominating and Governance Committee determines are relevant in light of the needs of the Board of Directors. The Committee believes that its nominees should reflect a diversity of experience, gender, race, ethnicity and age. The Board does not have a specific policy regarding director diversity. The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees, if any. In connection with this evaluation, it is expected that each Committee member will interview the prospective nominee in person or by telephone before the prospective nominee is presented to the full Board for consideration. After completing this evaluation and interview process, the Committee will make a recommendation to the full Board as to the person(s) who should be nominated by the Board, and the Board determines the nominee(s) after considering the recommendation and report of the Committee.

We believe that each of our directors has met the guidelines set forth in the Governance Principles. As noted in the director biographies that follow this section, our directors have experience, qualifications and skills across a wide range of public and private companies, possessing a broad spectrum of experience both individually and collectively.

Brian C. Cornell, Keith Meister and P. Justin Skala were appointed to the Board effective September 18, 2015, October 15, 2015 and January 28, 2016, respectively. Messrs. Cornell, Meister and Skala will stand for election to the Board by our shareholders for the first time. The full Board is recommending their election as directors. Mr. Cornell was recommended to our Nomination and Governance Committee by our Chief Executive Officer, Mr. Meister was recommended by a shareholder and a non-management member of our Board, and Mr. Skala was recommended by a third party search firm and a non-management member of our Board.

For a shareholder to submit a candidate for consideration by the Nominating and Governance Committee, a shareholder must notify YUM's Corporate Secretary, YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213. The recommendation must contain the information described on page 82.

How Can Shareholders Nominate for the Board?

Director nominations for inclusion in Yum's proxy materials (Proxy Access). During the past year, we reached out to many of our shareholders regarding corporate governance matters, including proxy access for director nominations. Based on these discussions, we amended our bylaws during 2015 to adopt proxy access provisions that we believe serve the interests of our shareholders.

The amended Yum bylaws permit a shareholder, or group of up to 20 shareholders, owning continuously for at least three years shares of Yum stock representing an aggregate of at least 3% of our outstanding shares, to nominate and include in Yum's proxy materials director nominees constituting up to 20% of Yum's Board, provided that the shareholder(s) and nominee(s) satisfy the requirements in Yum's bylaws. Notice of proxy access director nominees must be received no earlier than November 10, 2016, and no later than December 10, 2016.

Director nominations to be brought before the 2017 Annual Meeting of Shareholders. Director nominations that a shareholder intends to present at the 2017 Annual Meeting of Shareholders, other than through the proxy access procedures described above, must be received no later than February 20, 2017. These nominations must be submitted by a shareholder in accordance with the requirements specified in the Yum's bylaws.

Where to send director nominations for the 2017 Annual Meeting of Shareholders. Director nominations brought by shareholders must be delivered to Yum's Secretary by mail at YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213 and received by Yum's Secretary by the dates set forth above.

What is the Board's leadership structure?

In 2016, the Board will continue the evolution of its leadership structure. Effective January 1, 2015, the Board appointed Greg Creed as CEO to succeed David C. Novak and contemporaneously appointed Mr. Novak Executive Chairman of the Board. Effective after the upcoming Annual Meeting on May 20, 2016, Mr. Novak will retire as Executive Chairman and step down from the Board. Robert D. Walter will assume the new position of Non-Executive Chairman of the Board. Applying our Corporate Governance Principles, the Board also determined that based on Mr. Walter's independence, it would not appoint a Lead Director when Mr. Walter becomes Non-Executive Chairman.

The Nominating and Governance Committee annually reviews the Board's leadership structure and evaluates the performance and effectiveness of the Board of Directors. The Board retains the authority to modify its leadership structure in order to address our Company's circumstances and advance the best interests of the Company and its shareholders as and when appropriate. The Board's annual self-evaluation includes questions regarding the Board's opportunities for open communication and the effectiveness of executive sessions.

The Company's Governance Principles provide that the CEO may serve as Chairman of the Board, and up until 2015 Mr. Novak served as our CEO and Chairman. These Principles also provide for an independent Lead Director, when the CEO is serving as Chairman. During 2015, our CEO did not serve as Chairman, and our Board determined that it was appropriate to have a Lead Director since Mr. Novak was our former CEO. Our Board believes that Board independence and oversight of management are effectively maintained through a strong independent Chairman or Lead Director and through the Board's composition, committee system and policy of having regular executive sessions of non-employee directors, all of which are discussed below this section. Thomas M. Ryan, the Chairman of our Nominating and Governance Committee, served as Lead Director during 2015.

As CEO, Mr. Creed is responsible for leading the Company's strategies, organization design, people development and culture, and for providing the day-to-day leadership over operations. In 2015, while serving as Executive Chairman, Mr. Novak was responsible for supporting the CEO on corporate strategy, innovative business and brand building ideas, and leadership development.

The Board created the Lead Director position in August 2012, after its annual review which included engaging in dialogue and receiving input from a number of major shareholders. During 2015 (and since 2012), the Lead Director position was structured so that one independent Board member is empowered with sufficient authority to ensure independent oversight of the Company and its management. The Lead Director position has no term limit and is subject only to annual approval by the independent members of the Board. Thomas M. Ryan served as the Lead Director during 2015, and the Board concluded that Mr. Ryan provided effective oversight in this role. The Board appointed Robert D. Walter Lead Director effective January 1, 2016.

To assure effective independent oversight, the Board has adopted a number of governance practices discussed on the following page.

What are the Company's governance policies and ethical guidelines?

- **Board Committee Charters.** The Audit, Management Planning and Development and Nominating and Governance Committees of the YUM Board of Directors operate pursuant to written charters. These charters were approved by the Board of Directors and reflect certain best practices in corporate governance. These charters comply with the requirements of the NYSE. Each charter is available on the Company's website at *www.yum.com/investors/governance/charters.asp*.
- **Governance Principles.** The Board of Directors has documented its corporate governance guidelines in the YUM! Brands, Inc. Corporate Governance Principles. These guidelines are available on the Company's website at *www.yum.com/investors/governance/principles.asp*.
- **Ethical Guidelines.** YUM's Worldwide Code of Conduct was adopted to emphasize the Company's commitment to the highest standards of business conduct. The Code of Conduct also sets forth information and procedures for employees to report ethical or accounting concerns, misconduct or violations of the Code of Conduct in a confidential manner. The Code of Conduct applies to the Board of Directors and all employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer. Our directors and the senior-most employees in the Company are required to regularly-complete a conflicts of interest questionnaire and certify in writing that they have read and understand the Code of Conduct. The Code of Conduct is available on the Company's website at *www.yum.com/investors/governance/conduct.asp*. The Company intends to post amendments to or waivers from its Code (to the extent applicable to the Board of Directors or executive officers) on this website.

What other significant Board practices does the Company have?

- **Private Executive Sessions.** Our non-management directors meet in executive session at each regular Board meeting. The executive sessions are attended only by the non-management directors and are presided over by the Lead Director. Our independent directors meet in executive session at least once per year.
- **Role of Lead Director.** Our Governance Principles require the election, by the independent directors, of a Lead Director when the CEO is also serving as Chairman.

The Lead Director position is structured so that one independent Board member is empowered with sufficient authority to ensure independent oversight of the Company and its management. The Lead Director position has no term limit and is subject only to annual approval by the independent members of the Board. Based upon the recommendation of the Nominating and Governance Committee, the Board has determined that the Lead Director is responsible for:

(a) Presiding at all executive sessions of the Board and any other meeting of the Board at which the Chairman is not present, and advising the Chairman and CEO of any decisions reached or suggestions made at any executive session,

(b) Approving in advance agendas and schedules for Board meetings and the information that is provided to directors,

(c) If requested by major shareholders, being available for consultations and direct communication,

(d) Serving as a liaison between the Chairman and the independent directors, and

(e) Calling special meetings of the independent directors.

As noted above, Robert D. Walter, our current Lead Director, will become Non-Executive Chairman of the Board upon Mr. Novak's retirement as Executive Chairman at our Annual Meeting of Shareholders on May 20, 2016. Since Mr. Walter is independent, the Board has determined that it will not appoint a Lead Director once Mr. Walter's appointment as Non-Executive Director becomes effective. It is expected that the independent Non-Executive Chairman will preside at all meetings of the Board, and work with the CEO to set Board meeting agendas and schedule Board meetings, as well as retain the other responsibilities that the Lead Director currently has.

- **Advance Materials.** Information and data important to the directors' understanding of the business or matters to be considered at a Board or Board Committee meeting are, to the extent practical, distributed to the directors sufficiently in advance of the meeting to allow careful review prior to the meeting.
- **Board and Committees' Evaluations.** The Board has an annual self-evaluation process that is led by the Nominating and Governance Committee. This assessment focuses on the Board's contribution to the Company and emphasizes those areas in which the Board believes a better contribution could be made. In addition, the Audit, Management Planning and Development and Nominating and Governance Committees also each conduct similar annual self-evaluations.

- **Majority Voting Policy.** Our Articles of Incorporation require majority voting for the election of directors in uncontested elections. This means that director nominees in an uncontested election for directors must receive a number of votes "for" his or her election in excess of the number of votes "against." The Company's Governance Principles further provide that any incumbent director who does not receive a majority of "for" votes will promptly tender to the Board his or her resignation from the Board. The resignation will specify that it is effective upon the Board's acceptance of the resignation. The Board will, through a process managed by the Nominating and Governance Committee and excluding the nominee in question, accept or reject the resignation within 90 days after the Board receives the resignation. If the Board rejects the resignation, the reason for the Board's decision will be publicly disclosed.

What access do the Board and Board committees have to management and to outside advisors?

- **Access to Management and Employees.** Directors have full and unrestricted access to the management and employees of the Company. Additionally, key members of management attend Board meetings to present information about the results, plans and operations of the business within their areas of responsibility.
- **Access to Outside Advisors.** The Board and its committees may retain counsel or consultants without obtaining the approval of any officer of the Company in advance or otherwise. The Audit Committee has the sole authority to retain and terminate the independent auditor. The Nominating and Governance Committee has the sole authority to retain search firms to be used to identify director candidates. The Management Planning and Development Committee has the sole authority to retain compensation consultants for advice on executive compensation matters.

What is the Board's role in risk oversight?

The Board maintains overall responsibility for overseeing the Company's risk management, including succession planning. In furtherance of its responsibility, the Board has delegated specific risk-related responsibilities to the Audit Committee and to the Management Planning and Development Committee. The Audit Committee engages in substantive discussions of risk management at its regular committee meetings held during the year. At these meetings, it receives functional risk review reports covering significant areas of risk from senior managers responsible for these functional areas, as well as receiving reports from the Company's Chief Auditor and the General Counsel. Our Chief Auditor reports directly to the Chairman of the Audit Committee and our Chief Financial Officer. The Audit Committee also receives reports at each meeting regarding legal and regulatory risks from management and meets in separate executive sessions with our independent auditors and our Chief Auditor. The Audit Committee provides a summary to the full Board at each regular Board meeting of the risk area reviewed together with any other risk related subjects discussed at the Audit Committee meeting. In addition, our Management Planning and Development Committee considers the risks that may be implicated by our compensation programs through a risk assessment conducted by management and reports its conclusions to the full Board.

Has the Company conducted a risk assessment of its compensation policies and practices?

As stated in the Compensation Discussion and Analysis at page 39, the philosophy of our compensation programs is to reward performance by designing pay programs that incorporate team and individual performance, customer satisfaction and shareholder return; emphasize long-term incentives; drive ownership mentality; and require executives to personally invest in Company stock.

In early 2016, the Management Planning and Development Committee (the "Committee") oversaw the risk assessment of our compensation programs for all employees to determine whether they encourage unreasonable or excessive risk taking. In conducting this review, each of our compensation practices and programs was reviewed against the key risks facing the Company in the conduct of its business. Based

on this review, the Committee concluded our compensation policies and practices do not encourage our employees to take unnecessary or excessive risks.

As part of this assessment, the Committee concluded the following policies and practices of the Company's cash and equity incentive programs serve to reduce the likelihood of excessive risk taking:

- Our compensation system is balanced, rewarding both short-term and long-term performance
- Long-term Company performance is emphasized. The majority of incentive compensation for the top level employees is associated with the long-term performance of the Company
- Strong stock ownership guidelines are enforced for approximately 400 senior employees
- The annual incentive and performance share plans both have caps on the level of performance over which no additional rewards are paid, thereby mitigating incentives for executives to take unreasonable risks
- The annual incentive target setting process is closely linked to the annual financial planning process and supports the Company's overall strategic plan, which is reviewed and approved by the Board
- Compensation performance measures set for each division are transparent and tied to multiple measurable factors, none of which exceed a 50% weighting. The measures are drivers of returns and are transparent to shareholders
- The capital allocation process is driven by strategic objectives, aligned with Division annual operating plans and requires capital expenditure approval, ensuring alignment with development and return requirements
- The financial performance which determines employee awards is closely monitored by the Audit Committee and the full Board
- The Company has implemented a robust recoupment (clawback) policy

How does the Board determine which directors are considered independent?

The Company's Governance Principles, adopted by the Board, require that we meet the listing standards of the NYSE. The full text of the Governance Principles can be found on the Company's website (*www.yum.com/investors/governance/principles.asp*).

Pursuant to the Governance Principles, the Board undertook its annual review of director independence. During this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates. As provided in the Governance Principles, the purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.

As a result of this review, the Board affirmatively determined that all of the directors are independent of the Company and its management under NYSE rules, with the exception of David C. Novak, Greg Creed, and Jing-Shyh S. Su. Messrs. Novak, Creed and Su are not considered independent directors because of their employment by the Company.

In determining that the other directors did not have a material relationship with the Company, the Board determined that Messrs. Cavanagh, Dorman, Ferragamo, Linen, Meister, Nelson, Ryan, Skala, Walter and Mmes. Graddick-Weir and Stock had no other relationship with the Company other than their relationship as a director. The Board did note as discussed in the next paragraph that Target Corp., which employs Mr. Cornell, has a business relationship with the Company; however, as noted below, the Board determined that this relationship was not material to the director or Target Corp. and, therefore determined Mr. Cornell was independent.

Brian C. Cornell is the Chairman and Chief Executive Officer of Target Corp. During 2015, the Company received approximately $12 million in license fees from Target Corp. in the normal course of business. Divisions of the Company paid Target Corp. approximately $2.5 million in rebates in 2015.The Board determined that these payments did not create a material relationship between the Company and Mr. Cornell or the Company and Target Corp. as the payments represent less than one-tenth of 1% of Target Corp.'s revenues. The Board determined that this relationship was not material to Mr. Cornell or Target Corp.

How do shareholders communicate with the Board?

Shareholders and other parties interested in communicating directly with individual directors, the non-management directors as a group or the entire Board may do so by writing to the Nominating and Governance Committee, c/o Corporate Secretary, YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213. The Nominating and Governance Committee of the Board has approved a process for handling letters received by the Company and addressed to individual directors, non-management members of the Board or the Board. Under that process, the Corporate Secretary of the Company reviews all such correspondence and regularly forwards to a designated individual member of the Nominating and Governance Committee copies of all such correspondence (although we do not forward commercial correspondence and correspondence duplicative in nature; however, we will retain duplicate correspondence and all duplicate correspondence will be available for directors' review upon their request) and a summary of all such correspondence. The designated director of the Nominating and Governance Committee will forward correspondence directed to individual directors as he or she deems appropriate. Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board and request copies of any such correspondence. Written correspondence from shareholders relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's Audit Committee Chair and to the internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters (described below). Correspondence from shareholders relating to Management Planning and Development Committee matters are referred to the Chair of the Management Planning and Development Committee.

What are the Company's policies on reporting of concerns regarding accounting?

The Audit Committee has established policies on reporting concerns regarding accounting and other matters in addition to our policy on communicating with our non-management directors. Any person, whether or not an employee, who has a concern about the conduct of the Company or any of our people, with respect to accounting, internal accounting controls or auditing matters, may, in a confidential or anonymous manner, communicate that concern to our General Counsel, Marc Kesselman. If any person believes that he or she should communicate with our Audit Committee Chair, Thomas C. Nelson, he or she may do so by writing him at c/o YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, KY 40213. In addition, a person who has such a concern about the conduct of the Company or any of our employees may discuss that concern on a confidential or anonymous basis by contacting The Network at 1 (800) 241-5689. The Network is our designated external contact for these issues and is authorized to contact the appropriate members of management and/or the Board of Directors with respect to all concerns it receives. The full text of our Policy on Reporting of Concerns Regarding Accounting and Other Matters is available on our website at *www.yum.com/investors/governance/complaint.asp*.

What are the Committees of the Board?

The Board of Directors has standing Audit, Management Planning and Development, Nominating and Governance and Executive/Finance Committees.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2015
Audit: Thomas C. Nelson, *Chair* Michael J. Cavanagh* Brian C. Cornell* Keith Meister* Jonathan S. Linen P. Justin Skala Elane B. Stock	• Possesses sole authority regarding the selection and retention of independent auditors • Reviews and has oversight over the Company's internal audit function • Reviews and approves the cost and scope of audit and non-audit services provided by the independent auditors • Reviews the independence, qualification and performance of the independent auditors • Reviews the adequacy of the Company's internal systems of accounting and financial control • Reviews the annual audited financial statements and results of the audit with management and the independent auditors • Reviews the Company's accounting and financial reporting principles and practices including any significant changes • Advises the Board with respect to Company policies and procedures regarding compliance with applicable laws and regulations and the Company's Worldwide Code of Conduct and Policy on Conflicts of Interest • Discusses with management the Company's policies with respect to risk assessment and risk management. Further detail about the role of the Audit Committee in risk assessment and risk management is included in the section entitled "What is the Board's role in risk oversight?" set forth on page 10.	10

The Board of Directors has determined that all of the members of the Audit Committee are independent within the meaning of applicable SEC regulations and the listing standards of the NYSE and that Mr. Nelson, the chair of the Committee, is qualified as an audit committee financial expert within the meaning of SEC regulations. The Board has also determined that Mr. Nelson has accounting and related financial management expertise within the meaning of the listing standards of the NYSE and that each member is financially literate within the meaning of the listing standards of the NYSE.

*Brian C. Cornell and Michael Cavanagh were each appointed Audit Committee members effective September 18, 2015. Keith Meister and P. Justin Skala were appointed Audit Committee members effective November 19, 2015 and March 4, 2016, respectively.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2015
Management Planning and Development: Robert D. Walter, *Chair* David W. Dorman Massimo Ferragamo Mirian M. Graddick-Weir* Thomas M. Ryan Elane B. Stock*	• Oversees the Company's executive compensation plans and programs and reviews and recommends changes to these plans and programs • Monitors the performance of the chief executive officer and other senior executives in light of corporate goals set by the Committee • Reviews and approves the compensation of the chief executive officer and other senior executive officers • Reviews management succession planning	4

The Board has determined that all of the members of the Management Planning and Development Committee are independent within the meaning of the listing standards of the NYSE.

*Mirian Graddick-Weir and Elane B. Stock were each appointed Management Planning and Development Committee members effective September 18, 2015 and January 28, 2015, respectively.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2015
Nominating and Governance: Thomas M. Ryan, *Chair* David W. Dorman Massimo Ferragamo Mirian M. Graddick-Weir Elane B. Stock Robert D. Walter	• Identifies and proposes to the Board suitable candidates for Board membership • Advises the Board on matters of corporate governance • Reviews and reassesses from time to time the adequacy of the Company's Corporate Governance Principles • Receives comments from all directors and reports annually to the Board with assessment of the Board's performance • Prepares and supervises the Board's annual review of director independence	4

The Board has determined that all of the members of the Nominating and Governance Committee are independent within the meaning of the listing standards of the NYSE.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2015
Executive/Finance: David C. Novak, *Chair* Thomas C. Nelson Thomas M. Ryan Robert D. Walter	• Exercises all of the powers of the Board in the management of the business and affairs of the Company consistent with applicable law while the Board is not in session	—

How are directors compensated?

Employee Directors. Employee directors do not receive additional compensation for serving on the Board of Directors.

Non-Employee Directors Annual Compensation. The annual compensation for each director who is not an employee of YUM is discussed under "Director Compensation" beginning on page 75.

What are the Company's policies and procedures with respect to related person transactions?

Under the Company's policies and procedures for the review of related person transactions the Nominating and Governance Committee reviews related person transactions in which we are or will be a participant to determine if they are in the best interests of our shareholders and the Company. Transactions, arrangements, or relationships or any series of similar transactions, arrangements or relationships in which a related person had or will have a material interest and that exceed $100,000 are subject to the Committee's review. Any member of the Nominating and Governance Committee who is a related person with respect to a transaction under review may not participate in the deliberation or vote respecting approval or ratification of the transaction.

Related persons are directors, director nominees, executive officers, holders of 5% or more of our voting stock and their immediate family members. Immediate family members are spouses, parents, stepparents, children, stepchildren, siblings, daughters-in-law, sons-in-law and any person, other than a tenant or domestic employee, who resides in the household of a director, director nominee, executive officer or holder of 5% or more of our voting stock.

After its review, the Nominating and Governance Committee may approve or ratify the transaction. The policies and procedures provide that certain transactions are deemed to be pre-approved even if they will exceed $100,000. These transactions include employment of executive officers, director compensation, and transactions with other companies if the aggregate amount of the transaction does not exceed the greater of $1 million or 2% of that company's total revenues and the related person is not an executive officer of the other company.

Does the Company require stock ownership by directors?

Yes, the Company requires stock ownership by directors. The Board of Directors expects non-management directors to hold a meaningful number of shares of Company common stock and expects non-management directors to retain shares acquired as compensation as a director until at least 12 months following their departure from the Board.

YUM directors receive a significant portion of their annual compensation in stock. The Company believes that the emphasis on the equity component of director compensation serves to further align the interests of directors with those of our shareholders.

How much YUM stock do the directors own?

Stock ownership information for each director is shown in the table on page 38.

Does the Company have stock ownership guidelines for executives and senior management?

The Management Planning and Development Committee has adopted formal stock ownership guidelines that set minimum expectations for executive and senior management ownership. These guidelines are discussed on page 58.

The Company has maintained an ownership culture among its executive and senior managers since its formation. Substantially all executive officers and members of senior management hold stock well in excess of the guidelines.

MATTERS REQUIRING SHAREHOLDER ACTION

ITEM 1 Election of Directors and Director Biographies (Item 1 on the Proxy Card)

Who are this year's nominees?

The twelve (12) nominees recommended by the Nominating and Governance Committee of the Board of Directors for election this year to hold office until the 2017 Annual Meeting and until their respective successors are elected and qualified are provided below. The biographies of each of the nominees below contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Nominating and Governance Committee and the Board to determine that the person should serve as a director for the Company. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to YUM and our Board. Finally, we value their significant experience on other public company boards of directors and board committees.

There are no family relationships among any of the directors and executive officers of the Company. Director ages are as of the date of this proxy statement.

Michael J. Cavanagh

Age 50

Director Since 2012

Senior Executive Vice President and Chief Financial Officer Comcast Corporation

Michael J. Cavanagh is Senior Executive Vice President and Chief Financial Officer of Comcast Corporation, a global media and technology company. He has held this position since July 2015. From July 2014 to May 2015 he served as Co-President and Co-Chief Operating Officer for The Carlyle Group, a global investment firm, and he was also a member of the Executive Group and Management Committee of The Carlyle Group. Prior to this, Mr. Cavanagh was the Co-Chief Executive Officer of the Corporate & Investment Bank of JPMorgan Chase & Co. from 2012 until 2014. From 2010 to 2012, he was the Chief Executive Officer of JPMorgan Chase & Co.'s Treasury & Securities Services business, one of the world's largest cash management providers and a leading global custodian. From 2004 to 2010, Mr. Cavanagh was Chief Financial Officer of JPMorgan Chase & Co. Mr. Cavanagh served on the board of The Carlyle Group L.P. in 2014.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating and management experience, including as chief financial officer of a global media and technology company and president and chief operating officer of a global investment firm
- Expertise in finance and strategic planning
- Independent of Company

Brian C. Cornell

Age 57

Director since 2015

Chairman and Chief Executive Officer Target Corp.

Brian C. Cornell has served as Chairman and Chief Executive Officer of Target Corp., a general merchandise retailer, since August 2014. Mr. Cornell served as the Chief Executive Officer of PepsiCo Americas Foods, a division of PepsiCo, Inc. from March 2012 to July 2014. From April 2009 to January 2012, Mr. Cornell served as the Chief Executive Officer and President of Sam's Club, a division of Wal-Mart Stores, Inc. and as an Executive Vice President of Wal-Mart Stores, Inc. He has been a Director of Target Corp. since 2014. He has served as a Director of Home Depot, OfficeMax, Polaris Industries Inc., Centerplate, Inc. and Kirin-Tropicana, Inc.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating and management experience, including as chairman and chief executive officer of a merchandise retailer
- Expertise in strategic planning, retail business, branding and corporate leadership
- Public company directorship experience
- Independent of Company

Greg Creed

Age 58

Director since 2014

Chief Executive Officer, YUM

Greg Creed is Chief Executive Officer of YUM. He has served in this position since January 2015. He served as Chief Executive Officer of Taco Bell Division from January 2014 to December 2014 and as Chief Executive Officer of Taco Bell U.S. from 2011 to December 2013. Prior to this position, Mr. Creed served as President and Chief Concept Officer of Taco Bell U.S., a position he held beginning in December 2006. Mr. Creed served as Chief Operating Officer of YUM from 2005 to 2006. He has served as a director of International Games Technology since 2010.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating and management experience, including as chief executive officer of Taco Bell
- Expertise in strategic planning, global branding, franchising, and corporate leadership
- Public company directorship and committee experience

David W. Dorman

Age 62

Director Since 2005

Non-Executive Chairman, CVS Health Corporation

David W. Dorman is the Non-Executive Chairman of the Board of CVS Health Corporation (formerly known as CVS Caremark Corporation), a pharmacy healthcare provider. He has held this position since May 2011. He is also a Founding Partner of Centerview Capital, a private investment firm, since July 2013. From 2008 until 2011, he was the Non-Executive Chairman of Motorola Solutions, Inc. (formerly known as Motorola Inc.), a leading provider of business and mission critical communication products and services for enterprise and government customers. From October 2006 through April 2008, he was a Managing Director and Senior Advisor with Warburg Pincus LLC, a global private equity firm. From November 2005 until January 2006, Mr. Dorman served as President and a director of AT&T Inc., a telecommunications company (formerly known as SBC Communications). From November 2002 until November 2005, Mr. Dorman was Chairman of the Board and Chief Executive Officer of AT&T Corporation. Mr. Dorman currently serves on the board of Georgia Tech Foundation and Paypal Holdings, Inc. Mr. Dorman served on the board of Motorola Solutions, Inc. from 2006 to 2015 and on eBay Inc. from 2014 to 2015.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating and management experience, including as chief executive officer of global telecommunications-related businesses
- Expertise in finance, strategic planning and public company executive compensation
- Public company directorship and committee experience
- Independent of Company

Mirian M. Graddick-Weir

Age 61

Director since 2012

Executive Vice President Human Resources Merck & Co., Inc.

Mirian M. Graddick-Weir serves as Executive Vice President of Human Resources for Merck & Co., Inc., a pharmaceutical company. She has held this position since 2008. From 2006 until 2008, she was Senior Vice President of Human Resources of Merck & Co., Inc. Prior to this position, she served as Executive Vice President of Human Resources of AT&T Corp. from 2001 to 2006. Ms. Graddick-Weir served as a director of Harleysville Group Inc. from 2000 until 2012.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Management experience, including as executive vice president of human resources for a pharmaceutical company
- Expertise in global human resources, corporate governance and public company compensation
- Public company directorship and committee experience
- Independent of Company

Jonathan S. Linen

Age 72

Director since 2005

Advisor to the Chairman, American Express Company

Jonathan S. Linen has been an advisor to the Chairman of American Express Company, a diversified worldwide travel and financial services company, since January 2006. From August 1993 until December 2005, he served as Vice Chairman of American Express Company. Mr. Linen is a director of Modern Bank, N.A. Mr. Linen served on the board of The Intercontinental Hotels Group from 2005 to 2014.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating and management experience, including as president and chief executive officer of global travel-related services company
- Expertise in finance, marketing and international business development
- Public company directorship and committee experience
- Independent of Company

Keith Meister

Age 42

Director since 2015

Managing Partner of Corvex Management LP

Keith Meister has been the Managing Partner of Corvex Management LP, a New York based investment firm, since 2011. From 2003 to August 2010, Mr. Meister served as Chief Executive Officer and then Principal Executive Officer and Vice Chairman of the Board of Icahn Enterprises G.P. Inc., the general partner of Icahn Enterprises L.P., a diversified holding company. Mr. Meister currently serves on the board of directors of The Williams Company, Inc. Mr. Meister previously served on the board of directors of several public companies, including The ADT Corporation, Ralcorp Holdings, Inc., XO Holdings, Motorola Mobility and Motorola, Inc., Federal Mogul, American Railcar Industries and American Casino & Entertainment Properties LLC.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operational and management experience as managing partner, and executive officer of an investment firm and diversified holding company
- Expertise in finance, securities, capital markets, strategic development and risk management
- Public company directorship and committee experience
- Independent of Company

Thomas C. Nelson

Age 53

Director Since 2006

Chairman, Chief Executive Officer and President, National Gypsum Company

Thomas C. Nelson has served as the President and Chief Executive Officer of National Gypsum Company, a building products manufacturer, since 1999 and was elected Chairman of the Board in January 2005. Mr. Nelson previously worked for Morgan Stanley & Co. and in the United States Defense Department as Assistant to the Secretary and was a White House Fellow. He serves as Director of Carolinas Healthcare System and was a director of Belk, Inc. from 2003 to 2015. Since January 2015, Mr. Nelson has served as a director for the Federal Reserve Bank of Richmond.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operational and management experience, including as president and chief executive officer of a building products manufacturer
- Senior government experience as Assistant to the Secretary of the United States Defense Department and as a White House Fellow
- Expertise in finance, strategic planning, business development and retail business
- Public company directorship and committee experience
- Independent of Company

Thomas M. Ryan

Age 63

Director Since 2002

Former Chairman and CEO, CVS Health Corporation

Thomas M. Ryan is the former Chairman and Chief Executive Officer of the Board of CVS Health Corporation, formerly known as CVS Caremark Corporation ("CVS"), a pharmacy healthcare provider. He served as Chairman from April 1999 to May 2011. He was Chief Executive Officer of CVS from May 1998 to February 2011 and also served as President from May 1998 to May 2010. Mr. Ryan serves on the boards of Five Below, Inc. and PJT Partners, Inc., and is an Operating Partner of Advent International. Mr. Ryan was a director of Bank of America Corporation from 2004 to 2010 and Vantiv Inc. from 2012 to 2016.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating and management experience, including as chief executive officer of a global pharmacy healthcare business
- Expertise in finance, strategic planning and public company executive compensation
- Public company directorship and committee experience
- Independent of Company

P. Justin Skala

Age 56

Director since January 28, 2016

Chief Operating Officer of North America, Europe, Africa/Eurasia and Global Sustainability for the Colgate - Palmolive Company

P. Justin Skala is Chief Operating Officer, North America, Europe, Africa/Eurasia and Global Sustainability, of the Colgate-Palmolive Company, a leading consumer products company. He has held this position since 2013. From 2010 to 2013 he was the President of Colgate - Latin America. From 2007 to 2010, he was president of Colgate - Asia.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Global operating and management experience, including as president of major divisions of a consumer products company
- Expertise in branding, marketing, sales, strategic planning and international business development
- Independent of Company

Elane B. Stock

Age 51

Director Since 2014

Group President Kimberly-Clark International

Elane B. Stock is Group President of Kimberly-Clark International, a division of Kimberly-Clark Corporation, a leading global consumer products company. She has held this position since 2014. From 2012 to 2014 she was the Group President for Kimberly-Clark Professional. Prior to this role, Ms. Stock was the Chief Strategy Officer from 2010, when she first joined Kimberly-Clark, to 2012. Ms. Stock was the National Vice President of Strategy for the American Cancer Society from 2008 to 2010.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Global operating and management experience, including as group president of a consumer products company
- Expertise in branding, marketing, sales, strategic planning and international business development
- Independent of Company

Robert D. Walter

Age 70

Director Since 2008

Founder and Retired Chairman/CEO Cardinal Health, Inc.

Robert D. Walter is the founder of Cardinal Health, Inc., a company that provides products and services supporting the health care industry. Mr. Walter retired from Cardinal Health in June 2008. Prior to his retirement from Cardinal Health, he served as Executive Director from November 2007 to June 2008. From April 2006 to November 2007, he served as Executive Chairman of the Board of Cardinal Health. From 1979 to April 2006, he served as Chairman and Chief Executive Officer of Cardinal Health. Mr. Walter also serves as a director of American Express Company and Nordstrom, Inc. From 2000 to 2007, he was a director of CBS Corporation and its predecessor, Viacom, Inc.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating and management experience, including as chief executive officer, of a global healthcare and service provider business
- Expertise in finance, business development, business integrations, financial reporting, compliance and controls
- Public company directorship and committee experience
- Independent of Company

If elected, we expect that all of the aforementioned nominees will serve as directors and hold office until the 2017 Annual Meeting of Shareholders and until their respective successors have been elected and qualified.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote FOR the election of these nominees.

What if a nominee is unwilling or unable to serve?

That is not expected to occur. If it does, proxies may be voted for a substitute nominated by the Board of Directors.

What vote is required to elect directors?

A nominee will be elected as a director if the number of "FOR" votes exceeds the number of "AGAINST" votes with respect to his or her election.

Our policy regarding the election of directors can be found in our Governance Principles at *www.yum.com/investors/governance/principles.asp* and at page 9 under "What other significant Board practices does the Company have? — Majority Voting Policy."

ITEM 2 Ratification of Independent Auditors (Item 2 on the Proxy Card)

What am I voting on?

A proposal to ratify the selection of KPMG LLP ("KPMG") as our independent auditors for fiscal year 2016. The Audit Committee of the Board of Directors has selected KPMG to audit our consolidated financial statements. During fiscal 2015, KPMG served as our independent auditors and also provided other audit-related and non-audit services.

Will a representative of KPMG be present at the meeting?

Representatives of KPMG will be present at the Annual Meeting and will have the opportunity to make a statement if they desire and will be available to respond to appropriate questions from shareholders.

What vote is required to approve this proposal?

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting. If the selection of KPMG is not ratified, the Audit Committee will reconsider the selection of independent auditors.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote FOR approval of this proposal.

What were KPMG's fees for audit and other services for fiscal years 2015 and 2014?

The following table presents fees for professional services rendered by KPMG for the audit of the Company's annual financial statements for 2015 and 2014, and fees billed for audit-related services, tax services and all other services rendered by KPMG for 2015 and 2014.

	2015	2014
Audit fees[(1)]	$ 6,233,000	$ 6,904,000
Audit-related fees[(2)]	558,000	615,000
Audit and audit-related fees	6,791,000	7,519,000
Tax fees[(3)]	304,000	438,000
All other fees	—	—
TOTAL FEES	**$ 7,095,000**	**$ 7,957,000**

(1) Audit fees include fees for the audit of the annual consolidated financial statements, reviews of the interim condensed consolidated financial statements included in the Company's quarterly reports, audits of the effectiveness of the Company's internal controls over financial reporting, statutory audits and services rendered in connection with the Company's securities offerings.

(2) Audit-related fees include audits of financial statements of certain employee benefit plans, agreed upon procedures and other attestations.

(3) Tax fees consist principally of fees for international tax compliance, tax audit assistance, and VAT and other tax advisory services.

What is the Company's policy regarding the approval of audit and non-audit services?

The Audit Committee has implemented a policy for the pre-approval of all audit and permitted non-audit services, including tax services, proposed to be provided to the Company by its independent auditors. Under the policy, the Audit Committee may approve engagements on a case-by-case basis or pre-approve engagements pursuant to the Audit Committee's pre-approval policy. The Audit Committee may delegate pre-approval authority to one of its independent members, and has currently delegated pre-approval authority up to certain amounts to its Chair.

Pre-approvals for services are granted at the January Audit Committee meeting each year. In considering pre-approvals, the Audit Committee reviews a description of the scope of services falling within pre-designated services and imposes specific budgetary guidelines. Pre-approvals of designated services are generally effective for the succeeding 12 months. Any incremental audit or permitted non-audit services which are expected to exceed the relevant budgetary guideline must be pre-approved.

The Corporate Controller monitors services provided by the independent auditors and overall compliance with the pre-approval policy. The Corporate Controller reports periodically to the Audit Committee about the status of outstanding engagements, including actual services provided and associated fees, and must promptly report any non-compliance with the pre-approval policy to the Chair of the Audit Committee.

The complete policy is available on the Company's website at *www.yum.com/investors/governance/media/gov_auditpolicy.pdf*.

ITEM 3 Advisory Vote on Executive Compensation (Item 3 on the Proxy Card)

What am I voting on?

In accordance with SEC rules, we are asking shareholders to approve, on a non-binding basis, the compensation of the Company's Named Executive Officers as disclosed in this proxy statement.

Our Performance-Based Executive Compensation Program Attracts and Retains Strong Leaders and Closely Aligns with Our Shareholders' Interests

Our performance-based executive compensation program is designed to attract, reward and retain the talented leaders necessary for our Company to succeed in the highly competitive market for talent, while maximizing shareholder returns. This approach has made our management team a key driver in the Company's strong performance over both the long and short term. We believe that our compensation program has attracted and retained strong leaders, and is closely aligned with the interests of our shareholders.

In deciding how to vote on this proposal, we urge you to read the Compensation Discussion and Analysis section of this proxy statement, beginning on page 39, which discusses in detail how our compensation policies and procedures operate and are designed to meet our compensation goals and how our Management Planning and Development Committee makes compensation decisions under our programs.

Accordingly, we ask our shareholders to vote in favor of the following resolution at the Annual Meeting:

RESOLVED, that the shareholders approve, on an advisory basis, the compensation awarded to our Named Executive Officers, as disclosed pursuant to SEC rules, including the Compensation Discussion and Analysis, the compensation tables and related materials included in this proxy statement.

What vote is required to approve this proposal?

Approval of this proposal requires the affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote at the Annual Meeting. While this vote is advisory and non-binding on the Company, the Board of Directors and the Management Planning and Development Committee will review the voting results and consider

shareholder concerns in their continuing evaluation of the Company's compensation program. Unless the Board of Directors modifies its policy on the frequency of this advisory vote, the next advisory vote on executive compensation will be held at the 2017 Annual Meeting of Shareholders.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote FOR approval of this proposal.

ITEM 4 Proposal to Approve The Company's Long Term Incentive Plan As Amended (Item 4 on the Proxy Card)

What am I voting on?

We are requesting that shareholders approve the Long Term Incentive Plan as amended (the "Plan"). We established the Plan to attract and retain persons who are eligible to participate in the Plan, to motivate the Plan participants, by means of appropriate incentives, to achieve long-range goals, to provide incentive compensation opportunities that are competitive with those of other similar companies, and to align the interests of the Plan participants with our shareholders.

Key Changes to the Plan

The Board approved an amendment and restatement of the Plan on March 4, 2016. The following are the most significant changes to the Plan included in the amendment and restatement:

- **Net Share increase of 13 million.**
  - Share increase. We will increase the number of shares available for issuance under the Plan by 22 million shares;
  - Shares cancelled. Upon shareholder approval of the Plan, we will cancel approximately 9 million shares representing the remaining shares available for issuance under the YUM! Brands, Inc. Restaurant General Manager Stock Plan (the "YumBucks Plan"), the YUM! Brands, Inc. SharePower Plan (the "SharePower Plan"), and the YUM! Brands 1997 Long Term Incentive Plan (the "1997 Plan"), as described in greater detail below;
  - Net Share increase. This represents a net increase of shares available for issuance of approximately 13 million shares.
  - We have modified the provisions relating to treatment of awards in connection with a change in control because our awards no longer provide for "single trigger" vesting;
- We clarified the requirements with respect to awards that are intended to be qualified as performance-based compensation (within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder, ("Performance-Based Compensation");
- We have expanded the restrictions on repricing of stock options and stock appreciation rights ("SARs");
- We updated the maximum shares or value that can be subject to awards made under the Plan, including adding a limit on awards to our directors who are not employees of us or our subsidiaries ("Outside Directors");
- We have added a limitation on the number of shares under the Plan that may be awarded in the form of incentive stock options ("ISOs");
- We have added more broad provisions relating to clawbacks and compensation recovery policies;
- We have modified the Plan to provide that dividend rights and dividend equivalent rights may not be granted with respect to stock options or SARs and any such features applicable to other awards under the Plan must be subject to the same vesting and payment restrictions as apply to the underlying award; and
- We made other technical and conforming changes.

Selected Plan Data

The following table includes information regarding outstanding equity awards and shares available for future awards under the Company's equity plans as of December 31, 2015 (and without giving effect to approval of the amended Plan under this Proposal):

	The Plan	Other Plans[(1)]
Total shares underlying outstanding options and SARs[(2)]	8,278,913	413,909
Weighted average exercise price of outstanding options and SARs	50.91	61.09
Weighted average remaining contractual life of outstanding options and SARs	5.30	6.37
Total shares underlying outstanding unvested time-based RSUs	469,429	0
Total shares underlying outstanding performance-based RSUs	169,194	0
Total shares underlying outstanding deferral shares	4,500,989	0
Total shares currently available for grant[(3)]	3,204,537	9,348,882[(4)]

(1) Other Plans are the YUM Brands 1997 Plan, the YumBucks Plan and the SharePower Plan

(2) Shares shown here represent resulting shares upon exercise of outstanding options and SARs at December 31, 2015. For SARs, we report the shares that would be delivered upon exercise (which is equal to the number of SARs multiplied by the difference between the fair market value of our common stock at year-end and the exercise price divided by the fair market value of the stock). The total number of outstanding options and SARs is 25,922,722 (23,657,306 were issued under the Plan and 2,265,416 issued under the Other Plans).

(3) Under the Plan, stock based awards are granted from a pool of available shares, with stock options and SARs counting as 1 share and full value awards (RSUs and performance share units, etc) counted as 2 shares except for shares underlying deferral shares which count as 1 share

(4) Upon shareholder approval of the Plan these shares will not be available for grant (except for approximately 400,000 shares underlying options and SARs granted early in 2016)

Year	Options/SARs Granted	Time-Based RSUs Granted	Performance-Based RSUs Earned	Total Granted	Weighted Average Number of Common Shares Outstanding	Burn Rate = Total Granted / Common Shares Outstanding
2015	3,811,598	205,581	0	4,017,179	436,000,000	0.92%
2014	3,619,536	204,687	0	3,824,223	444,000,000	0.86%
2013	3,767,552	562,339	0	4,329,891	452,000,000	0.96%

Overview of Plan Awards

The Plan authorizes the award of stock options (including ISOs and non-qualified stock options ("NQOs")), SARs, and "Full Value Awards" (including restricted stock awards, restricted stock unit awards, performance shares, and performance unit awards), each as described below.

Prohibition on Repricing

The Plan provides that, except for adjustments in connection with corporate transactions (discussed below) or as approved by our shareholders, the exercise price of an outstanding stock option or SAR may not be decreased after the date of grant, nor may an outstanding stock option or SAR be surrendered to us in consideration for the grant of a replacement stock option or SAR with a lower exercise price or a Full Value Award. Except as approved by our shareholders, in no event may any stock option or SAR granted under the Plan be surrendered to us in consideration for a cash payment if, at the time of such surrender, the exercise price of the stock option or SAR is greater than the then current fair market value of a share of our common stock.

Description of the Plan

The following is a brief description of the material features of the Plan. This description, including information summarized above, is qualified in its entirety by reference to the full text of the Plan, a copy of which is attached to this proxy statement as Appendix A.

Eligibility

Any officer, director or other employee of us or one of our subsidiaries, consultants, independent contractors or agents of us or one of our subsidiaries, and persons who are expected to become officers, employees, directors, consultants, independent contractors or agents of us or one of our subsidiaries (but effective no earlier than the date on which such individual begins to provide services to us or one of our subsidiaries), including in any case, Outside Directors. Upon receiving a grant of an award under the Plan, an eligible individual shall be a "participant" in the Plan.

Approximately 505,000 individuals were eligible on an annual basis to receive awards under the Plan and in 2015, we granted equity awards of the type authorized in the Plan to approximately 800 persons.

Administration of the Plan

The Plan is administered by the Management Planning and Development Committee (the "Committee"). For purposes of the Plan and subject to the terms and conditions of the Plan, the Committee has the authority and discretion (a) to select from among the eligible individuals those persons who shall receive awards under the Plan, (b) to determine the time or times of receipt, (c) to determine the types of awards and the number of shares covered by the awards, (d) to establish the terms, conditions, performance criteria, restrictions, and other provisions of such awards, and, subject to the terms and conditions of the Plan, to cancel or suspend awards, (e) to the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the awards in jurisdictions outside the United States, to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States, (f) to conclusively interpret the Plan, (g) to establish, amend, and rescind any rules and regulations relating to the Plan, (h) to determine the terms and provisions of any award agreement made pursuant to the Plan, and (i) to make all other determinations that may be necessary or advisable for the administration of the Plan. In addition, the Committee also has the authority to determine the extent to which awards under the Plan will be structured as Performance-Based Compensation and to take such action, establish such procedures, and impose such restrictions at the time such awards are granted as the Committee determines to be necessary or appropriate to conform to the requirements of Code Section 162(m). Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

Except as prohibited by applicable law or as necessary to preserve exemptions under the securities laws, the Committee may delegate any of its duties under the Plan to such agents as it determines from time to time (which delegation can be revoked at any time). Unless action to the contrary has been taken by the Board or the Committee, the Committee's authority with respect to awards and other matters concerning participants below the Executive Officer level is delegated to our Chief Executive Officer.

Shares Available Under the Plan

We have reserved for issuance under the Plan 92,600,000 shares. As noted above, this represents an increase of 22 million shares available for issuance. Also as noted above, we will cancel shares available for issuance under the YumBucks Plan, the SharePower Plan and the 1997 Plan as of the date that the Plan is approved by our shareholders (referred to as the "Approval Date") (and immediately prior to approval). This will represent the cancellation of approximately 9 million shares.

The number of shares available for grants of ISOs under the Plan is equal to 92,600,000. The number of shares available for grants of Full Value Awards under the Plan is equal to approximately 12,000,000 except that shares subject to Full Value Awards granted with respect to the deferral of annual cash incentive awards under a deferred compensation plan maintained by us or our subsidiaries will not count towards this maximum.

Shares available under the Plan may be authorized but unissued or shares currently held or subsequently acquired by us as treasury shares (to the extent permitted by law), including shares purchased in the open market or in private transactions.

Each share delivered in respect of a Full Value Award is counted as covering 2 shares except that, in the case of restricted stock or restricted stock units delivered pursuant to the settlement of earned annual incentives, each share shall be counted as covering 1 share. To the extent any shares of stock covered by an award are not delivered to a participant or beneficiary because the award is forfeited or canceled, or used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of stock available for delivery under the Plan. If the exercise price of any stock option granted under the Plan is satisfied by tendering shares of our common stock (by either actual delivery or by attestation, including net exercise),

only the number of shares of stock issued net of the shares tendered shall be deemed delivered for purposes of the Plan.

After the Approval Date, no awards may be granted under the YumBucks Plan, the 1997 Plan or the SharePower Plan.

On March 30, 2016, the last reported sale price of our common stock on the New York Stock Exchange was $82.25 per share.

Other Share Limitations

The following limitations shall apply under the Plan: (a) the maximum number of shares that may be covered by stock options or SARs granted to any one individual during any five calendar-year period shall be 9,000,000; (b) in the case of Full Value Awards that are intended to be Performance-Based Compensation, no more than 3,000,000 shares of common stock may be subject to such awards granted to any one individual during any five-calendar-year period (regardless of when such shares are deliverable); provided, however, that, in the case of any Full Value Award that is a performance unit award that is intended to be Performance-Based Compensation, no more than $10,000,000 may be subject to any such awards granted to any one individual during any one-calendar-year period (regardless of when such amounts are deliverable); and (c) no Outside Director may be granted during any calendar year an award or awards having a value determined on the grant date in excess of $750,000.

Adjustments

If (1) any change in corporate capitalization, such as a stock split, reverse stock split, or stock dividend, or (2) any corporate transaction such as a reorganization, reclassification, merger or consolidation or separation, including a spin-off, or sale or other disposition by us of all or a portion of our assets, (3) any other change in our corporate structure, or (4) any distribution to shareholders (other than a cash dividend that is not an extraordinary cash dividend) results in (x) the outstanding shares of our common stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or class of shares or other securities of us or for shares of stock or other securities of any other corporation (or new, different or additional shares or other securities of us or of any other corporation being received by the holders of outstanding shares of our common stock), or (y) a material change in the market value of the outstanding shares of our common stock as a result of the change, transaction or distribution, then equitable adjustments shall be made by the Committee, as it determines are necessary and appropriate, in: (a) the number and type of shares (or other property) with respect to which awards may be granted under the Plan; (b) the number and type of shares (or other property) subject to outstanding awards; (c) the grant or exercise price with respect to outstanding awards; (d) the limitations on shares reserved for issuance under the Plan and the limitations on the number of shares (or dollar amount) that can be subject to awards granted to certain individuals or within a specified time period; and (e) the terms, conditions or restrictions of outstanding awards and/or award agreements. In the case of any stock option that is an ISO, any adjustments in accordance with the foregoing shall be accomplished so that such stock option shall continue to be an ISO and there are restrictions on the type and manner of adjustment to awards to ensure compliance with Code Section 409A (relating to nonqualified deferred compensation).

Awards under the Plan

Agreements

An award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any award to any participant shall be reflected in such form of written document as is determined by the Committee. A copy of such document shall be provided to the participant, and the Committee may, but need not, require that the participant sign a copy of such document.

Stock Options and SARs

The grant of a stock option under the Plan entitles the participant to purchase shares of our common stock at an exercise price and during a specified time established by the Committee. Any stock option may be either an ISO or an NQO, as determined in the discretion of the Committee. An "ISO" is a stock option that is intended to satisfy the requirements applicable to an "incentive stock option" described in Code Section 422(b) and may only be granted to employees of us or our eligible subsidiaries. An "NQO" is a stock option that is not intended to be an ISO. A stock option will be deemed to be an NQO unless it is specifically designated by the Committee as an ISO and/or to the extent that it does not meet the requirements of an ISO. Any stock option that is intended to constitute an ISO shall satisfy any other requirements of Code Section 422 and, to the extent such stock option does not satisfy such requirements, the stock option shall be treated as a NQO.

A SAR entitles the participant to receive, in cash or stock, value equal to (or otherwise based on) the excess of: (a) the fair market value of a specified number of shares of our common stock at the time of exercise; over (b) an exercise price established by the Committee.

The Committee shall designate the participants to whom stock options or SARs are to be granted and shall determine

the number of shares of stock subject to each such stock option or SAR and the other terms and conditions thereof, not inconsistent with the Plan. The Committee may not, however, grant dividends or dividend equivalents (current or deferred) with respect to any stock option or SAR granted under the Plan. In no event shall a stock option or SAR be exercisable later than the ten-year anniversary of the date on which the stock option or SAR is granted (or such shorter period required by law or the rules of any stock exchange on which the stock is listed).

The "exercise price" of each stock option or SAR granted shall be established by the Committee or shall be determined by a method established by the Committee at the time the stock option or SAR is granted, except that the exercise price shall not be less than the fair market value of a share of stock on the date of grant. Stock options and SARs granted under the Plan in replacement for awards under plans and arrangements of us or one of our subsidiaries that are assumed in business combinations may provide for exercise prices that are less than the fair market value of the stock at the time of the replacement grants, if the Committee determines that such exercise price is appropriate to preserve the economic benefit of the award.

The exercise price of a stock option shall be payable in cash or by tendering (including by way of a net exercise), by either actual delivery of shares or by attestation, shares of stock acceptable to the Committee, and valued at fair market value as of the day of exercise, or in any combination thereof, as determined by the Committee. The Committee may permit a participant to elect to pay the exercise price upon the exercise of a stock option by irrevocably authorizing a third party to sell shares of stock (or a sufficient portion of the shares) acquired upon exercise of the stock option and remit to us a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise. Generally, the full exercise price for shares of common stock purchased upon the exercise shall be paid at the time of such exercise (except that, in the case of a third party exercise arrangement described above, payment may be made as soon as practicable after the exercise).

Full Value Awards

A Full Value Award is a grant of one or more shares of our common stock or a right to receive one or more shares of our common stock in the future (including restricted stock, restricted stock units, performance shares, and performance units) that is contingent on continuing service, the achievement of performance objectives during a specified period performance, or other restrictions as determined by the Committee. The grant of Full Value Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee, including provisions relating to dividend or dividend equivalent rights and deferred payment or settlement; provided, however, that no dividends or dividend equivalent rights will be paid or settled on Full Value Awards that have not been earned or vested.

Except for Full Value Awards that are granted (a) in lieu of other compensation, (b) as a form of payment of earned performance awards or other incentive compensation, (c) to new hires, or (d) as retention awards outside the United States, if the right to become vested in a Full Value Award granted to an employee is conditioned on the completion of a specified period of service with us and our subsidiaries, without achievement of performance measures or performance objectives being required as a condition of vesting, then the required period of service for full vesting of the Full Value Award shall be not less than three years (provided that the required period for full vesting shall, instead, not be less than two years in the case of annual incentive deferrals payable in restricted shares), subject to pro rated vesting over the applicable minimum service period and to acceleration of vesting, to the extent permitted by the Committee, in the event of the participant's death, disability, retirement, change in control or involuntary termination). Awards to Outside Directors are not subject to these restrictions.

Settlement and Payment of Awards

Awards may be settled through the delivery of shares of our common stock, the granting of replacement awards, or combination thereof as the Committee shall determine. Any award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any award payment (other than a stock option or SAR other than to the extent permitted by Code Section 409A), subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents.

Performance-Based Compensation

In general, Code Section 162(m) limits our compensation deduction to $1,000,000 paid in any tax year to any "covered employee" as defined under Code Section 162(m). This deduction limitation does not apply to certain types of compensation, including Performance-Based Compensation. The terms of the Plan permit, but do not require, us to issue awards under the Plan that meet the requirements of Performance-Based Compensation so that such awards will be deductible by us for federal income tax purposes.

We anticipate that any compensation paid in connection with exercises of stock options or the exercise or settlement of SARs under the Plan will qualify as Performance-Based Compensation.

Full Value Awards granted under the Plan may be designated and structured as Performance-Based Compensation. To the extent required by Code Section 162(m), any Full Value Award so designated will be conditioned on the achievement of one or more performance targets as determined by the Committee, which performance targets will be based on one or more of the following performance measures: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; revenues; stock price; total shareholder return; customer satisfaction metrics; or restaurant unit development. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of us and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets. The performance targets established by the Committee may be with respect to us, a subsidiary, operating unit, division, or group or individual performance (or any combination thereof).

If a Full Value Award is intended to constitute Performance-Based Compensation, the participant will not receive a settlement or payment of the award until the Committee has determined that the applicable performance target(s) have been attained. To the extent that the Committee exercises discretion in making the foregoing determination, such exercise of discretion may not result in an increase in the amount of the payment.

Nothing in the Plan precludes the Committee from granting Full Value Awards or other awards under the Plan that are not intended to constitute Performance-Based Compensation.

Change in Control

Subject to the provisions relating to adjustments in the context of corporate transactions and except as otherwise provided in the Plan or the award agreement reflecting the applicable award, if a Change in Control (as defined in the Plan) occurs prior to the date on which an award is vested and prior to the participant's separation from service and if the participant's employment is involuntarily terminated by the Company (other than for cause) on or within two years following the Change in Control (referred to as "double trigger" vesting), then (a) all outstanding Options and SARs (regardless of whether in tandem with a SAR or Option, as applicable) shall become fully exercisable and (b) all Full Value Awards (including any award payable in shares of our common stock which is granted in conjunction with a Company deferral program) shall become fully vested and the Committee shall determine the extent to which performance conditions are met in accordance with the terms of the Plan and the applicable award agreement.

Transferability

Unless otherwise determined by the Committee and expressly provided for in an award agreement, no award or any other benefit under the Plan shall be assignable or otherwise transferable except by will or the laws of descent and distribution.

Withholding

All distributions under the Plan are subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the participant, through the surrender of shares of stock which the participant already owns, or through the surrender of shares of stock to which the participant is otherwise entitled under the Plan; provided, however, previously-owned stock that has been held by the participant or stock to which the participant is entitled under the Plan may only be used to satisfy the minimum tax withholding required by applicable law (or other rates that will not have a negative accounting impact).

Participants Outside the United States

The Committee may grant awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan. In furtherance of such purposes, the Committee may make such modifications, amendments, procedures and subplans as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which we or any of our subsidiaries operates or has employees. The foregoing provisions may not be applied to increase the share limitations of the Plan or to otherwise change any provision of the Plan that would otherwise require the approval of our shareholders.

Miscellaneous

Limitation of Implied Rights

Neither a participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of us or any of our subsidiaries whatsoever, including, without limitation, any specific funds, assets, or other property which may be set aside in anticipation of a liability under the Plan. A participant shall have only a contractual right to the stock or amounts, if any, payable under the Plan, unsecured by any assets of us or our subsidiaries, and nothing contained in the Plan shall constitute a guarantee that the assets of us or any of our subsidiaries shall be sufficient to pay any benefits to any person.

The Plan does not constitute a contract of employment or continued service, and selection as a participant will not give any participating employee or other individual the right to be retained in the employ of us or a subsidiary or the right to continue to provide services to us or a subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

Delivery of Stock Under the Plan

We shall have no liability to deliver any shares of stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity. To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

Misconduct and Recoupment

The Committee, in its discretion, may impose such restrictions on shares of stock acquired pursuant to the Plan, whether pursuant to the exercise of a stock option or SAR, settlement of a Full Value Award or otherwise, as it determines to be desirable, including, without limitation, restrictions relating to disposition of the shares and forfeiture restrictions based on service, performance, stock ownership by the participant, conformity with our recoupment, compensation recovery, or clawback policies and such other factors as the Committee determines to be appropriate. Unless otherwise specified by the Committee, any awards under the Plan and any shares of stock issued pursuant to the Plan shall be subject to our compensation recovery, clawback, and recoupment policies as in effect from time to time.

If the Committee determines that a present or former employee has (a) used for profit or disclosed to unauthorized persons, confidential or trade secrets of us or (b) breached any contract with or violated any fiduciary obligation to us, the Committee may cause that employee to forfeit his or her outstanding awards under the Plan. This provision does not apply during any period where there is a potential change in control in effect or following a change in control.

Amendment and Termination of the Plan

The Board may, at any time, amend or terminate the Plan (and the Committee may amend any award agreement); provided, however, that no amendment or termination of the Plan or amendment of any award agreement may, in the absence of written consent to the change by the affected participant (or, if the participant is not then living, the affected beneficiary), adversely affect the rights of any participant or beneficiary under any award granted under the Plan prior to the date such amendment is adopted. Adjustments pursuant to corporate transactions and restructurings are not subject to the foregoing limitations. In addition, amendments to the provisions of the Plan that prohibit the repricing of stock options and SARS, amendments expanding the group of eligible individuals, or amendments increases in the aggregate number of shares reserved under the Plan, the shares that may be issued in the form of ISOs, limitations on certain types of Full Value Awards and amendments of the individual limits on awards and the limitations on awards to Outside Directors will not be effective unless approved by our shareholders. No amendment shall be made to the Plan without the approval of our shareholders if such approval is required by law or the rules of any stock exchange on which the common stock is listed.

The Plan will continue in effect, until terminated by the Board; provided, however, that no award may be granted under the Plan on or after May 20, 2026, which is the ten-year anniversary of May 20, 2016, the date shareholders will vote whether to approve the Plan as amended. However, any awards that are outstanding on or after the date of Plan termination will remain subject to the terms of the Plan. If shareholders do not approve the Plan as amended, no awards may be granted under the Plan after May 15, 2018.

It is our intention that, to the extent that any provisions of the Plan or any awards granted under the Plan are subject to Code Section 409A, the Plan and the awards comply with the requirements of Code Section 409A and that the Board shall have the authority to amend the Plan as it deems necessary or desirable to conform to Code Section 409A. Notwithstanding the foregoing, neither we nor our Subsidiaries guarantee that awards under the Plan will comply with Code Section 409A and the Committee is under no obligation to make any changes to any award to cause such compliance.

U.S. Federal Income Tax Implications of the Plan

The discussion that follows is a summary, based on U.S. federal tax laws and regulations presently in effect, of some significant U.S. federal income tax considerations relating to awards under the Plan. The applicable laws and regulations are subject to change, and the discussion does not purport to be a complete description of the federal income tax aspects of the Plan. This summary does not discuss state, local or foreign laws.

Stock Options. The tax treatment of a stock option depends on whether the option is a NQO or an ISO.

The grant of an NQO will not result in taxable income to the participant. Except as described below, the participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares of stock acquired over the exercise price for those shares of common stock, and we will be entitled to a corresponding deduction.

The grant of an ISO will not result in taxable income to the participant. The exercise of an ISO will not result in taxable income to the participant provided that the participant was, without a break in service, an employee of us and our eligible subsidiaries (determined under tax rules) during the period beginning on the date of the grant of the ISO and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant is disabled, as that term is defined in the Code).

The excess of the fair market value of the shares of common stock at the time of the exercise of an ISO over the exercise price is an adjustment that is included in the calculation of the participant's alternative minimum taxable income for the tax year in which the ISO is exercised. For purposes of determining the participant's alternative minimum tax liability for the year of disposition of the shares of common stock acquired pursuant to the ISO exercise, the participant will have a basis in those shares of common stock equal to the fair market value of the shares of common stock at the time of exercise.

If the participant does not sell or otherwise dispose of the shares of common stock within two years from the date of the grant of the ISO or within one year after receiving the transfer of such shares of common stock, then, upon disposition of such shares of common stock, any amount realized in excess of the exercise price will be taxed to the participant as capital gain, and we will not be entitled to any deduction for Federal income tax purposes.

If the foregoing holding period requirements are not met, the participant will generally realize ordinary income, and a corresponding deduction will be allowed to us, at the time of the disposition of the shares of common stock, in an amount equal to the lesser of (a) the excess of the fair market value of the shares of common stock on the date of exercise over the exercise price, or (b) the excess, if any, of the amount realized upon disposition of the shares of common stock over the exercise price.

Special rules apply if an option is exercised through the exchange of previously acquired stock.

SARs. A participant will not be deemed to have received any income upon the grant of a SAR. Generally, when a SAR is exercised, the excess of the market price of common stock on the date of exercise over the exercise price will be taxable to a participant as ordinary income. We are entitled to a deduction in the year of exercise equal to the amount of income taxable to the individual.

Full Value Awards. The federal income tax consequences of a Full Value Award will depend on the type of award. The tax treatment of the grant of shares of common stock depends on whether the shares are subject to a substantial risk of forfeiture (determined under Code rules) at the time of the grant. If the shares are subject to a substantial risk of forfeiture, the participant will not recognize taxable income at the time of the grant and when the restrictions on the shares lapse (that is, when the shares are no longer subject to a substantial risk of forfeiture), the participant will recognize ordinary taxable income in an amount equal to the fair market value of the shares at that time. If the shares are not subject to a substantial risk of forfeiture or if the participant elects to be taxed at the time of the grant of such shares under Code Section 83(b), the participant will recognize taxable income at the time of the grant of shares in an amount equal to the fair market value of such shares at that time, determined without regard to any of the restrictions. If the shares are forfeited before the restrictions lapse, the participant will be entitled to no deduction on account thereof. The participant's tax basis in the shares is the amount recognized by him or her as income attributable to such shares. Gain or loss recognized by the participant on a subsequent disposition of any such shares is capital gain or loss if the shares are otherwise capital assets.

In the case of other Full Value Awards, such as restricted stock units or performance stock units, the participant generally will not have taxable income upon the grant of the award provided that there are restrictions on such awards that constitute a substantial risk of forfeiture under applicable Code rules. Participants will generally recognize ordinary income when the restrictions on awards lapse, on the date of grant if there are no such restrictions or, in certain cases, when the award is settled. At that time, the participant will recognize taxable income equal to the cash or the then fair market value of the shares issuable in payment of such award, and such amount will be the tax basis for any shares received. In the case of an award which does not constitute property at the time of grant (such as an award of units), participants will generally recognize ordinary income when the award is paid or settled.

We generally will be entitled to a tax deduction in the same amount, and at the same time, as the income is recognized by the participant.

Section 162(m). Compensation that qualifies as Performance-Based Compensation is excluded from the $1 million deductibility cap of Code Section 162(m), and therefore remains fully deductible by the company paying it. Generally, stock options and SARs granted with an exercise price at least equal to 100% of fair market value of the underlying stock at the date of grant and performance awards to employees that the Committee designates as Performance-Based Compensation are intended to qualify as such "performance-based compensation". A number of requirements must be met in order for particular compensation to so qualify, however, so there can be no assurance that such compensation under the Plan will be fully deductible under all circumstances. In addition, other awards under the Plan, such as non-performance-based awards, generally

will not so qualify, so that compensation paid to certain executives in connection with such awards may, to the extent it and other compensation subject to the limitations of Code Section 162(m) in a given year, not be deductible by us as a result of Code Section 162(m). Compensation to certain employees resulting from the earning or vesting of awards in connection with a change in control or termination following a change in control also may be non-deductible under Code Sections 4999 and 280G.

The foregoing provides only a general description of the application of federal income tax laws to certain awards under the Plan. This discussion is intended for the information of stockholders considering how to vote at the Annual Meeting and not as tax guidance to participants in the Plan, as the consequences may vary with the types of awards made, the identity of the recipients and the method of payment or settlement.

New Plan Benefits

The benefits that will be awarded or paid under the Plan are not currently determinable. Awards granted under the Plan are within the discretion of the Committee, and the Committee has not determined future awards or who might receive them.

Existing Plan Benefits

The following table sets forth information with respect to options, SARs and full value awards (other than shares attributable to salary or bonus deferrals) previously granted under the Plan as of December 26, 2015.

Name and Principal Position	Number of Shares Covered by Awards
Greg Creed, CEO	1,932,141
Patrick J. Grismer, CFO	608,590
David C. Novak, Executive Chairman	10,025,299
Micky Pant, CEO Yum Restaurants China	1,224,407
Brian Niccol, CEO Taco Bell	524,738
Jing-Shy S. Su, Former Chairman and CEO Yum Restaurants China	2,841,882
All current executive officers as a group	23,433,780
All non-employee directors as a group	240,715
All current employees as a group (excluding executive officers)	15,281,891

What is the Company's position regarding this proposal?

The Board of Directors recommends approval of the Company's Long Term Incentive Plan, as amended and restated effective as of May, 20, 2016. We are submitting the Plan to our shareholders for approval in order to satisfy (i) applicable listing rules of New York Stock Exchange and (ii) the stockholder approval requirements under Section 162(m) of the Internal Revenue Code of 1986, as amended.

What vote is required to approve this proposal?

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote FOR this proposal.

ITEM 5 Shareholder Proposal Concerning Responsible and Accurate Labeling (Item 5 on the Proxy Card)

What am I voting on?

William C. Fleming and Jacquelyn Howard have advised us that they intend to present the following shareholder proposal at the Annual Meeting. We will furnish the address and share ownership upon request.

RESOLVED: The Corporation shall expand its current labeling policy on all of its food products to acknowledge the use or absence of genetically modified organisms (GMOs).

There are four reasons supporting the passage of this resolution:

1. In order to foster the credibility of the Corporate brands and to establish consumer confidence in the quality and content of the Yum! product line.
2. To enable consumers to make informed choices with respect to the brands available that will enhance the appreciation and marketability of the product.
3. Genetically modified foods are at the center of a controversy about the impact of these organisms on the health of the individual consumer as well as the agricultural environment in general. At issue is the perception of inadequate testing of GMOs by FDA, USDA or independent evaluative agencies. Reliance on information generated by the companies that are producing and profiting from these entities is insufficient to satisfy the concerns of an inquisitive public.
4. We are in an environment of heightened interest in the quality and content of commercially produced foodstuffs. Many states have already moved to require labeling of genetically modified organisms. We the shareholders call upon the Corporation to take the lead in labeling GMOs in the product line thereby demonstrating Yum!'s concern for environmental health, the safety of consumers and their right to know the contents of the food they purchase.

Management Statement in Opposition to Shareholder Proposal

What is the Company's position regarding this proposal?

Our Board of Directors unanimously recommends that stockholders vote AGAINST this proposal.

Mandatory labeling for foods developed through biotechnology (also known as "genetically modified" foods) risks creating an unnecessary stigma for foods that leading authorities have deemed safe and not materially different from those not developed through biotechnology.

Genetically modified organisms ("GMOs") are commonly used in crop production and have been grown commercially since 1996. The U.S. Food & Drug Administration ("FDA") estimates that approximately 90% of corn and soybeans planted in the U.S. contain GMOs. Farmers use this technology to produce higher crop yields, improve farming sustainability, use less pesticides and water, and reduce greenhouse gas emissions.

Health officials at the FDA, the U.S. Department of Agriculture, the U.N. World Health Organization, the U.N. Food and Agriculture Organization, Health Canada, and numerous other government health authorities have found GMOs to be safe and have found no negative health effects associated with their use. These conclusions are based on hundreds of studies that have concluded that GMOs do not pose a threat to human or animal health. Experts at the American Medical Association, the National Academy of Sciences, and the British Royal Society concur that there are no health risks associated with GMO foods or ingredients. Indeed, many of these organizations strongly support the further development and adoption of foods developed through biotechnology due to their potential to increase agricultural productivity and improve the nutritional value of foods.

Why does the Company oppose the proposal?

Yum! Brands complies with the food safety and labeling laws in every market in which it operates, and is committed to ensuring that our products adhere to the highest standards of food safety and quality. We fully believe that our current efforts regarding foods developed through biotechnology are appropriate for our circumstances.

Rather than diverting attention to GMO issues, our brands are already addressing more material aspects of transparency and clean labeling. We are leaders in our industry in providing more choice for consumers, more transparency about product nutrition, and more nutritional improvement in our ingredients. For example, Taco Bell and Pizza Hut have removed or have plans to remove artificial flavors and colors. Taco Bell is working on additional ingredient simplification by removing artificial preservatives and additives, where possible, and was one of the first quick service restaurants to post ingredient statements and full nutrition information online. To understand our strategies in these areas, we invite all stakeholders to visit *www.yumcsr.com/food/*.

With respect to GMOs, we do not believe our shareholders would benefit if mandatory labeling applied to our company, but not to others in our industry. Assuming it was even feasible, GMO labeling would inevitably drive higher costs throughout our system and result in higher prices for our consumers. As a result of the widespread use of GMOs, it would be overly burdensome, if not impossible, to identify every GMO ingredient in every source of food products. Worse yet, this shareholder proposal inappropriately attempts to conflate the issues of GMOs and consumer health. Given the prevalence of GMOs and the determinations of safety made by leading authorities, labeling GMOs could risk creating substantial consumer confusion.

While approaches to mandate GMO labeling are problematic, we do support federal legislation in the United States to establish a national uniform standard for labeling products that are GMO-free, in order to ensure that consumers are not misled. Such an approach would ensure that when consumers wish to purchase products made without GMOs, they are able to do so with confidence. We also support organics labeling regimes, such as the U.S. Department of Agriculture's current system of certifying products that meet the standards of its National Organics Program. For consumers seeking products that do not intentionally contain GMOs, they already have the option to purchase foods bearing the organic label. As a leading restaurant company, Yum! Brands will continue to evaluate its policies regarding the labeling of GMO ingredients in light of any changes in the scientific and regulatory environments, as well as consumer preferences.

What vote is required to approve this proposal?

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote AGAINST this proposal.

STOCK OWNERSHIP INFORMATION

Who are our largest shareholders?

This table shows ownership information for each YUM shareholder known to us to be the owner of 5% or more of YUM common stock. This information is presented as of December 31, 2015, and is based on a stock ownership report on Schedule 13G filed by such shareholders with the SEC and provided to us.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Vanguard 100 Vanguard Blvd. Malvern, PA 19355	27,226,598[(1)]	6.31%
Blackrock Inc. 55 East 52nd Street New York, NY 10055	22,171,722[(2)]	5.1%
Corvex Management, LP (and Keith Meister in his capacity as the control person of the general partner of Corvex Management, LP) 667 Madison Ave. New York, NY 10065	21,040,195[(3)]	5.0%

(1) *The filing indicates sole voting power for 811,990 shares, shared voting power for 43,300 shares, sole dispositive power for 26,383,318 shares and shared dispositive power for 843,280 shares.*

(2) *The filing indicates sole voting power for 18,262,875 shares, shared voting power of 8,167 shares, sole dispositive power of 22,163,555 shares and shared dispositive power of 8,167 shares.*

(3) *The filing indicates sole voting power for 21,040,195 shares, shared voting power of 0 shares, sole dispositive power of 21,040,195 shares and shared dispositive power of 0 shares.*

How much YUM common stock is owned by our directors and executive officers?

This table shows the beneficial ownership of YUM common stock as of December 31, 2015 by

- each of our directors,
- each of the executive officers named in the Summary Compensation Table on page 62, and
- all directors and executive officers as a group.

Unless we note otherwise, each of the following persons and their family members have sole voting and investment power with respect to the shares of common stock beneficially owned by him or her. None of the persons in this table holds in excess of one percent of the outstanding YUM common stock, except Mr. Meister. Please see table above setting forth information concerning beneficial ownership by holders of five percent or more of Yum!'s common stock and Mr. Meister's ownership. Directors and executive officers as a group, beneficially own approximately 7%.

The table shows the number of shares of common stock and common stock equivalents beneficially owned as of December 31, 2015. Included are shares that could have been acquired within 60 days of December 31, 2015 through the exercise of stock options, stock appreciation rights ("SARs") or distributions from the Company's deferred compensation plans, together with additional underlying stock units as described in footnote (4) to the table. Under SEC rules, beneficial ownership includes any shares as to which the individual has either sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days through the exercise of any stock option or other right.

	Beneficial Ownership					
Name	Number of Shares Beneficially Owned[(1)]	Options/ SARS Exercisable within 60 Days[(2)]	Deferral Plans Stock Units[(3)]	Total Beneficial Ownership	Additional Underlying Stock Units[(4)]	Total
Greg Creed	38,681	310,939	9,775	359,395	69,807	429,202
Michael J. Cavanagh	10,000	177	—	10,177	7,379	17,556
Brian C. Cornell	—	—	—	—	487	487
David W. Dorman	56,901	10,618	—	67,519	5,254	72,773
Massimo Ferragamo	53,429	10,618	43,130	107,177	34,532	141,709
Mirian M. Graddick-Weir	—	431	—	431	9,681	10,112
Jonathan S. Linen	33,110[(5)]	10,618	—	43,728	35,641	79,369
Keith Meister	21,040,195[(6)]	—	—	21,040,195	346	21,040,541
Thomas C. Nelson	8,288	5,646	—	13,934	36,051	49,985
Thomas M. Ryan	45,174[(7)]	10,618	9,400	65,192	22,599	87,791
Elane B. Stock	—	—	—	—	2,494	2,494
Robert D. Walter	108,301	6,951	—	115,252	23,586	138,838
Patrick J. Grismer	20,212[(8)]	135,247	—	155,459	25,082	180,541
David C. Novak	337,650	1,447,823	1,334,279	3,119,752	1,088,257	4,208,009
Micky Pant	15,403	325,765	—	341,168	92,189	433,357
Brian Niccol	6,664	50,544	13,891	71,099	29,241	100,340
Jing-Shyh S. Su	380,437[(9)]	1,311,666	—	1,692,103	194,595	1,886,698
All Directors and Executive Officers as a Group (23 persons)	22,267,328	4,321,067	1,503,675	28,092,070	1,947,556	30,039,626

(1) Shares owned outright. These amounts include the following shares held pursuant to YUM's 401(k) Plan as to which each named person has sole voting power:

- *Mr. Novak, 33,816 shares*
- *Mr. Grismer, 8,612 shares*
- *Mr. Pant, 2,587 shares*
- *Mr. Niccol, 5,497 shares*
- *all executive officers as a group, 53,249 shares*

(2) The amounts shown include beneficial ownership of shares that may be acquired within 60 days pursuant to stock options and SARs awarded under our employee or director incentive compensation plans. For stock options, we report shares equal to the number of options exercisable within 60 days. For SARs, we report the shares that would be delivered upon exercise (which is equal to the number of SARs multiplied by the difference between the fair market value of our common stock at year-end and the exercise price divided by the fair market value of the stock).

(3) These amounts shown reflect units denominated as common stock equivalents held in deferred compensation accounts for each of the named persons under our Director Deferred Compensation Plan or our Executive Income Deferral Program. Amounts payable under these plans will be paid in shares of YUM common stock at termination of directorship/employment or within 60 days if so elected.

(4) The amounts shown include units denominated as common stock equivalents held in deferred compensation accounts which become payable in shares of YUM common stock at a time (a) other than at termination of directorship/employment or (b) after 60 days. For Messrs. Novak and Su, these amounts also include vested restricted stock units.

(5) This amount includes 23,616 shares held in a trust.

(6) These shares are held for the account of certain private investment funds for which Corvex Management LP, a Delaware limited partnership ("Corvex"), acts as investment advisor. The general partner of Corvex is controlled by Mr. Meister.

(7) These shares are held in a trust.

(8) This amount includes 11,600 shares held in trusts.

(9) This amount includes 278,361 shares held indirectly.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10% of the outstanding shares of YUM common stock to file with the SEC reports of their ownership and changes in their ownership of YUM common stock. Directors, executive officers and greater-than-ten percent shareholders are also required to furnish YUM with copies of all ownership reports they file with the SEC. To our knowledge, based solely on a review of the copies of such reports furnished to YUM and representations that no other reports were required, all of our directors and executive officers complied with all Section 16(a) filing requirements during fiscal 2015, except that the Form 4 filed on October 9, 2015 by Mr. Novak reported one late transaction.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("**CD&A**") describes our executive compensation philosophy and program, the compensation decisions of the Management Planning and Development Committee (the "**Committee**"), and factors considered in making those decisions.

Table of Contents

I. Executive Summary 40

A. Yum 2015 Performance 40
B. Named Executive Officers. 40

II. Compensation Overview 41

A. Compensation Philosophy and Practices 41
B. Compensation Changes for 2015 42
C. Relationship between Company Pay and Performance 43

III. Elements of Executive Compensation Program. 45

A. Base Salary 45
B. Annual Performance-Based Cash Bonuses 45
C. Long-Term Equity Performance-Based Incentives. 48

IV. 2015 Named Executive Officer Total Direct Compensation and Performance Summary 49

V. Retirement and Other Benefits 55

VI. How Compensation Decisions Are Made 56

VII. Compensation Policies and Practices 58

I. Executive Summary

A. Yum 2015 Performance[1]

In 2015 YUM's overall performance was below expectations. Although our three global brand Divisions (excluding the China and India Divisions) collectively grew operating profit 8% which is in-line with our ongoing growth model target, our China Division's results did not meet our expectations. As a result, total operating profit grew 7%. These results, combined with the negative impact of foreign currency, resulted in earnings per share ("EPS") growth of 3% in 2015.

While these overall results were disappointing, YUM delivered the following results, which will help build long-term shareholder value and enhanced shareholder returns:

- Worldwide systems sales grew 5% and restaurant margin increased 1.5 percentage points.
- Opened 2,365 new restaurants including 1,972 outside the U.S., with 80% of the international development occurring in emerging markets.
- The China Division grew system sales 2%, and operating profit 8% with impressive cost management partially offsetting weaker than originally anticipated sales results.
- The KFC Division grew system sales 7%, same-store sales 3% and operating profit 8%.
- The Taco Bell Division delivered exceptional results, continuing to roll-out innovative products and building on its breakfast menu, fueling 8% system sales growth, 5% same-store sales growth and 12% operating profit growth.
- Increased the quarterly dividend by 12%, marking the eleventh consecutive year of dividend increases at a double-digit percentage rate.

In October, 2015 we announced our intent to separate YUM's China business from YUM into an independent, publicly-traded company by the end of 2016. This transaction, which is expected to be a tax-free spin-off of our China business, will create two powerful, independent, focused growth companies with distinct strategies, financial profiles and investment characteristics. The new China entity will become a licensee of YUM in mainland China, with exclusive rights to the KFC, Pizza Hut and Taco Bell concepts and 90% company-owned restaurants currently. Upon completion of the planned spin-off, YUM will become more of a "pure play" franchisor with more stable earnings, higher profit margins, lower capital requirements and stronger cash flow conversion. Consistent with this strategy YUM is targeting 96% franchisee ownership of its restaurants by the end of 2017.

B. Named Executive Officers

Greg Creed became the Company's new CEO on January 1, 2015, succeeding David C. Novak. The named executive officers ("NEOs") for 2015 discussed in this CD&A are as follows:

Name	Title
Greg Creed	Chief Executive Officer
Patrick J. Grismer	Chief Financial Officer
David C. Novak	Executive Chairman of the Board of Directors
Micky Pant	Chief Executive Officer of YUM Restaurants China
Brian Niccol	Chief Executive Officer of Taco Bell Division
Jing-Shyh S. Su	Former Chief Executive Officer of YUM Restaurants China

Although Mr. Su retired as Vice Chairman and as Chairman and Chief Executive Officer of YUM Restaurants China on August 18, 2015, he is included because his 2015 total compensation would have placed him among the three most highly-compensated executive officers after the CEO and CFO.

(1) Note: All comparisons are versus the same period a year ago and exclude Special Items unless noted. System sales and operating profit figures in this section exclude the impact of foreign currency translation and restaurant margin figures are as reported.

II. Compensation Overview

A. Compensation Philosophy and Practices

Our compensation program is designed to support our long-term growth model, while holding our executives accountable to achieve key annual results year after year. YUM's compensation philosophy for the NEOs is reviewed annually by the Committee and has the following objectives:

	Pay Element		
Objective	**Base Salary**	**Annual Performance-Based Cash Bonuses**	**Long-Term Equity Performance-Based Incentives**
Retain and reward the best talent to achieve superior shareholder results—To be consistently better than our competitors, we need to recruit and retain superior talent who are able to drive superior results. We have structured our compensation programs to be competitive and to motivate and reward high performers.	✓	✓	✓
Reward performance—The majority of NEO pay is performance based and therefore at risk. We design pay programs that incorporate team and individual performance, customer satisfaction and shareholder return.		✓	✓
Emphasize long-term value creation—Our belief is simple: if we create value for shareholders, then we share a portion of that value with those responsible for the results. Stock Appreciation Rights/Options ("SARs/Options") reward value creation generated from sustained results and the favorable expectations of our shareholders. Performance Share Unit ("PSU") awards reward for superior relative performance as compared to the S&P 500.			✓
Drive ownership mentality—We require executives to personally invest in the Company's success by owning a substantial amount of Company stock.			✓

We employ compensation and governance best practices that provide a foundation for our pay-for-performance program and align Company and shareholder interests.

	We Do		We Don't Do
✓	Independent compensation committee (Management Planning & Development Committee), which oversees the Company's compensation policies and strategic direction	✗	Employment agreements
✓	Directly link Company performance to pay outcomes	✗	Re-pricing of SARs/Options
✓	Executive ownership guidelines reviewed annually against Company guidelines	✗	Grants of SARs/Options with exercise price less than fair market value of common stock on date of grant
✓	"Clawback" compensation if executive's conduct results in significant financial or reputational harm to Company	✗	Permit executives to hedge or pledge Company stock
✓	Make a substantial portion of NEO target pay "at risk"	✗	Payment of dividends or dividend equivalents on PSUs unless or until they vest
✓	Double-trigger vesting of equity awards upon change in control	✗	Excise tax gross-ups upon change in control
✓	Utilize independent Compensation Consultant	✗	Excessive executive perquisites like car allowances or country club memberships
✓	Incorporate comprehensive risk mitigation into plan design		
✓	Periodic review of Executive Peer Group to align appropriately with Company size and complexity		
✓	Evaluate CEO and executive succession plans		
✓	Conduct annual shareholder engagement program to obtain feedback from shareholders for consideration in annual compensation program design		

B. Compensation Changes for 2015

The Committee made significant compensation changes for 2015, including changes to CEO pay:

- **Consideration of pay philosophy, benchmark data and pay decisions.** During 2015, the Committee considered the Company's pay philosophy, benchmarking practices and use of market data. Based on this review, the Committee decided that beginning in September 2015 it would review market data and make decisions for each executive officer most often within a range of the market median for each element of compensation, including base, bonus target and long-term incentive target. In addition to the market data, the Committee will continue to take into account the role, level of responsibility, experience, individual performance and future potential in setting compensation. Prior to this change the Committee targeted compensation for all NEOs at the 50th percentile for salary, 75th percentile for annual bonus and 50th percentile for long term incentive compensation.
- **CEO total direct compensation set below median of our Executive Peer Group.** Mr. Creed was appointed CEO by the Board of Directors effective January 1, 2015. The Committee reviewed compensation for internal peers and a range of market data for quick service restaurant CEOs and CEOs of YUMs Executive Peer Group, which is comprised of the companies listed on page 58. Because Mr. Creed was new to his role, the Committee set Mr. Creed's total direct compensation below the median CEO compensation of YUM's Executive Peer Group.

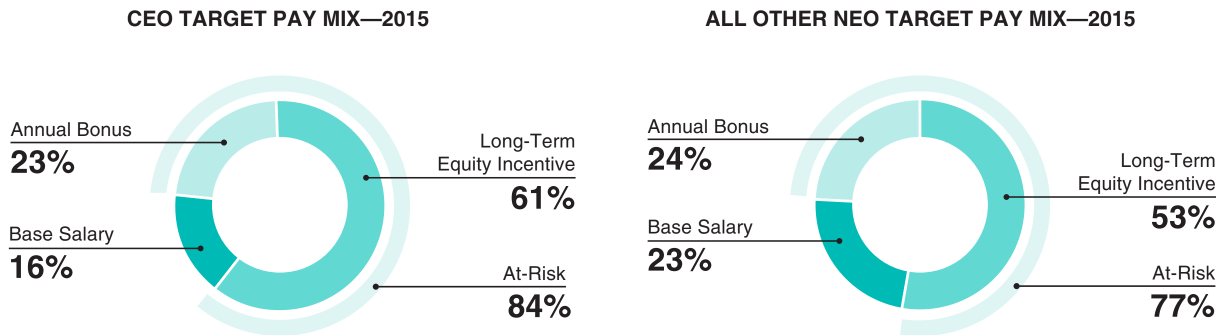
	2015 CEO Pay	2015 CEO Pay vs. Peer Group
Base	$1,100,000	<50th percentile
Target Bonus	$1,650,000	50th percentile
Long-Term Incentive	$4,300,000	<50th percentile
Total Direct Compensation	$7,050,000	<50th percentile

Note: The Long-Term Incentive value does not match the Summary Compensation Table due to the value of SARs/Options for this table being determined based on the full 10-year term for the CEO rather than the expected term of all SARs/Options granted by the Company.

- **Executive Chairman pay will target median compensation philosophy.** Mr. Novak retired as CEO effective December 31, 2014 and was appointed Executive Chairman of the YUM Board of Directors effective January 1, 2015. Based on the Committee's review of a variety of external and internal factors, the Committee targeted total compensation and set pay at the 50th percentile, which was based on executive chairs in the Fortune 250 who were not founders of their companies.
- **Updated the Company's Executive Peer Group.** The Committee removed OfficeMax, Darden, H.J. Heinz Company and JC Penney and added Starwood, Hilton, Office Depot and Kraft to the Executive Peer Group in order to better align the size of the peer group companies with YUM.
- **Aligned ownership guidelines with market best practice.** Our ownership guidelines in effect for 2015 are described at page 58. The Committee determined it was appropriate to adjust the guidelines beginning in 2015 to be more in line with market practice. The guidelines in effect prior to 2015 had been in place for many years, and the increase in the Company's stock price over these years had resulted in the guidelines exceeding market practice by a wide margin. For 2015, under the revised ownership guidelines Mr. Creed and Mr. Novak were required to own 100,000 shares and our Chief Financial Officer and Division CEOs were required to own 30,000 shares. As a multiple of salary, this represents over six times for Mr. Creed and Mr. Novak and over three times for the Chief Financial Officer and Division CEOs. At these multiples of salary, the new guidelines are above the median for YUM's Executive Peer Group.

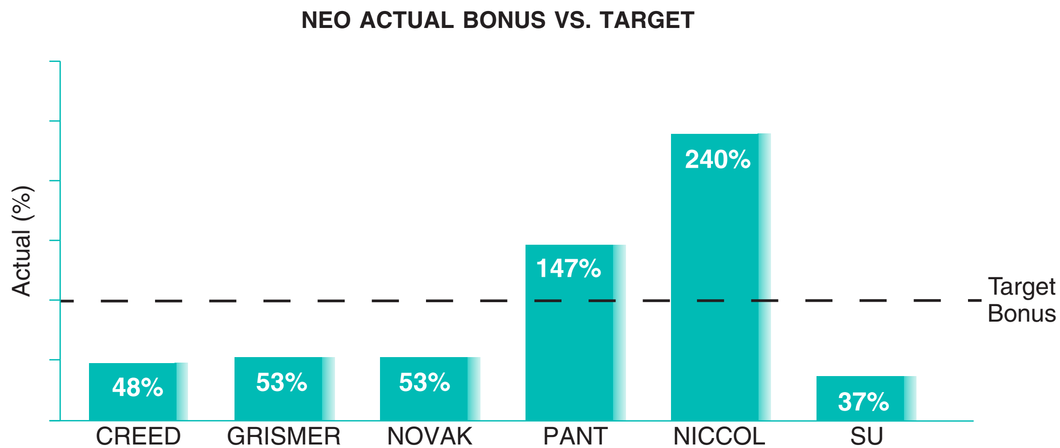
C. Relationship between Company Pay and Performance

To focus on both the short and long-term success of the Company, our NEOs' target compensation includes a significant portion, approximately 80%, that is "at-risk" pay, where the compensation paid is determined based on Company results. If short-term and long-term financial and operational target goals are not achieved, then performance-related compensation will decrease. If target goals are exceeded, then performance-related compensation will increase. As demonstrated below, our target pay mix for NEOs emphasizes our commitment to "at-risk" pay in order to tie pay to performance.



Annual Bonus reflects 2015 Performance

The NEOs annual performance reflects the results of the business that the NEO was leading. For Messrs. Creed, Grismer and Novak, annual performance is tied to that of YUM. For the other NEOs, annual performance is weighted 75% for the business that each NEO was leading and 25% for YUM performance. Therefore, bonus payouts for Messrs. Creed, Grismer, Novak and Su were all below target. Two NEOs received above target bonuses: Mr. Pant, whose compensation reflects the strong performance of the KFC Division where he was the CEO for over half the year and Mr. Niccol, who led the Taco Bell Division to perform significantly above target on all performance metrics.

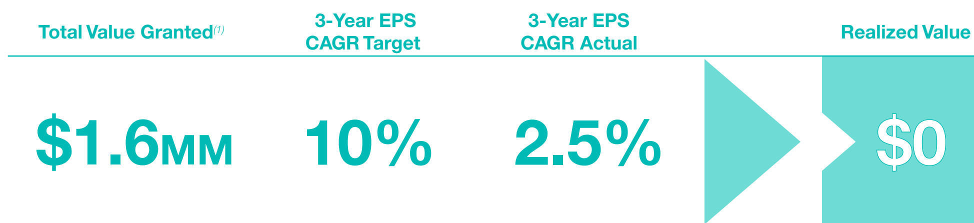


PSU Awards did not Pay Out in 2015

Long-term incentive grants are valued based on grant date value and are meant to be incentive opportunities based on future performance. Therefore, values in the Summary Compensation Table do not represent the value that may ultimately be realized by the executive. Realized value will be determined by actual performance over succeeding years. This means that, consistent with our pay-for performance philosophy, in the case of SARs/Options, our stock price must increase and, in the case of PSUs, we must attain certain performance thresholds before our executives realize any value. As shown below, our 2012 PSU award under our Performance Share Plan did not pay out to our NEOs in 2015 since the Company's

EPS growth during the 2012 - 2014 performance cycle did not reach the required minimum threshold of seven percent (see discussion of PSUs at page 48).

ALL NEO PSU VALUE FOR 2012 – 2014 PERFORMANCE CYCLE

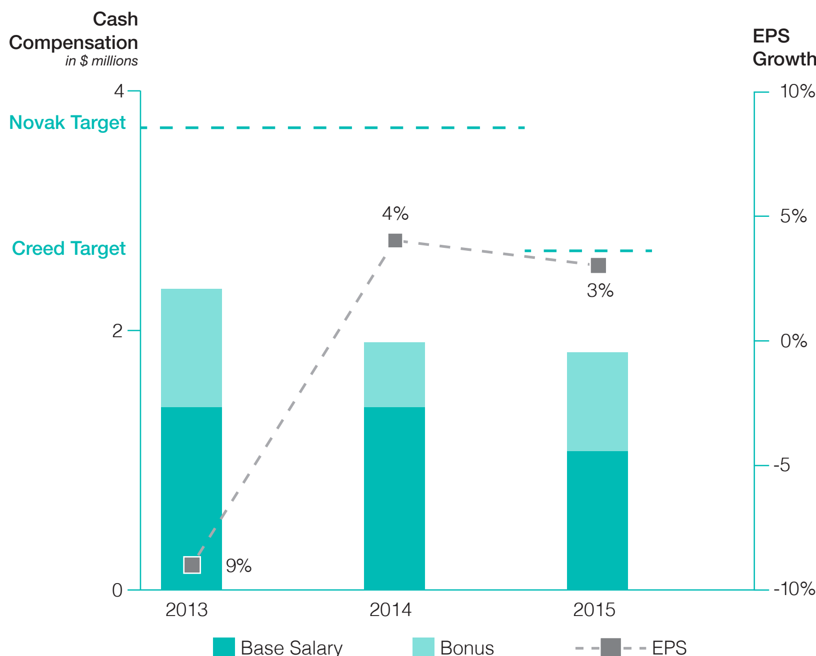


(1) *Amount is the sum of the grant date values awarded to each NEO as follows: Mr. Creed ($240,000), Mr. Novak ($773,000), Mr. Pant ($250,000), and Mr. Su ($385,000). Mr. Grismer and Mr. Niccol did not receive PSU grants in 2012. Mr. Grismer began participating in the Performance Share Plan in 2013, and Mr. Niccol began participating in 2015.*

CEO Cash Compensation was Below Target

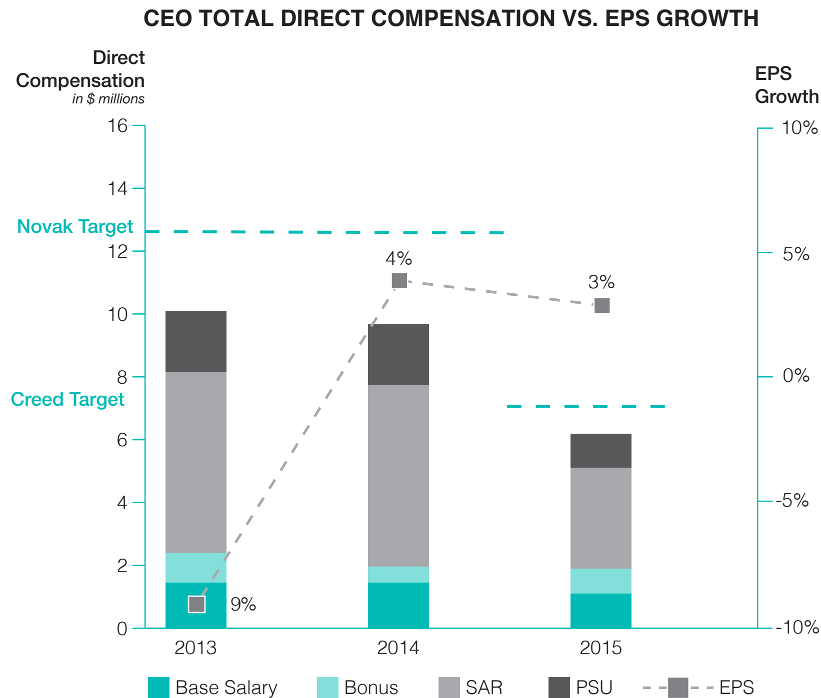
Our CEO's cash compensation tracks EPS growth, which is our primary business performance metric. As demonstrated below, our EPS growth in each of the last three years was below our targets of 10%, 20%, and 10% and resulted in our CEO's actual cash compensation being below target.

CEO CASH COMPENSATION VS. EPS GROWTH



CEO Total Direct Compensation reflects Performance

Similarly with cash compensation, our CEO's actual direct compensation (comprised of base salary, bonus and annual long-term incentive value at grant date) for the last three years was below target reflecting the below target performance of the Company. The SARs award will only provide value to Mr. Novak and Mr. Creed if shareholders receive value through stock price appreciation, and PSU's will only pay out if our three-year Total Shareholder Return ("TSR") hits threshold performance.



(1) The 2013 PSU Award did not pay out. The 2014 and 2015 PSU awards, described at page 48 reflects estimates based on the Company's current TSR ranking.

III. Elements of Executive Compensation Program

Our annual executive compensation program has three primary pay components: base salary, annual performance-based cash bonuses and long-term equity performance-based incentives. We also offer retirement and other benefits.

Element	Objective	Form
Base salary	Attract and retain high-caliber talent and provide a fixed level of cash compensation.	Cash
Annual Performance-Based Cash Bonuses	Motivate high performance and reward short-term Company, team and individual performance.	Cash
Long-Term Equity Performance-Based Incentives	Align the interests of executives with shareholders and emphasize long-term results.	SARs/Options & PSUs
Retirement and Additional Benefits	Provide for long-term retirement income and basic health and welfare coverage.	Various

Details on each program element follow.

A. Base Salary

We provide base salary to compensate our NEOs for their primary roles and responsibilities and to provide a stable level of annual compensation. A NEO's actual salary varies based on the role, level of responsibility, experience, individual performance, future potential and market value. Specific salary increases take into account these factors. The Committee reviews the NEOs' salary and performance annually.

B. Annual Performance-Based Cash Bonuses

Our performance-based annual bonus program, the YUM Leaders' Bonus Program, is a cash-based plan. The principal purpose of the YUM Leaders' Bonus Program is to motivate and reward short-term team and individual performance that drives shareholder value.

The formula for calculating the performance-based annual bonus under the YUM Leaders' Bonus Program is the product of the following:

Base Salary	X	Target Bonus Percentage	X	Team Performance (0 – 200%)	X	Individual Performance (0 – 150%)	=	Bonus Payout (0 – 300%)

Team Performance

The Committee established team performance measures, targets and weights in January 2015 after receiving input and recommendations from management. The objectives were also reviewed by the Board to ensure the goals support the Company's overall strategic objectives.

The performance objectives were developed through the Company's annual financial planning process, which takes into account Division growth strategies, historical performance, and the expected future operating environment. These projections included profit growth to achieve our EPS growth target.

When setting targets for each specific team performance measure, the Company takes into account overall business goals and structures the target to motivate achievement of desired performance consistent with our growth commitment to shareholders.

A leverage formula for each team performance measure magnifies the potential impact that performance above or below the performance target will have on the calculation of the annual bonus. This leverage increases the payouts when targets are exceeded and reduces payouts when performance is below target. There is a threshold level of performance for all measures that must be met in order for any bonus to be paid. Additionally, all measures have a cap on the level of performance over which no additional bonus will be paid regardless of performance above the cap.

The performance targets are comparable to those we disclose to our investors and, when determined to be appropriate by our Committee, may be slightly above or below disclosed guidance. Division targets may be adjusted during the year when doing so is consistent with the objectives and intent at the time the targets were originally set.

Detailed Breakdown of 2015 Team Performance

The team performance targets, actual results, weights and overall performance for each measure for our NEOs are outlined below. The Committee selected these performance measures because they are key drivers of long-term value creation.

For Divisions, the team performances are weighted 75% on Division operating measures and 25% on YUM team performance.

TEAM PERFORMANCE

NEO	Measures	Target	Actual	Earned Award as % of Target	Weighting	Final Team Performance
Creed	Weighted Average Divisions' Team Performances[1]			106	50%	53
Grismer Novak	Earnings Per Share Growth (excluding special items)	10%	3%	0	50%	0
	FINAL YUM TEAM FACTOR					**53**
Pant	Operating Profit Growth[2,7]	8%	9%	115	50%	57
	System Same-Store Sales Growth	3%	3%	110	20%	22
	System Net Builds[5]	425	500	200	20%	40
	System Customer Satisfaction	Weighted Average[4]		137	10%	14
	Total Weighted Team Performance — KFC (75%)					133
	Total Weighted Team Performance — YUM (25%)					53
	FINAL KFC TEAM FACTOR[3]					**113**
Niccol	Operating Profit Growth[2]	6%	12%	200	50%	100
	System Same-Store Sales Growth	3%	5%	190	20%	38
	System Net Builds	125	192	200	20%	40
	System Customer Satisfaction	68%	70%	177	10%	18
	Total Weighted Team Performance — Taco Bell (75%)					196
	Total Weighted Team Performance — YUM (25%)					53
	FINAL TACO BELL TEAM FACTOR[3]					**160**
Su	Operating Profit Growth[2]	27%	8%	0	50%	0
	Same Store Sales Growth	7%	(4)%	0	20%	0
	System Gross New Builds	650	743	200	20%	40
	System Customer Satisfaction	Weighted Average[6]		183	10%	18
	Total Weighted Team Performance — China (75%)					58
	Total Weighted Team Performance — YUM (25%)					53
	FINAL CHINA TEAM FACTOR[3]					**57**

(1) Weighted average based on each Division's contribution to overall segment operating profit of YUM in 2014.

(2) Excludes the impact of foreign exchange.

(3) Final team Factor reflects 75% Division and 25% YUM weighting.

(4) Weighted average of each subsidiary business unit's Team Factor based on number of restaurants.

(5) Excludes US units.

(6) Weighted average of each Brand's Team Factor based on number of restaurants.

(7) KFC's standard operating profit growth rate target is 10% year-over-year. For 2015, the actual operating growth target was adjusted as shown above for the impact of certain non-recurring costs and other items distortive of brand performance primarily in the US and UK markets.

C. Long-Term Equity Performance-Based Incentives

We provide performance-based long-term equity compensation to our NEOs to encourage long-term decision making that creates shareholder value. To that end, we use vehicles that motivate and balance the tradeoffs between short-term and long-term performance. Performance-based long-term equity compensation also serves as a retention tool.

Our NEOs are awarded long-term incentives annually based on the Committee's subjective assessment of the following items for each NEO (without assigning weight to any particular item):

- Prior year individual and team performance
- Expected contribution in future years
- Consideration of the market value of the executive's role compared with similar roles in our Executive Peer Group
- Achievement of stock ownership guidelines

Equity Mix

Each year, the Committee reviews the mix of long-term incentives to determine if it is appropriate to continue predominantly using SARs/Options as the long-term incentive vehicle. For 2015, the Committee continued to choose SARs/Options and PSU awards because these equity vehicles focus and reward management to enhance long-term shareholder value, thereby aligning our NEOs with the interests of our shareholders.

At the beginning of 2015, the Committee determined each NEO's target grant value and the split of that value between SARs/Options and PSU grants. For the CEO, his target grant value was split 75% SARs/Options and 25% PSUs. For the other NEOs, their target grant values were split 80% SARs/Options and 20% PSUs. The Committee awarded predominantly SARs/Options because it believed it aligns executives and incentives them to drive a long-term growth in the business. For each NEO, the breakdown between SARs/Options award values and PSU award values can be found under the Summary Compensation Table, page 62 at columns e and f.

Stock Appreciation Rights/Stock Options

In 2015, we granted to each of our NEOs SARs/Options which have ten-year terms and vest over at least four years. The exercise price of each SARs/Options grant was based on the closing market price of the underlying YUM common stock on the date of grant. Therefore, SARs/Options awards will only have value if our NEOs are successful in increasing share price above the awards' exercise price.

Performance Share Plan

Under the Company's Performance Share Plan, we granted to each of our NEOs PSU awards in 2015. PSU awards are earned based on the Company's 3-year average TSR relative to the companies in the S&P 500. Incorporating TSR supports the Company's pay-for-performance philosophy while diversifying performance criteria by using measures not used in the annual bonus plan and aligning our NEOs' reward with the creation of shareholder value.

The threshold and maximum share payouts are aggressively set, exceeding market best practice. The target, threshold and maximum shares that may be paid out under these awards for each NEO are described at page 64.

For the performance period covering the 2015 – 2017 calendar years, each NEO will earn a percentage of his target PSU award based on the achieved TSR percentile ranking as set forth in the chart below:

		Threshold	Target	Max.
TSR Percentile Ranking	<40%	40%	50%	90%
Payout as % of Target	0%	50%	100%	200%

We set target long-term incentive pay at the 50th percentile. Therefore, for on-target performance we pay at the median, which is consistent with market practice. Dividend equivalents will accrue during the performance period and will be distributed as incremental shares but only in the same proportion and at the same time as the original awards are earned. If no awards are earned, no dividend equivalents will be paid. The awards are eligible for deferral under the Company's Executive Income Deferral Program. As discussed on page 43, PSU awards granted in 2012 did not pay out since YUM did not attain the minimum performance threshold. (These awards would have paid out during 2015 had the Company's average earnings per share during the 2012 – 2014 performance period reached the required minimum average growth threshold of seven percent.)

IV. 2015 Named Executive Officer Total Direct Compensation and Performance Summary

Below is a summary of each of our named executive officers' total direct compensation – which includes base salary, annual cash bonus, PSUs and SARs – and an overview of their 2015 performance relative to our annual and long term incentive performance goals. The process the Committee used to determine each officer's 2015 compensation is described more fully in "How Compensation Decisions Are Made" beginning on page 56.

CEO Compensation

Greg Creed
Chief Executive Officer

2015 Performance Summary

Our Board, under the leadership of the Committee Chair, approved Mr. Creed's goals at the beginning of the year and conducted a mid-year and year-end evaluation of his performance. These evaluations included a review of his leadership pertaining to the achievement of his goals that included business results, leadership in the development and implementation of Company strategies, and development of Company culture and talent.

The Committee determined that Mr. Creed's overall performance for 2015 was below target, and awarded him an individual factor of 90. This individual factor combined with YUM's team factor of 53 (discussed at page 47), resulted in Mr. Creed receiving 48% of his 2015 target bonus. This determination was based on the Committee's subjective assessment of Mr. Creed's performance against his goals which included (without assigning a weight to any particular item):

- Company below target performance for EPS (EPS increased by 3% against growth target of 10% which includes foreign exchange impact)
- China and Pizza Hut Divisions below target performance for same store sales and profits
- Taco Bell's above target performance for same store sales growth and profits
- KFC's on target performance for same store sales and profits
- Continued strong unit expansion with emphasis on high returns
- Development of strong leaders and fostering customer-focused employee culture in the Company, and
- Continued commitment to corporate social responsibility through the World Food Programme and other hunger relief organizations

2015 Committee Decisions

Mr. Creed was promoted to Chief Executive Officer on January 1, 2015. The Committee set Mr. Creed's compensation taking into account this promotion noting that all elements were at or below the 50th percentile of the Company's Executive Peer Group. Mr. Creed's annual cash bonus target was set at 150% of his base salary.

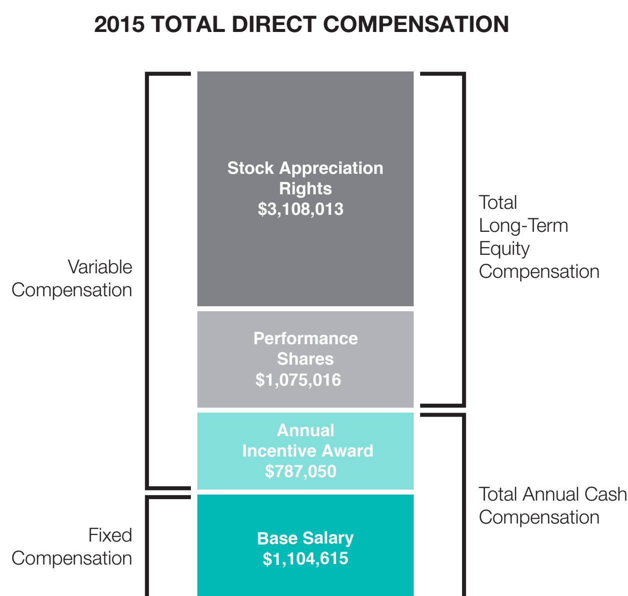
The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 46 for Mr. Creed:

2015 BONUS AWARD

Base Salary	$1,100,000
	X
Target Bonus %	150%
	X
Team Performance Factor	53%
	X
Individual Performance Factor	90%
	=
2015 Bonus Award	**$787,050**

The graphic below illustrates Mr. Creed's 2015 direct compensation:

2015 TOTAL DIRECT COMPENSATION



Proxy Statement

Other NEO 2015 Total Direct Compensation

Patrick J. Grismer
Chief Financial Officer

2015 Performance Summary

The Committee determined that Mr. Grismer's performance as the Chief Financial Officer was on target and approved a 100 individual performance factor. Despite below target financial performance, the Committee determined that Mr. Grismer positively impacted the Company's long-term opportunities by driving Company-wide strategic growth priorities and Division initiatives, and also by his leadership in the review of strategic options that led to the Company's announcement to separate the Company into two independent publicly-traded companies. Mr. Grismer's individual performance factor, combined with a team factor of 53, resulted in him receiving 53% of his target bonus.

2015 Committee Decisions

- Base salary was increased 12% percent for 2015.
- Annual cash bonus target was increased to 105% of base salary.
- Target grant value of equity award was increased 18%.

The Committee approved the foregoing increases in Mr. Grismer's compensation in recognition of his sustained performance and several years in the role of CFO. These increases brought Mr. Grismer's total direct compensation to between the 50th and 75th percentile of the Executive Peer Group for his position.

On December 5, 2015, Mr. Grismer notified the Company that he intended to resign from the Company on February 19, 2016. The Company and Mr. Grismer executed a letter of understanding at that time in which the Company agreed to accelerate a portion of Mr. Grismer's unvested SARs having an intrinsic fair value of $500,000 on February 19, 2016, Mr. Grismer's departure date from the Company.

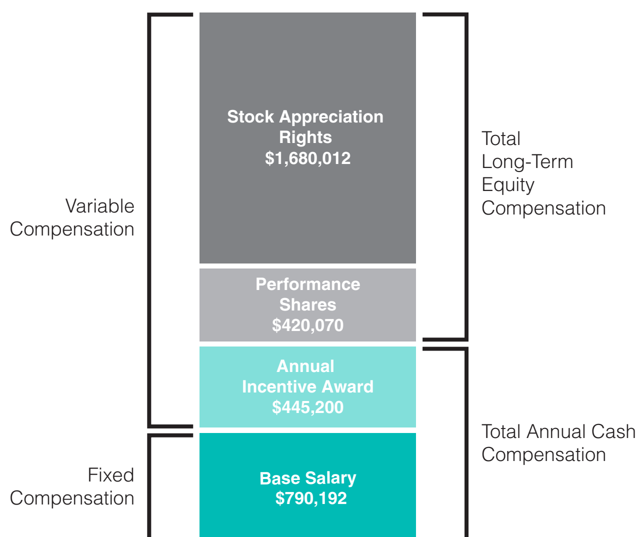
The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 46 for Mr. Grismer:

2015 BONUS AWARD

Base Salary	$800,000
	X
Target Bonus %	105%
	X
Team Performance Factor	53%
	X
Individual Performance Factor	100%
	=
2015 Bonus Award	**$445,200**

The graphic below illustrates Mr. Grismer's 2015 direct compensation:

2015 TOTAL DIRECT COMPENSATION



David C. Novak

Executive Chairman of the Board of Directors

2015 Performance Summary

Mr. Novak retired as Chief Executive Officer of the Company and was appointed Executive Chairman effective January 1, 2015. For 2015, the Committee awarded Mr. Novak a bonus based on the Company's team factor of 53.

2015 Committee Decisions

As discussed at page 42 the Committee reviewed a variety of external and internal factors, targeting total compensation and setting pay at the 50th percentile for Mr. Novak in his new role as Executive Chairman. Applying this philosophy, the Committee set Mr. Novak's total target compensation for 2015 at $5 million as described below. In making this decision, the Committee took into consideration Mr. Novak's responsibilities as Executive Chairman and his expected substantial contribution to the Company in 2015 including supporting Mr. Creed, as the Company's new CEO.

- Base salary was decreased to $1 million (representing a 31% decrease for 2015).
- Annual cash bonus target was decreased to 100% (from 160%) of base salary, with no individual factor for the award.
- Target grant value of long term incentive pay (split 75% SARs and 25% PSUs) was set at an economic value of $3 million (a decrease of 61% from 2014).

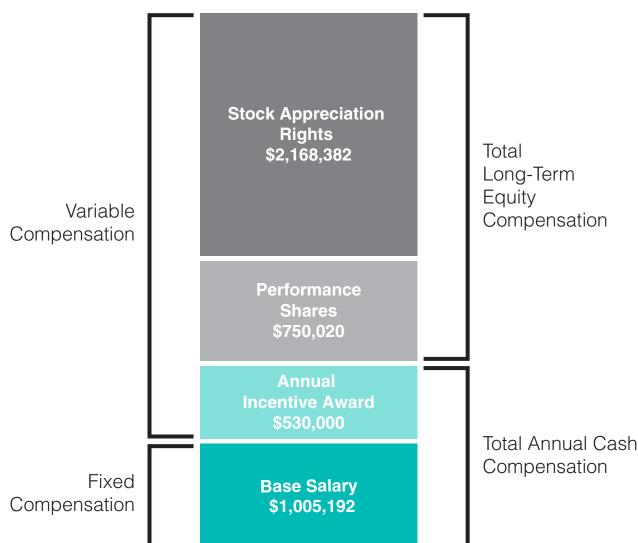
The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 46 for Mr. Novak:

2015 BONUS AWARD

Base Salary	$1,000,000
	X
Target Bonus %	100%
	X
Team Performance Factor	53%
	X
Individual Performance Factor	N/A
	=
2015 Bonus Award	**$530,000**

The graphic below illustrates Mr. Novak's 2015 direct compensation:

2015 TOTAL DIRECT COMPENSATION



Micky Pant

Chief Executive Officer of Yum Restaurants China

2015 Performance Summary

Mr. Pant was Chief Executive Officer of the Company's KFC Division prior to being named Chief Executive Officer of the China Division on August 18, 2015. The Committee determined Mr. Pant's performance was above target and approved a 130 individual performance factor. The Committee recognized Mr. Pant for the strong results of the KFC Division, especially unit expansion and strong same store sales results. The Committee also acknowledged his leadership in taking over as the China Division CEO and reinvigorating the brand culture and planning the China separation. Mr. Pant's individual performance factor, combined with a team factor of 113 (discussed at page 47), resulted in him receiving 147% of his target bonus. Mr. Pant's team factor for 2015 was based solely on KFC Division results – which were driven by his leadership prior to his assignment to China – as agreed to by Mr. Pant and the Committee at the time of his promotion to CEO of the China Division.

2015 Committee Decisions

In January, Mr. Pant's compensation was adjusted as follows:

- Base salary was increased 7%.
- Annual cash bonus target remained unchanged.
- Target grant value of equity award remained unchanged.

In connection with his mid-year promotion to CEO of the China Division, Mr. Pant's compensation was further adjusted as follows:

- Base salary was increased 19%.
- Annual cash bonus target was increased to 115% of base salary.
- Target grant value of equity award remained unchanged.

These increases brought Mr. Pant's total direct compensation to between the 50th and 75th percentile of the Executive Peer Group.

The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 46 for Mr. Pant:

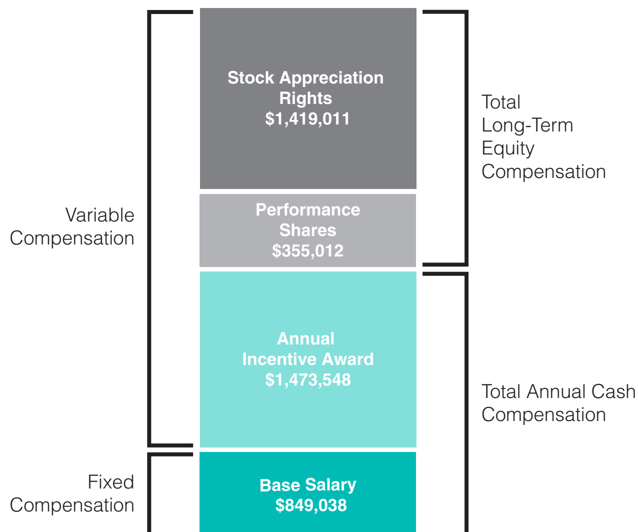
2015 BONUS AWARD

Base Salary	$950,000
	X
Blended Target Bonus %(1)	105.589%
	X
Team Performance Factor	113%
	X
Individual Performance Factor	130%
	=
2015 Bonus Award	**$1,473,548**

(1) Mr. Pant's "Blended Target Bonus" is based on a Target Bonus of 100% during his time as CEO of the KFC Division and 115% during his time as CEO of the China Division.

The graphic below Mr. Pant's 2015 direct compensation:

2015 TOTAL DIRECT COMPENSATION



Brian Niccol

Chief Executive Officer of Taco Bell Division

2015 Performance Summary

The Committee determined Mr. Niccol's performance as the Chief Executive Officer, Taco Bell Division, was significantly above target and approved a 150 individual performance factor. Under Mr. Niccol's leadership, Taco Bell Division's operating performance was very strong with 5% same-store sales growth and operating profit growth of 12%. Mr. Niccol's individual performance factor, combined with a team factor of 160 (discussed at page 47), resulted in him receiving 240% of his target bonus.

2015 Committee Decisions

Mr. Niccol was promoted to CEO of the Taco Bell Division, effective, January 1, 2015. In recognition of this promotion, the Committee made the following changes to Mr. Niccol's target compensation for 2015:

- Base salary was increased 17% percent for 2015.
- Annual cash bonus target was increased to 90% of base salary.
- Target grant value of long-term incentive equity awards was increased by 80%.
- Received CEO Award for superlative long term performance at Taco Bell and in recognition of promotion to Taco Bell CEO (grant date fair market value of award was $1,091,491).

These increases brought Mr. Niccol's total direct compensation to between the 50th and 75th percentile of the Executive Peer Group for his position.

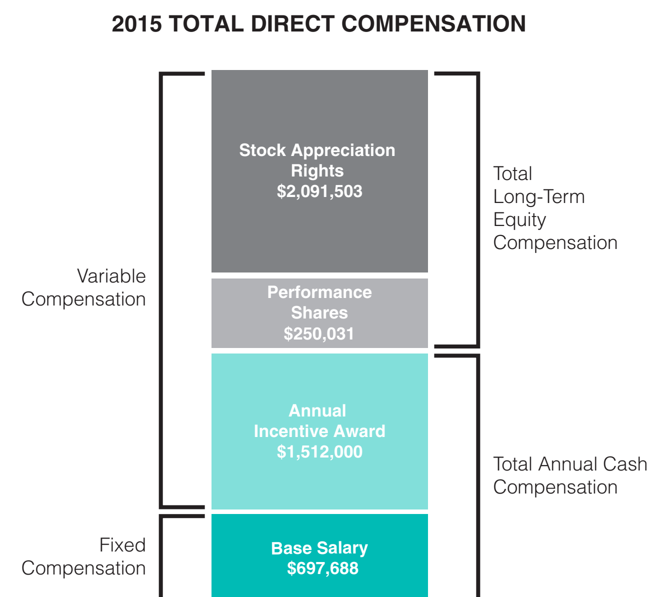
The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 46 for Mr. Niccol:

2015 BONUS AWARD

Base Salary	$700,000
	X
Target Bonus %	90%
	X
Team Performance Factor	160%
	X
Individual Performance Factor	150%
	=
2015 Bonus Award	**$1,512,000**

The graphic below illustrates Mr. Niccol's 2015 direct compensation:

2015 TOTAL DIRECT COMPENSATION



Jing-Shyh S. Su

Former Chairman and Chief Executive Officer – Yum Restaurants China

2015 Performance Summary

Mr. Su was Chairman and Chief Executive Officer of the China Division prior to his retirement on August 18, 2015. Following his retirement, Mr. Su served as Executive Advisor to the Chief Executive Officer of Yum! Restaurants China until February 15, 2016.

The Committee determined his overall individual performance for 2015 was below target and approved a 65 individual performance factor. This was based upon the China Division not achieving operating profit or system sales growth targets. Mr. Su's individual performance factor, combined with a team factor of 57, resulted in him receiving 37% of his target bonus.

2015 Committee Decisions

- Base salary remained unchanged.
- Annual cash bonus target remained unchanged.
- Target grant value of equity award remained unchanged.

Mr. Su retired as Chairman and CEO of the China Division on August 19, 2015. As part of Mr. Su's agreement with the Company, the Company entered into a retirement agreement with Mr. Su and agreed to make tax equalization payments to Mr. Su (as if he were a resident of Hong Kong) for China income tax which exceeds the marginal Hong Kong tax rate incurred by him with respect to his stock option and SAR exercises and deferral plan payouts up to a maximum benefit of $5 million. During 2015 and after his retirement, Mr. Su had received $3.2 million of this tax equalization benefit under this agreement (in addition to approximately $1.9 million in tax equalization benefits received prior to his retirement during 2015).

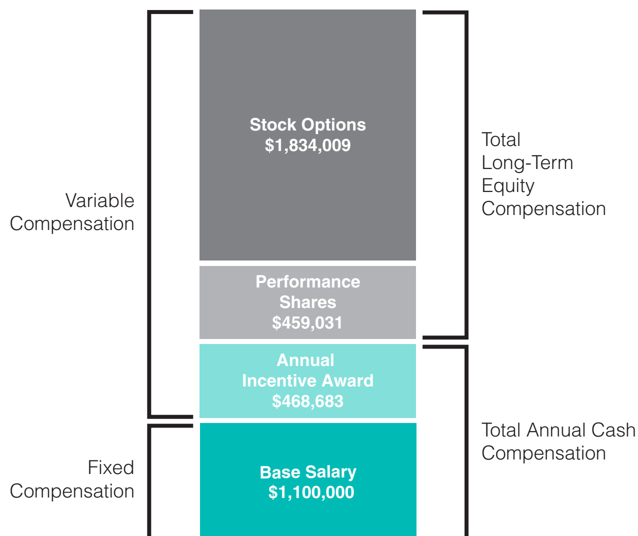
The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at at page 46 for Mr. Su

2015 BONUS AWARD

Base Salary	$1,100,000
	X
Target Bonus %	115%
	X
Team Performance Factor	57%
	X
Individual Performance Factor	65%
	=
2015 Bonus Award	**$468,683**

The graphic below illustrates Mr. Su's 2015 direct compensation:

2015 TOTAL DIRECT COMPENSATION



V. Retirement and Other Benefits

Retirement Benefits

We offer several types of competitive retirement benefits.

The YUM! Brands Retirement Plan ("Retirement Plan") is a broad-based qualified plan designed to provide a retirement income based on years of service with the Company and average annual earnings. Mr. Novak is the only NEO who actively participates in the Retirement Plan (the plan is US based and was closed to new entrants in 2001). Messrs. Creed, Grismer, Pant, Su and Niccol are not active participants in the Retirement Plan; however, Mr. Creed maintains a balance in the Retirement Plan from the years that he was a participant.

For executives hired or re-hired after September 30, 2001, the Company implemented the Leadership Retirement Plan ("LRP"). This is an unfunded, unsecured account-based retirement plan which allocates a percentage of pay to an account payable to the executive following the later to occur of the executive's separation of employment from the Company or attainment of age 55. Beginning in 2013, Mr. Novak started receiving an allocation to his LRP account equal to 9.5% of his base salary and target bonus and will receive an annual earnings credit on his account balance equal to 120% of the applicable federal rate. For 2015, Messrs. Grismer, Pant and Niccol were also eligible for the LRP. Under the LRP, they receive an annual allocation to their accounts equal to a percentage of their base salary and target bonus (9.5% for Mr. Grismer, 20% for Mr. Pant and 9.5% for Mr. Niccol) and an annual earnings credit of 5%.

The Company provides retirement benefits for certain international employees through the YUM! Brands International Retirement Plan ("YIRP") and the Third Country National Plan ("TCN"). The YIRP is an unfunded, non-qualified plan that provides benefits similar to, and pursuant to the same terms and conditions as, the Retirement Plan without regard to Internal Revenue Service limitations on amounts of includible compensation and maximum benefits. The TCN is an unfunded, unsecured account-based retirement plan that provides an annual contribution floor of 7.5% of salary and target bonus and an annual earnings credit of 5% on the balance. The Company can add an additional 7.5%, for a maximum total contribution of 15% annually. Mr. Su is the only NEO who participates in the YIRP. Mr. Creed is the only NEO who participates in the TCN. Under this plan, Mr. Creed receives an annual contribution equal to 15% of his base salary and target bonus and an annual earnings credit of 5%.

Benefits payable under these plans are described in more detail beginning on page 68.

Medical, Dental, Life Insurance and Disability Coverage

We also provide other benefits such as medical, dental, life insurance and disability coverage to each NEO through benefit plans, which are also provided to all eligible U.S.-based salaried employees. Eligible employees can purchase additional life, dependent life and accidental death and dismemberment coverage as part of their employee benefits package. Our broad-based employee disability plan limits the annual benefit coverage to $300,000.

Perquisites

Mr. Creed and Mr. Novak are required to use the Company aircraft for personal as well as business travel pursuant to the Company's executive security program established by the Board of Directors. The Board's security program also covers Mrs. Creed and Mrs. Novak. The Board has considered past instances of potential safety concerns for the CEO and their spouses and based on a security study completed by a security expert and the expert's advice decided to require Mr. Creed and Mr. Novak to use the corporate aircraft for personal travel. We do not provide tax gross-ups on the personal use of the Company aircraft. In 2015, the Committee approved timeshare arrangements beginning in 2015 for Mr. Creed and Mr. Novak with respect to their personal use of aircraft. The arrangement provides that upon the executive reaching $200,000 in incremental costs for his personal use, the executive's timeshare agreements will be triggered and any incremental costs for personal use of corporate aircraft above $200,000 will be reimbursed to the Company in accordance with the requirements of the Federal Aviation Administration regulations and the time share agreements.

The Company pays for the cost of the transmission of home security information from Mr. Novak's home to our security department.

Mr. Su, who retired as Chairman and CEO of the China Division in August of 2015, receives perquisites related to his overseas assignment which were part of his original compensation package and ratified by the Committee. The Committee reviewed these benefits during 2015 and has

elected to continue to provide them, noting that this practice is consistent with how we treat other executives on foreign assignment. Mr. Su's agreement stipulates that the following will be provided:

- Housing, commodities and utilities allowances
- Tax preparation services
- Tax equalization to Hong Kong with respect to income attributable to certain SARs/options exercises and to distributions of deferred income

On August 19, 2015, Mr. Su retired as Chairman and CEO of the China Division and assumed the role of Executive Advisor to the new CEO of the China Division, Micky Pant. Mr. Su retired as an employee of the Company on February 15, 2016. At the time of his retirement as Chairman and CEO of the China Division, the Company agreed to make tax equalization payments to Mr. Su (as if he were a resident of Hong Kong) for China income tax incurred by him with respect to his stock option and SAR exercises and deferral plan payouts up to a maximum of $5 million. At the end of 2015, Mr. Su had benefitted from approximately $3.2 million in tax equalization payments under the agreement as reported at page 54.

VI. How Compensation Decisions Are Made

Shareholder Outreach, Engagement and 2015 Vote on NEO Compensation

At our 2015 Annual Meeting of Shareholders, 65% of votes cast on our annual advisory vote on NEO compensation were in favor of our NEOs' compensation program, as disclosed in our 2015 proxy statement. During 2015, we continued our shareholder outreach program to better understand our investors' opinions on our compensation practices and respond to their questions. Committee members and management team members from compensation, investor relations and legal continued to be directly involved in engagement efforts during 2015 that served to reinforce our open door policy. The efforts included:

- Contacting the top 100 shareholders, representing ownership of approximately 46% of our shares
- Meeting with shareholders representing 17% of our shares
- Dialogue with proxy advisory firm
- Investor road shows and conferences
- Presenting shareholder feedback to the Committee
- Considering letters from shareholders

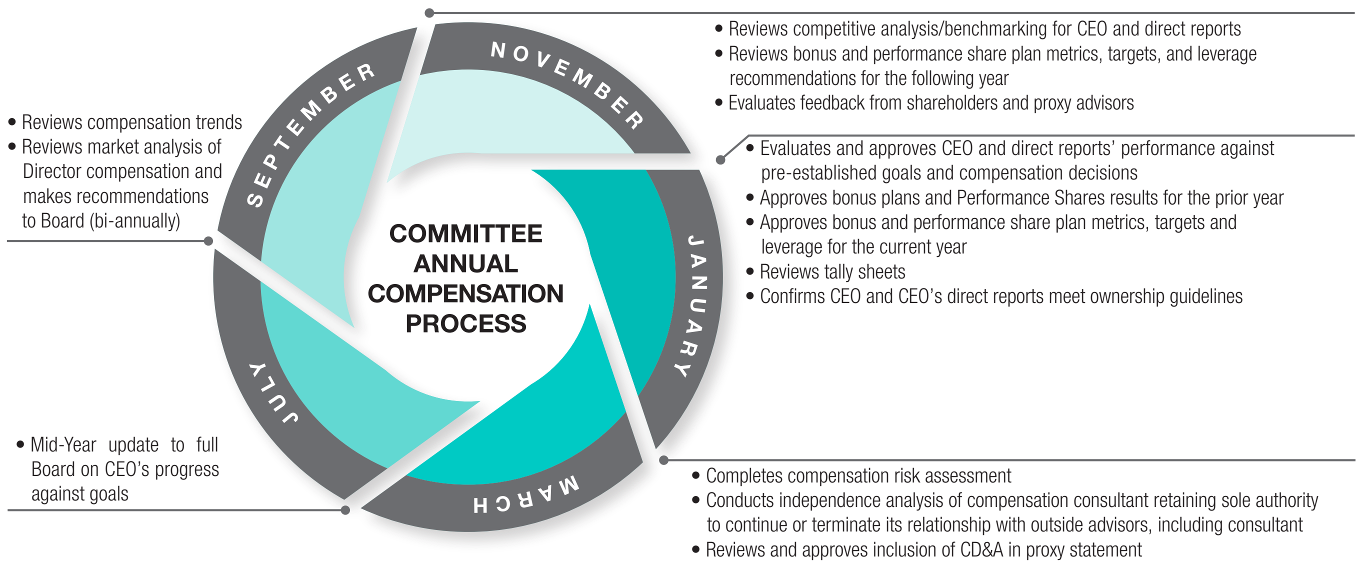
Our annual engagement efforts allow many shareholders the opportunity to provide feedback. The Committee carefully considers shareholder and advisor feedback, among other factors discussed in this CD&A, in making its compensation decisions. Shareholder feedback, including the 2015 voting results on NEO compensation, has influenced and reinforced a number of compensation design changes over the years, including:

- Moving away from above-market benchmarking for CEO pay
- Adjusting CEO long-term incentives from 100% SARs/Options to a mix comprised of 75% SARs/Options and 25% PSUs
- Moving away from EPS to TSR-based targets under PSU awards thus, removing duplicative measures between the bonus and long-term incentive plan

Shareholder feedback further influenced the changes to our compensation program for 2015 described above. The Company and the Committee appreciate the feedback from our shareholders and plan to continue these engagement efforts.

Role of the Committee

Compensation decisions are ultimately made by the Committee using its judgment, focusing primarily on each NEO's performance against his financial and strategic objectives, qualitative factors and the Company's overall performance. The Committee considers the total compensation of each NEO and retains discretion to make decisions that are reflective of overall business performance and each executive's strategic contributions to the business. In making its compensation decisions, the Committee typically follows the annual process described below:



Role of the Independent Consultant

The Committee's charter states the Committee may retain outside compensation consultants, lawyers or other advisors. The Committee retains an independent consultant, Meridian Compensation Partners, LLC ("Meridian"), to advise it on certain compensation matters. The Committee has instructed Meridian that:

- it is to act independently of management and at the direction of the Committee;
- its ongoing engagement will be determined by the Committee;
- it is to inform the Committee of relevant trends and regulatory developments;
- it is to provide compensation comparisons based on information that is derived from comparable businesses of a similar size to the Company for the NEOs; and
- it is to assist the Committee in its determination of the annual compensation package for our CEO and other NEOs.

The Committee considered the following factors, among others, in determining that Meridian is independent of management and its provision of services to the Committee did not give rise to a conflict of interest:

- Meridian did not provide any services to the Company unrelated to executive compensation.
- Meridian has no business or personal relationship with any member of the Committee or management.
- Meridian's partners and employees who provide services to the Committee are prohibited from owning YUM stock per Meridian's firm policy.

Comparator Compensation Data

Our Committee uses an evaluation of how our NEO target compensation levels compare to those of similarly situated executives at companies that comprise our executive peer group ("Executive Peer Group") as one of the factors in setting executive compensation. The Executive Peer Group is made up of retail, hospitality, food, nondurable consumer goods companies, special eatery and quick service restaurants, as these represent the sectors with which the Company is most likely to compete for executive talent. The companies selected from these sectors must also be reflective of the overall market characteristics of our executive talent market, relative leadership position in their sector, size as measured by revenues, complexity of their business, and in some cases global reach.

Executive Peer Group

The Committee established the current peer group of companies (the "Executive Peer Group") for all NEOs at the end of 2014 for pay determinations in 2015. The 2015 Executive Peer Group is comprised of the following companies:

AutoZone Inc.	Kellogg Company	Nike Inc.
Avon Products Inc.	Kimberly-Clark Corporation	Office Depot, Inc.
Campbell Soup Company	Kohl's Corporation	Staples Inc.
Colgate Palmolive Company	Kraft Foods Group, Inc.	Starbucks Corporation
Gap Inc.	Macy's Inc.	Starwood Hotels & Resorts Worldwide, Inc.
General Mills Inc.	Marriott International	Unilever USA
Hilton Worldwide Holdings Inc.	McDonald's Corporation	

At the time the benchmarking analysis was prepared, the Executive Peer Group's median annual revenues were $17.6 billion, while YUM annual revenues were estimated at $19.2 billion (calculated as described below).

For companies with significant franchise operations, measuring size can be complex. There are added complexities and responsibilities for managing the relationships, arrangements, and overall scope of the franchising enterprise, in particular, managing product introductions, marketing, promoting new unit development, and customer satisfaction and overall operations improvements across the entire franchise system. Accordingly, in calibrating size-adjusted values, our philosophy is to add 25% of franchisee and licensee sales to the Company's sales to establish an appropriate revenue benchmark. The reason for this approach is based on our belief that the correct calibration of complexity and responsibility lies between corporate-reported revenues and system-wide sales.

Competitive Positioning and Setting Compensation

At the beginning of 2015, the Committee considered Executive Peer Group compensation data as a frame of reference for establishing compensation targets for base salary, annual bonus and long-term incentives for each NEO. In particular, the Committee generally targeted each NEO's base salary and long-term incentive compensation at the 50th percentile of the Executive Peer Group and target bonus opportunity at the 75th percentile of the Executive Peer Group. During 2015, The Committee changed this approach as described at 56.

In setting NEO compensation, the Committee considers this competitive market data but does not rely on it exclusively. It also considers additional factors in setting each element of NEO compensation, including individual performance, experience, time in role and expected contributions.

When benchmarking and making decisions about the CEO's SARs/Options, we use a grant date fair value based on the full 10-year term rather than the expected term of all SARs/ Options granted by the Company. This methodology is a more appropriate method to determine the award amount as it better reflects the actual historical holding pattern for SARs/Options granted to our CEO. Our CEO receives fewer shares under this practice than if we used the expected term of all SARs/Options granted by the Company.

VII. Compensation Policies and Practices

YUM's Executive Stock Ownership Guidelines

The Committee has established stock ownership guidelines for approximately 400 of our senior employees, including the NEOs. If a NEO or other executive does not meet his or her ownership guidelines, he or she is not eligible for a long-term equity incentive award. In 2015, all NEOs and all other employees subject to guidelines met or exceeded their ownership guidelines.

NEO	Ownership Guidelines	Shares Owned[1]	Value of Shares[2]	Multiple of Salary
Creed	100,000	118,263	8,639,112	8
Grismer	30,000	45,294	3,308,727	4
Novak	100,000	2,760,186	201,631,587	202
Pant	30,000	107,592	7,859,596	8
Niccol	30,000	49,796	3,637,598	5
Su	30,000	575,032	42,006,088	38

(1) Calculated as of December 31, 2015 and represents shares owned outright, vested RSUs and all RSUs awarded under the Company's Executive Income Deferral Program.
(2) Based on YUM closing stock price of $73.05 as of December 31, 2015.

Payments upon Termination of Employment

The Company does not have agreements with its executives concerning payments upon termination of employment except in the case of a change in control of the Company. The Committee believes these are appropriate agreements for retaining NEOs and other executive officers to preserve shareholder value in case of a potential change in control. The Committee periodically reviews these agreements and other aspects of the Company's change-in-control program.

The Company's change-in-control agreements, in general, entitle NEOs terminated other than for cause within two years of the change in control, to receive a benefit of two times salary and bonus. The terms of these change-in-control agreements are described beginning on page 72.

In 2013, the Company eliminated tax gross-ups for executives, including the NEOs, for any excise tax due under Section 4999 of the Internal Revenue Code and implemented a "best net after-tax" approach to address any potential excise tax imposed on executives. If any excise tax is due, the Company will not make a gross-up payment, but instead will reduce payments to an executive if the reduction will provide the NEO the best net after-tax result. If full payment to a NEO will result in the best net after-tax result, the full amount will be paid, but the NEO will be solely responsible for any potential excise tax payment. Also, effective for equity awards made in 2013 and beyond, the Company implemented "double trigger" vesting, pursuant to which outstanding awards will fully and immediately vest only if the executive is employed on the date of a change in control of the Company and is involuntarily terminated (other than by the Company for cause) on or within two years following the change in control.

In case of retirement, the Company provides retirement benefits described above, life insurance benefits (to employees eligible under the Retirement Plan), the continued ability to exercise vested SARs/Options and the ability to vest in performance share awards on a pro-rata basis.

With respect to consideration of how these benefits fit into the overall compensation policy, the change-in-control benefits are reviewed from time to time by the Committee for competitiveness. The Committee believes the benefits provided in case of a change in control are appropriate, support shareholder interests and are consistent with the policy of attracting and retaining highly qualified employees.

YUM's Stock Option and SAR Granting Practices

Historically, we have awarded non-qualified SARs/Options grants annually at the Committee's January meeting. This meeting date is set by the Board of Directors more than six months prior to the actual meeting. The Committee sets the annual grant date as the second business day after our fourth quarter earnings release. The exercise price of awards granted under our Long-Term Incentive Plan ("LTIP") is set as the closing price on the date of grants. We make grants at the same time other elements of annual compensation are determined so that we can consider all elements of compensation in making the grants. We do not backdate or make grants retroactively. In addition, we do not time such grants in coordination with our possession or release of material, non-public or other information.

Grants may also be made on other dates the Board of Directors meets. These grants generally are CEO Awards, which are awarded by our CEO (and approved by the Committee), in recognition of superlative performance and extraordinary impact on business results.

Management recommends the awards be made pursuant to our LTIP to the Committee, however, the Committee determines whether and to whom it will issue grants and determines the amount of the grant. The Board of Directors has delegated to our CEO and our Chief People Officer, the ability to make grants to employees who are not executive officers and whose grant is less than approximately 15,000 SARs/Options annually. In the case of these grants, the Committee sets all the terms of each award, except the actual number of SARs/Options, which is determined by our CEO and our Chief People Officer pursuant to guidelines approved by the Committee in January of each year.

Limits on Future Severance Agreement Policy

The Committee has adopted a policy to limit future severance agreements with our NEOs and our other executives. The policy requires the Company to seek shareholder approval for future severance payments to a NEO if such payments would exceed 2.99 times the sum of (a) the NEO's annual base salary as in effect immediately prior to termination of employment; and (b) the highest annual bonus awarded to the NEO by the Company in any of the Company's three full fiscal years immediately preceding the fiscal year in which termination of employment occurs or, if higher, the executive's target bonus. Certain types of payments are excluded from this policy, such as amounts payable under arrangements that apply to classes of employees other than the NEOs or that predate the implementation of the policy, as well as any payment the Committee determines is a reasonable settlement of a claim that could be made by the NEO.

Compensation Recovery Policy

Pursuant to the Company's Compensation Recovery Policy (i.e., "clawback"), the Committee may require executive officers (including the NEOs) to return compensation paid or may cancel any award or bonuses not yet vested or earned if the executive officers engaged in misconduct or violation of Company policy that resulted in significant financial or reputational harm or violation of Company policy, or contributed to the use of inaccurate metrics in the calculation of incentive compensation. Under this policy, when the Board determines that recovery of compensation is appropriate, the Company could require repayment of all or a portion of any bonus, incentive payment, equity-based award or other compensation, and cancellation of an award or bonus to the fullest extent permitted by law.

Hedging and Pledging of Company Stock

Under our Code of Conduct, no employee or director is permitted to engage in securities transactions that would allow them either to insulate themselves from, or profit from, a decline in the Company stock price. Similarly, no employee or director may enter into hedging transactions in the Company's stock. Such transactions include (without limitation) short sales as well as any hedging transactions in derivative securities (e.g. puts, calls, swaps, or collars) or other speculative transactions related to YUM's stock. Pledging of Company stock is also prohibited.

Deductibility of Executive Compensation

The provisions of Section 162(m) of the Internal Revenue Code limit the tax deduction for compensation in excess of $1 million paid to certain NEOs. Performance-based compensation is excluded from the limit, however, so long as it meets certain requirements. The Committee intends that the annual bonus, SARs/Options, RSU and PSU awards satisfy the requirements for exemption under Internal Revenue Code Section 162(m).

For 2015, the annual salary paid to Mr. Creed exceeded $1 million. The other NEOs were in each case paid salaries of $1 million or less, except for Mr. Su whose salary exceeded $1 million; however, the Committee noted that Mr. Su's compensation is not subject to United States tax rules and, therefore, the $1 million limitation does not apply in his case. The 2015 annual bonuses were all paid pursuant to our annual bonus program and, therefore, we expect will be deductible. For 2015, the Committee set the maximum individual award opportunity based on a bonus pool for the CEO and the next two highest paid executive officers, other than Messrs. Creed, Su and Grismer. (Mr. Grismer is not included for purposes of our pool since under IRS rules the Chief Financial Officer is not subject to these limits.) The bonus pool for 2015 was equal to 1.5% of operating profit (adjusted to exclude special items believed to be distortive of consolidated results on a year-over-year basis — these are the same items excluded in the Company's annual earnings releases). The maximum payout opportunity for each executive was set at a fixed percentage of the pool. Based on the Company's operating profit, before special items of $2.0 billion, the bonus pool was set at approximately $30 million and the maximum 2015 award opportunity for each NEO was based on their applicable percentage of the pool (Mr. Creed=30%, Mr. Novak=20%, Mr. Pant=20% and Mr. Niccol=10% and Mr. Su=10%), (Under the terms of the shareholder approved plan no executive may earn a bonus in excess of $10 million for any year.) The Committee then exercised its discretion in determining actual incentive awards based on team performance and individual performance measures as described above.

Due to the Company's focus on performance-based compensation plans, we expect most compensation paid to the NEOs to continue to qualify as tax deductible, but the Committee may approve compensation that is not deductible under 162(m).

Management Planning and Development Committee Report

The Management Planning and Development Committee of the Board of Directors reports that it has reviewed and discussed with management the section of this proxy statement titled "Compensation Discussion and Analysis" and, on the basis of that review and discussion, recommended to the Board that the section be incorporated by reference into the Company's Annual Report on Form 10-K and included in this proxy statement.

THE MANAGEMENT PLANNING AND DEVELOPMENT COMMITTEE

Robert D. Walter, *Chair*
David W. Dorman
Massimo Ferragamo
Mirian M. Graddick-Weir
Thomas M. Ryan
Elane B. Stock

The following tables provide information on the compensation of the Named Executive Officers ("NEOs") for our 2015 fiscal year. The Company's NEOs are our Chief Executive Officer, Chief Financial Officer, and our three other most highly compensated executive officers for our 2015 fiscal year determined in accordance with SEC rules and one former executive officer who was no longer serving as an executive officer as of the end of the year.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)[(1)]	Bonus ($)	Stock Awards ($)[(2)]	Option/ SAR Awards ($)[(3)]	Non-Equity Incentive Plan Compensation ($)[(4)]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[(5)]	All Other Compensation ($)[(6)]	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Greg Creed Chief Executive Officer of YUM	2015	1,104,615	—	1,075,016	3,108,013	787,050	25,294	1,393,388	7,493,376
	2014	750,000	—	325,048	2,561,957	945,750	45,680	345,068	4,973,503
	2013	750,000	—	203,735	1,323,839	1,511,625	7,348	238,737	4,035,284
Patrick J. Grismer Chief Financial Officer of YUM	2015	790,192	—	420,070	1,680,012	445,200	12,861	162,132	3,510,467
	2014	707,500	—	350,019	1,475,973	267,410	9,087	142,114	2,952,103
	2013	638,462	—	114,098	1,765,138	277,875	3,977	179,480	2,979,030
David C. Novak Executive Chairman of YUM	2015	1,005,192	—	750,020	2,168,382	530,000	—	409,290	4,862,884
	2014	1,450,000	—	1,925,037	5,228,142	512,720	202,360	689,028	10,007,287
	2013	1,450,000	—	1,568,655	5,255,519	939,600	17,351	776,268	10,007,393
Micky Pant Chief Executive Officer of YUM Restaurants China	2015	849,038	—	355,012	1,419,011	1,473,548	42,979	950,622	5,090,210
	2014	750,000	—	350,019	1,475,973	799,500	32,735	313,356	3,721,583
	2013	750,000	—	203,735	1,323,839	784,875	15,640	309,198	3,387,287
Brian Niccol Chief Executive Officer of Taco Bell Division[(7)]	2015	697,688	—	250,031	2,091,503	1,512,000	8,123	180,361	4,739,706
Jing-Shyh S. Su Vice Chairman of the Board of YUM and Chief Executive Officer of YUM Restaurants China[(8)]	2015	1,100,000	—	459,031	1,834,009	468,683	—	5,455,648	9,317,371
	2014	1,100,000	—	450,045	1,907,966	378,235	1,956,023	5,035,711	10,827,980
	2013	1,100,000	—	342,294	1,765,123	614,790	727,430	5,768,264	10,317,901

(1) *Amounts shown are not reduced to reflect the NEOs' elections, if any, to defer receipt of salary into the Executive Income Deferral ("EID") Program or into the Company's 401(k) Plan.*

(2) *Amounts shown in this column represent the grant date fair values for performance share units (PSUs) granted in 2015, 2014 and 2013. Further information regarding the 2015 awards is included in the "Grants of Plan- Based Awards" and "Outstanding Equity Awards at Year-End" tables later in this proxy statement. The grant date fair value of the PSUs reflected in this column is the target payout based on the probable outcome of the performance condition, determined as of the grant date. The maximum potential values of the PSUs is 200% of target. For 2015, Mr. Creed's PSU maximum value at grant date fair value would be $2,150,032; Mr. Grismer's PSU maximum value would be $840,140; Mr. Novak's PSU maximum value would be $1,500,040; Mr. Pant's PSU maximum value would be $710,024; Mr. Niccol's PSU maximum value would be $500,062 and Mr. Su's PSU maximum value would be $918,062.*

(3) *The amounts shown in this column represent the grant date fair values of the stock options and stock appreciation rights (SARs) awarded in 2015, 2014 and 2013, respectively. For a discussion of the assumptions and methodologies used to value the awards reported in column (e) and column (f), please see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2015 Annual Report in Notes to Consolidated Financial Statements at Note 14, "Share-based and Deferred Compensation Plans." For Mr. Niccol this column also includes his 2015 CEO Award with a grant date fair value of $1,091,491. See the Grants of Plan-Based Awards table for details.*

(4) *Amounts in this column reflect the annual incentive awards earned for the 2015, 2014 and 2013 fiscal year performance periods, which were awarded by our Management Planning and Development Committee ("Committee") in January 2016, January 2015 and January 2014, respectively, under the Yum Leaders' Bonus Program, which is described further in our Compensation Discussion and Analysis ("CD&A") beginning at page 39 under the heading "Annual Performance-Based Cash Bonuses".*

(5) *Amounts in this column also represent the above market earnings as established pursuant to SEC rules which have accrued under each of their accounts under the LRP for Messrs. Grismer, Pant and Niccol and the Third Country National Plan ("TCN") for Mr. Creed of $23,096, which are described in more detail beginning at page 69 under the heading "Nonqualified Deferred Compensation".*

Also listed in this column for Mr. Creed is the amount of aggregate changes in actuarial present value of his accrued benefits under the Retirement Plan during the 2015 fiscal year (using interest rate and mortality assumptions consistent with those used in the Company's financial statements). Mr. Creed is not an active participant in the Retirement Plan but maintains a balance in the Retirement Plan from the two years (2002 and 2003) during which he was a participant and for 2015 the increase in actuarial value was $2,198. For Mr. Novak and Mr. Su the actuarial present value of their benefits under the Retirement Plan (for Mr. Novak) and the YIRP (for Mr. Su), decreased $19,700 and $324,490, respectively, during the 2015 fiscal year. Under SEC rules, a decrease in the actuarial value cannot be reported in the table. Mr. Grismer, Mr. Pant and Mr. Niccol were hired after September 30, 2001, and are ineligible for the Company's Retirement Plan. See the Pension Benefits Table at page 53 for a detailed discussion of the Company's pension benefits.

(6) *Amounts in this column are explained in the All Other Compensation Table and footnotes to that table, which follows.*

(7) *Mr. Niccol became a NEO in 2015. No amounts are reported for Mr. Niccol for 2013 and 2014 since he was not a NEO for those years.*

(8) *Mr. Su was Vice Chairman and Chairman and Chief Executive Officer of Yum Restaurants China until August 18, 2015; he was Executive Advisor to the Chief Executive Officer of Yum Restaurants China for the remainder of the year. See "Compensation Discussion and Analysis" at page 39 for additional information.*

All Other Compensation Table

The following table contains a breakdown of the compensation and benefits included under All Other Compensation in the Summary Compensation Table above for 2015.

Name	Perquisites and other personal benefits ($)[1]	Tax Reimbursements ($)[2]	Insurance premiums ($)[3]	LRP/TCN Contributions ($)[4]	Other ($)[5]	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Creed	598,881	364,951	17,056	412,500	—	1,393,388
Grismer	—	—	6,332	155,800	—	162,132
Novak	197,807	—	18,293	190,000	3,190	409,290
Pant	376,431	114,028	14,913	408,500	36,750	950,622
Niccol	47,718	2,215	3,172	126,350	906	180,361
Su	—	5,190,420	21,286	—	243,942	5,455,648

(1) *Amounts in this column include for Mr. Creed and Mr. Novak: incremental cost for the personal use of Company aircraft ($93,866 and $197,807 respectively) — we calculate the incremental cost to the Company of any personal use of Company aircraft based on the cost of fuel, trip-related maintenance, crew travel, on board catering, landing and license fees, "dead head" costs of flying planes to and from locations for personal use, and contract labor; for Mr. Creed: relocation expense ($505,015); for Mr. Pant: relocation and cost of living allowance ($150,000) and expenditures/housing allowance ($226,431); and for Mr. Niccol: relocation expense. As discussed in the Compensation Discussion and Analysis, the Company executed a letter of understanding with Mr. Grismer during 2015 that provided that on February 19, 2016, the Company would accelerate a portion of Mr. Grismer's unvested SARs having an intrinsic value of $500,000 on that date. Since the fair value of those SARs has already been reported in prior years or in the Summary Compensation Table above, no additional amount is reported here.*

(2) *Amounts in this column reflect payments to the executive of tax reimbursements. For Mr. Creed, this amount represents Company-provided tax reimbursement for his relocation associated with his new position as CEO effective January 1, 2015. For Mr. Pant, this amount represents Company-provided tax reimbursement for relocation, cost of living allowance and expenditure/housing allowance associated with his new position as CEO of the China Division. For Mr. Niccol, this amount represents Company-provided tax reimbursement for relocation expense. For Mr. Su, as explained at page 54, this amount represents the Company-provided tax reimbursement for China income taxes incurred on deferred income distributions and SARs exercises which exceed the marginal Hong Kong tax rate. As discussed in the Compensation Discussion and Analysis, the Company executed a retirement agreement with Mr. Su during 2015 in which the Company agreed to provide $5 million of tax reimbursements for China income taxes incurred on deferred income distributions and stock option and SARs exercises which exceed the marginal Hong Kong tax rate. Mr. Su's tax reimbursements in this column represents $1,927,747 paid to him prior to his retirement and $3,262,673 paid to him pursuant to his retirement agreement during 2015. He is entitled to receive up to $1,737,327 of additional tax reimbursements for China income taxes incurred which exceed the marginal Hong Kong tax rate on future deferred income distributions and stock option and SARs exercises.*

(3) *These amounts reflect the income each executive was deemed to receive from IRS tables related to Company-provided life insurance in excess of $50,000. The Company provides every salaried employee with life insurance coverage up to one times the employee's salary plus target bonus.*

(4) *For Messrs. Grismer, Novak, Pant and Niccol this column represents the Company's annual allocations to the LRP, an unfunded, unsecured account based retirement plan. For Mr. Creed, this column represents the Company's annual allocation to the TCN, an unfunded, unsecured account based retirement plan.*

(5) *This column reports the total amount of other benefits provided, none of which individually exceeded the greater of $25,000 or 10% of the total amount of these benefits and the perquisites and other personal benefits shown in column (b) for each NEO. These other benefits include: home security expense, home leave expenses, personal use of Company aircraft, tax preparation assistance and relocation.*

Grants of Plan-Based Awards

The following table provides information on stock options, SARs and PSUs granted in 2015 to each of the Company's NEOs. The full grant date fair value of these awards is shown in the Summary Compensation Table at page 62.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[(1)]			Estimated Future Payouts Under Equity Incentive Plan Awards[(2)]					
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Option/ SAR Awards; Number of Securities Underlying Options (#)[(3)]	Exercise or Base Price of Option/ SAR Awards ($/Sh)[(4)]	Grant Date Fair Value($)[(5)]
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Creed	2/6/2015	0	1,650,000	4,950,000						
	2/6/2015							194,982	73.93	3,108,013
	2/6/2015				—	14,541	29,082			1,075,016
Grismer	2/6/2015	0	840,000	2,520,000						
	2/6/2015							105,396	73.93	1,680,012
	2/6/2015				—	5,682	11,364			420,070
Novak	2/6/2015	0	1,000,000	3,000,000						
	2/6/2015							136,034	73.93	2,168,382
	2/6/2015				—	10,145	20,290			750,020
Pant	2/6/2015	0	1,003,096	3,009,288						
	2/6/2015							89,022	73.93	1,419,011
	2/6/2015				—	4,802	9,604			355,012
Niccol	2/6/2015	0	630,000	1,890,000						
	2/6/2015							62,736	73.93	1,000,012
	2/6/2015							68,475	73.93	1,091,491
	2/6/2015				—	3,382	6,764			250,031
Su	2/6/2015	0	1,265,000	3,795,000						
	2/6/2015							115,057	73.93	1,834,009
	2/6/2015				—	6,209	12,418			459,031

(1) *Amounts in columns (c), (d) and (e) provide the minimum amount, target amount and maximum amount payable as annual incentive compensation under the Yum Leaders' Bonus Program based on the Company's performance and on each executive's individual performance during 2015. The actual amount of annual incentive compensation awards are shown in column (g) of the Summary Compensation Table on page 62. The performance measurements, performance targets, and target bonus percentages are described in the CD&A beginning on page 39 under the discussion of annual incentive compensation.*

(2) *Reflects grants of PSU awards subject to performance-based vesting conditions in 2015. The PSU awards vest on December 31, 2017 and PSU award payouts are subject to the Company's achievement of specified relative total shareholder return ("TSR") rankings against its peer group (which is the S&P 500) during the performance period ending on December 31, 2017. The performance target for all the PSU awards granted to the NEOs in 2015 is a 50% TSR percentile ranking for the Company, determined by comparing the Company's relative TSR ranking against its peer group as measured at the end of the performance period. If the 50% TSR percentile ranking target is achieved, 100% of the PSU award will pay out in shares of Company stock, subject to executive's election to defer PSU awards into the EID Program. If less than 40% TSR percentile ranking is achieved, there will be no payout. If the Company's TSR percentile ranking is 90% or higher, PSU awards pay out at the maximum, which is 200% of target. The terms of the PSU awards provide that in case of a change in control during the first year of award, shares will be distributed assuming target performance was achieved subject to reduction to reflect the portion of the performance period following the change in control. In case of a change in control after the first year of the award, shares will be distributed assuming performance at the greater of target level or projected level at the time of the change in control subject to reduction to reflect the portion of the performance period following the change in control.*

(3) *Amounts in this column reflect the number of SARs and stock options granted to executives during the Company's 2015 fiscal year. SARs allow the grantee to receive the number of shares of YUM common stock that is equal in value to the appreciation in YUM common stock with respect to the number of SARs granted from the date of grant to the date of exercise. For each executive, the grants were made on February 6, 2015. SARs/stock options become exercisable in equal installments on the first, second, third and fourth anniversaries of the grant date; except, however, 68,475 SARs granted to Mr. Niccol become exercisable on the fifth anniversary of the grant date. The terms of each SAR/stock option grant provide that, in case of a change in control, if an executive is employed on the date of a change in control and is involuntarily terminated on or within two years following the change in control (other than by the Company for cause) then all outstanding awards become exercisable immediately.*

Executives who have attained age 55 with 10 years of service who terminate employment may exercise SARs/stock options that were vested on their date of termination through the expiration dates of the SARs/stock options (generally, the tenth anniversary following the SARs/stock options grant dates). Vested SARs/stock options of grantees who die may also be exercised by the grantee's beneficiary through the expiration dates of the vested SARs/stock options and the grantee's unvested SARs/stock options expire on the grantee's date of death. If a grantee's employment is terminated due to gross misconduct, the entire award is forfeited. For other employment terminations, all vested or previously exercisable SARs/stock options as of the last day of employment must be exercised within 90 days following termination of employment.

(4) *The exercise price of the SARs/stock options granted in 2015 equals the closing price of YUM common stock on the grant date, February 6, 2015.*

(5) Amounts in this column reflect the full grant date fair value of the PSU awards shown in column (g) and the SARs/stock options shown in column (i). The grant date fair value is the amount that the Company is expensing in its financial statements over the award's vesting schedule. For PSUs, fair value is calculated by multiplying the per unit value of the award ($73.93) by the target number of units corresponding to the most probable outcome of performance conditions on the grant date. For SARs/stock options, fair value of $15.94 was calculated using the Black-Scholes value on the February 6, 2015 grant date. For additional information regarding valuation assumptions of SARs/stock options, see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2015 Annual Report in Notes to Consolidated Financial Statements at Note 14, "Share-based and Deferred Compensation Plans."

Outstanding Equity Awards at Year-End

The following table shows the number of shares covered by exercisable and unexercisable stock options, SARs, and unvested RSUs and PSUs held by the Company's NEOs on December 31, 2015.

		Option/SAR Awards[1]				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options/ SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/ SARs (#) Unexercisable	Option/ SAR Exercise Price ($)	Option/ SAR Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[2]	Market Value of Shares or Units of Stock That Have Not Vested ($)[3]	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)[4]	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)[3]
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Creed	1/24/2008	107,085	—	$37.30	1/24/2018				
	2/5/2009	169,148	—	$29.29	2/5/2019				
	2/5/2010	172,118	—	$32.98	2/5/2020				
	2/4/2011	122,200	—	$49.30	2/4/2021				
	2/8/2012	62,066	20,689(i)	$64.44	2/8/2022				
	2/6/2013	45,461	45,462(ii)	$62.93	2/6/2023				
	2/5/2014	19,512	58,538(iii)	$70.54	2/5/2024				
	2/5/2014	—	68,767(vi)	$70.54	2/5/2024				
	2/6/2015	—	194,982(iv)	$73.93	2/6/2025				
						—	—	38,298	2,797,669
Grismer	1/19/2007	19,938	—	$29.61	1/19/2017				
	5/17/2007	16,262	—	$33.20	5/17/2017				
	1/24/2008	20,079	—	$37.30	1/24/2018				
	2/5/2009	33,830	—	$29.29	2/5/2019				
	5/21/2009	15,853	—	$33.21	5/21/2019				
	2/5/2010	34,424	—	$32.98	2/5/2020				
	2/5/2010	43,030	—	$32.98	2/5/2020				
	2/4/2011	24,440	—	$49.30	2/4/2021				
	2/8/2012	24,826	8,276(i)	$64.44	2/8/2022				
	2/6/2013	37,885	37,885(ii)(xi)	$62.93	2/6/2023				
	2/6/2013	—	45,462(v)(xi)	$62.93	2/6/2023				
	2/5/2014	21,145	63,438(iii)(xi)	$70.54	2/5/2024				
	2/6/2015	—	105,396(iv)(xi)	$73.93	2/6/2025				
						—	—	21,288	1,555,088
Novak	1/19/2007	490,960	—	$29.61	1/19/2017				
	1/24/2008	428,339	—	$37.30	1/24/2018				
	2/5/2009	575,102	—	$29.29	2/5/2019				
	2/5/2010	623,925	—	$32.98	2/5/2020				
	2/4/2011	496,254	—	$49.30	2/4/2021				
	2/8/2012	282,996	94,332(i)	$64.44	2/8/2022				
	2/6/2013	180,478	180,478(ii)	$62.93	2/6/2023				
	2/5/2014	74,901	224,706(iii)	$70.54	2/5/2024				
	2/6/2015	—	136,034(x)	$73.93	2/6/2025				
						—	—	74,870	5,469,254

		Option/SAR Awards[1]				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options/ SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/ SARs (#) Unexercisable	Option/ SAR Exercise Price ($)	Option/ SAR Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[2]	Market Value of Shares or Units of Stock That Have Not Vested ($)[3]	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)[4]	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)[3]
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Pant	1/19/2007	49,844	—	$29.61	1/19/2017				
	1/24/2008	133,856	—	$37.30	1/24/2018				
	1/24/2008	53,543	—	$37.30	1/24/2018				
	2/5/2009	135,318	—	$29.29	2/5/2019				
	2/5/2010	114,745	—	$32.98	2/5/2020				
	2/4/2011	101,833	—	$49.30	2/4/2021				
	11/18/2011	—	94,949(vii)	$53.84	11/18/2021				
	2/8/2012	86,892	28,964(i)	$64.44	2/8/2022				
	2/6/2013	45,461	45,462(ii)	$62.93	2/6/2023				
	2/5/2014	21,145	63,438(iii)	$70.54	2/5/2024				
	2/6/2015	—	89,022(iv)	$73.93	2/6/2025				
						—	—	19,528	1,426,520
Niccol	5/20/2010	61,232	—	$39.64	5/20/2020				
	2/4/2011	40,734	—	$49.30	2/4/2021				
	2/8/2012	24,826	8,276(i)	$64.44	2/8/2022				
	2/6/2013	18,942	18,943(ii)	$62.93	2/6/2023				
	5/15/2013	—	36,561(viii)	$69.92	5/15/2023				
	2/5/2014	10,315	30,945(iii)	$70.54	2/5/2024				
	2/6/2015	—	62,736(iv)	$73.93	2/6/2025				
	2/6/2015	—	68,475(ix)	$73.93	2/6/2025				
						29,241	2,136,055	6,764	494,110
Su	1/19/2007	132,918	—	$29.61	1/19/2017				
	1/24/2008	107,085	—	$37.30	1/24/2018				
	1/24/2008	267,712	—	$37.30	1/24/2018				
	2/5/2009	202,977	—	$29.29	2/5/2019				
	2/5/2010	172,118	—	$32.98	2/5/2020				
	2/4/2011	142,567	—	$49.30	2/4/2021				
	2/8/2012	124,131	41,378(i)	$64.44	2/8/2022				
	2/6/2013	60,615	60,616(ii)	$62.93	2/6/2023				
	2/5/2014	27,334	82,005(iii)	$70.54	2/5/2024				
	2/6/2015	—	115,057(iv)	$73.93	2/6/2025				
						—	—	25,178	1,839,253

(1) The actual vesting dates for unexercisable awards are as follows:
- *(i) Remainder of unexercisable awards will vest on February 8, 2016.*
- *(ii) One-half of the unexercisable award will vest on each of February 6, 2016 and 2017.*
- *(iii) One-third of the unexercisable award will vest on each of February 5, 2016, 2017, and 2018.*
- *(iv) One-fourth of the unexercisable award will vest on each of February 6, 2016, 2017, 2018, and 2019.*
- *(v) Unexercisable award will vest on February 6, 2018.*
- *(vi) Unexercisable awards will vest on February 5, 2019.*
- *(vii) Unexercisable award will vest on November 18, 2016.*
- *(viii) Unexercisable award will vest on May 15, 2018.*
- *(ix) Unexercisable award will vest on February 6, 2020.*
- *(x) One-fourth of the unexercisable award will vest on February 6, 2016, 2017, 2018, 2019. This award will continue to vest after retirement.*
- *(xi) For Mr. Grismer pursuant to his letter of understanding dated December 7, 2015, we accelerated vesting for all unvested options on February 19, 2016.*

(2) For Mr. Niccol, this amount represents deferral of his 2013 and 2014 bonuses into the EID Program's Matching Stock Fund.

(3) The market value of these awards are calculated by multiplying the number of shares covered by the award by $73.05, the closing price of YUM stock on the NYSE on December 31, 2015.

(4) The awards reflected in this column are unvested performance-based PSU awards with three-year performance periods that are scheduled to vest on December 31, 2016 or December 31, 2017 if the performance targets are met. In accordance with SEC rules, the PSU awards are reported at their maximum payout value.

Option Exercises and Stock Vested

The table below shows the number of shares of YUM common stock acquired during 2015 upon exercise of stock option and SAR awards and vesting of stock awards in the form of RSUs and PSUs, each including accumulated dividends and before payment of applicable withholding taxes and broker commissions. There was no payout with respect to the 2012 PSU awards for the 2012-2014 performance cycle because the average earnings per share during the performance cycle did not reach the required minimum average growth threshold. Therefore, there is nothing to report for the NEOs in columns (d) and (e) for PSUs.

	Option/SAR Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value realized on Vesting ($)
(a)	(b)	(c)	(d)	(e)
Creed	—	—	—	—
Grismer	—	—	16,118[1]	1,191,604
Novak	—	—	—	—
Pant	63,282	5,062,676	—	—
Niccol	—	—	16,512[1]	1,220,732
Su	147,170	9,299,137	—	—

(1) For each of Messrs. Grismer and Niccol this amount represents the deferral of the 2012 cash incentive award, which was deferred into RSUs under the EID program in 2013 and vested in 2015.

Pension Benefits

The table below shows the present value of accumulated benefits payable to each of the NEOs, including the number of years of service credited to each NEO, under the YUM! Brands Retirement Plan ("Retirement Plan"), and the YUM! Brands International Retirement Plan ("YIRP") determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements.

2015 FISCAL YEAR PENSION BENEFITS TABLE

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit[4] ($)	Payments During Last Fiscal Year ($)
(a)	(b)	(c)	(d)	(e)
Creed[i]	Retirement Plan[1]	2	157,033	—
Grismer[ii]	—	—	—	—
Novak	Retirement Plan[1]	29	1,578,656	—
Pant[ii]	—	—	—	—
Niccol[ii]	—	—	—	—
Su	International Retirement Plan[2]	26	20,135,280	—

(i) Mr. Creed is not an active participant in the Retirement Plan but maintains a balance in the Retirement Plan for the two years (2002 and 2003) during which he was a participant in the plan. As discussed at page 55, Mr. Creed participates in the Third Country National plan, an unfunded, unsecured deferred account-based retirement plan.

(ii) Messrs. Grismer, Pant, and Niccol are not accruing benefits under these plans because each was hired after September 30, 2001 and is therefore ineligible for these benefits. As discussed at page 55, they each participate in the LRP.

(1) YUM! Brands Retirement Plan

The Retirement Plan provides an integrated program of retirement benefits for salaried employees who were hired by the Company prior to October 1, 2001. The Retirement Plan replaces the same level of pre-retirement pensionable earnings for all similarly situated participants. The Retirement Plan is a tax qualified plan, and it is designed to provide the maximum possible portion of this integrated benefit on a tax qualified and funded basis.

Benefit Formula

Benefits under the Retirement Plan are based on a participant's final average earnings (subject to the limits under Internal Revenue Code Section 401(a)(17)) and service under the plan. Upon termination of employment, a participant's normal retirement benefit from the plan is equal to

A. 3% of Final Average Earnings times Projected Service up to 10 years of service, plus

B. 1% of Final Average Earnings times Projected Service in excess of 10 years of service, minus

C. 0.43% of Final Average Earnings up to Social Security covered compensation multiplied by Projected Service up to 35 years of service

the result of which is multiplied by a fraction, the numerator of which is actual service as of date of termination, and the denominator of which is the participant's Projected Service.

Projected Service is the service that the participant would have earned if he had remained employed with the Company until his normal retirement age (generally age 65).

If a participant leaves employment after becoming eligible for early or normal retirement, benefits are calculated using the formula above except that actual service attained at the participant's retirement date is used in place of Projected Service.

Final Average Earnings

A participant's final average earnings is determined based on his highest five consecutive years of pensionable earnings. Pensionable earnings is the sum of the participant's base pay and annual incentive compensation from the Company, including amounts under the Yum Leaders' Bonus Program. In general, base pay includes salary, vacation pay, sick pay and short term disability payments. Extraordinary bonuses and lump sum payments made in connection with a participant's termination of employment are not included.

Vesting

A participant receives a year of vesting service for each year of employment with the Company. A participant is 0% vested until he has been credited with at least five years of vesting service. Upon attaining five years of vesting service, a participant becomes 100% vested. All NEOs eligible for the Retirement Plan or YIRP are 100% vested.

Normal Retirement Eligibility

A participant is eligible for normal retirement following the later of age 65 or 5 years of vesting service.

Early Retirement Eligibility and Reductions

A participant is eligible for early retirement upon reaching age 55 with 10 years of vesting service. A participant who has met the requirements for early retirement and who elects to begin receiving payments from the plan prior to age 62 will receive a reduction of $^1/_{12}$ of 4% for each month benefits begin before age 62. Benefits are unreduced at age 62.

The table below shows when each of the NEOs became eligible for early retirement and the estimated lump sum value of the benefit each participant would receive from YUM plans (both qualified and non-qualified) if he retired from the Company on December 31, 2015 and received a lump sum payment.

Name	Earliest Retirement Date	Estimated Lump Sum from a Qualified Plan[(1)]	Estimated Lump Sum from a Non-Qualified Plan[(2)]	Total Estimated Lump Sum
Greg Creed	August 1, 2012	186,755	—	186,755
David C. Novak	November 1, 2007	1,592,609	—	1,592,609
Jing-Shyh S. Su	May 1, 2007	—	20,275,018	20,275,018

(1) The Retirement Plan

(2) The YIRP

The estimated lump sum values in the table above are calculated assuming no increase in the participant's Final Average Earnings. The lump sums are estimated using the mortality table and interest rate assumptions in the Retirement Plan for participants who would actually commence benefits on January 1, 2016. Actual lump sums may be higher or lower depending on the mortality table and interest rate in effect at the time of distribution and the participant's Final Average Earnings at his date of retirement.

Lump Sum Availability

Lump sum payments are available to participants who meet the requirements for early or normal retirement. Participants who leave the Company prior to meeting the requirements for Early or Normal Retirement must take their benefits in the form of a monthly annuity and no lump sum is available. When a lump sum is paid from the plan, it is calculated based on actuarial assumptions for lump sums required by Internal Revenue Code Section 417(e)(3).

(2) YUM! Brands International Retirement Plan

The YIRP is an unfunded, non-qualified defined benefit plan that covers certain international employees who are designated by the Company as third country nationals. Mr. Su is eligible for benefits under this plan. The YIRP provides a retirement benefit similar to the Retirement Plan except that part C of the formula is calculated as the sum of:

a) Company financed State benefits or Social Security benefits if paid periodically
b) The actuarial equivalent of all State paid or mandated lump sum benefits financed by the Company
c) Any other Company financed benefits that are attributable to periods of pensionable service and that are derived from a plan maintained or contributed to by the Company or one or more of the group of corporations that is controlled by the Company.

Benefits are payable under the same terms and conditions as the Retirement Plan without regard to Internal Revenue Service limitations on amounts of includible compensation and maximum benefits.

(3) Present Value of Accumulated Benefits

For all plans, the Present Value of Accumulated Benefits (determined as of December 31, 2015) is calculated assuming that each participant is eligible to receive an unreduced benefit payable in the form of a single lump sum at age 62. This is consistent with the methodologies used in financial accounting calculations. In addition, the economic assumptions for the lump sum interest rate, post retirement mortality, and discount rate are also consistent with those used in financial accounting calculations at each measurement date.

Nonqualified Deferred Compensation

Amounts reflected in the Nonqualified Deferred Compensation table below are provided for under the Company's Executive Income Deferral ("EID") Program, Leadership Retirement Plan ("LRP") and Third Country National Plan ("TCN"). These plans are unfunded, unsecured deferred, account-based compensation plans. For each calendar year, participants are permitted under the EID Program to defer up to 85% of their base pay and up to 100% of their annual incentive award. As discussed beginning at page 55, Messrs. Novak, Grismer, Pant and Niccol are eligible to participate in the LRP. The LRP provides an annual allocation to the accounts of Messrs. Novak, Niccol and Grismer equal to 9.5% of each of his salary plus target bonus and to Mr. Pant equal to 20% of his salary plus target bonus. As discussed beginning at page 55, Mr. Creed is eligible to participate in the TCN. The TCN provides for an annual allocation to Mr. Creed's account equal to 15% of his salary plus target bonus.

EID Program

Deferred Investments under the EID Program. Amounts deferred under the EID Program may be invested in the following phantom investment alternatives (12 month investment returns are shown in parentheses):

- YUM! Stock Fund (2.45%*)
- YUM! Matching Stock Fund (2.45%*)
- S&P 500 Index Fund (-0.74%)
- Bond Market Index Fund (-0.19%)
- Stable Value Fund (1.54%)

All of the phantom investment alternatives offered under the EID Program are designed to match the performance of actual investments; that is, they provide market rate returns and do not provide for preferential earnings. The S&P 500 index fund, bond market index fund and stable value fund are designed to track the investment return of like-named funds offered under the Company's 401(k) Plan. The YUM! Stock Fund and YUM! Matching Stock Fund track the investment return of the Company's common stock. Participants may transfer funds between the investment alternatives on a quarterly basis except (1) funds invested in the YUM! Stock Fund or YUM! Matching Stock Fund may not be transferred once invested in these funds and (2) a participant may only elect to invest into the YUM! Matching Stock Fund at the time the annual incentive deferral election is made. In the case of the Matching Stock Fund, participants who defer their annual incentive into this fund acquire additional phantom shares (called restricted stock units ("RSUs")) equal to 33% of the RSUs received with respect to the deferral of their annual incentive into the YUM! Matching Stock Fund (the additional RSUs are referred to as "matching contributions"). The RSUs attributable to the matching contributions are allocated on the same day the RSUs attributable to the annual incentive are allocated, which is the same day we make our annual stock appreciation right grants. Eligible amounts attributable to the matching contribution under the YUM! Matching Stock Fund are included in column (c) below as contributions by the Company (and represent amounts actually credited to the NEO's account during 2015). Beginning with their 2009 annual incentive award, those who are eligible for PSU awards are no longer eligible to participate in the Matching Stock Fund.

RSUs attributable to annual incentive deferrals into the YUM! Matching Stock Fund and matching contributions vest on the second anniversary of the grant (or upon a change of control of the Company, if earlier) and are payable as shares of YUM common stock pursuant to the participant's deferral election. Unvested RSUs held in a participant's YUM! Matching Stock Fund account are forfeited if the participant voluntarily terminates employment with the Company within two years of the deferral date. If a participant terminates employment involuntarily, the portion of the account attributable to the matching contributions is forfeited and the participant will receive an amount equal to the amount of the original amount deferred. If a participant dies or becomes disabled during the restricted period, the participant fully vests in the RSUs. Dividend equivalents are accrued during the restricted period but are only paid if the RSUs vest. RSUs held by a participant who has attained age 65 with five years of service vest immediately. In the case of a participant who has attained age 55 with 10 years of service, RSUs attributable to bonus deferrals into the YUM! Matching Stock Fund vest immediately and RSUs attributable to the matching contribution vest on a pro rata basis during the period beginning on the first anniversary of the grant and ending on the second anniversary of the grant and are fully vested on the second anniversary.

Distributions under EID Program. When participants elect to defer amounts into the EID Program, they also select when the amounts ultimately will be distributed to them. Distributions may either be made in a specific year — whether or not employment has then ended — or at a time that begins at or after the executive's retirement, separation or termination of employment.

Distributions can be made in a lump sum or quarterly or annual installments for up to 20 years. Initial deferrals are subject to a minimum two year deferral. In general, with respect to amounts deferred after 2005 or not fully vested as of January 1, 2005, participants may change their distribution schedule, provided the new elections satisfy the requirements of Section 409A of the Internal Revenue Code. In general, Section 409A requires that:

- Distribution schedules cannot be accelerated (other than for a hardship)
- To delay a previously scheduled distribution,
  - A participant must make an election at least one year before the distribution otherwise would be made, and
  - The new distribution cannot begin earlier than five years after it would have begun without the election to re-defer.

With respect to amounts deferred prior to 2005, to delay a distribution the new distribution cannot begin until two years after it would have begun without the election to re-defer.

Investments in the YUM! Stock Fund and YUM! Matching Stock Fund are only distributed in shares of Company stock.

* *Assumes dividends are not reinvested.*

LRP

LRP Account Returns. The LRP provides an annual earnings credit to each participant's account based on the value of participant's account at the end of each year. Under the LRP, Mr. Novak receives an annual earnings credit equal to 120% of the applicable federal interest rate. Mr. Grismer, Mr. Niccol and Mr. Pant receive an annual earnings credit equal to 5%. The Company's contribution ("Employer Credit") for 2015 is equal to 9.5% of salary plus target bonus for Mr. Novak, Mr. Niccol and Mr. Grismer and 20% for Mr. Pant.

Distributions under LRP. Under the LRP, participants age 55 or older are entitled to a lump sum distribution of their account balance in the quarter following their separation of employment. Participants under age 55 with a vested LRP benefit combined with any other deferred compensation benefits covered under Code Section 409A exceeds $15,000, will not receive a distribution until the calendar quarter that follows the participant's 55th birthday.

TCN

TCN Account Returns. The TCN provides an annual earnings credit to each participant's account based on the value of each participant's account at the end of each year. Under the TCN, Mr. Creed receives an annual earnings credit equal to 5%. For Mr. Creed, the Employer Credit for 2015 was equal to 15% of his salary plus target bonus.

Distributions under TCN. Under the TCN, participants age 55 or older with a balance of $15,000 or more, are entitled to a lump sum distribution of their account balance in the quarter following their separation of employment. Participants under age 55 who separate employment with the Company will receive interest annually and their account balance will be distributed in the quarter following their 55th birthday.

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings in Last FY ($)(3)	Aggregate Withdrawals/ Distributions ($)(4)	Aggregate Balance at Last FYE ($)(5)
(a)	(b)	(c)	(d)	(e)	(f)
Creed	—	412,500	215,583	16,049	9,883,463
Grismer	267,410	155,800	89,060	65,019	3,336,050
Novak	512,720	190,000	5,705,086	6,684	239,013,330
Pant	721,683	408,500	288,715	15,894	11,508,418
Niccol	669,630	349,560	90,856	199,584	3,860,857
Su	378,235	—	188,939	3,866,147	1,051,872

(1) *Amounts in column (b) reflect amounts that were also reported as compensation in our Summary Compensation Table filed last year or, would have been reported as compensation in our Summary Compensation Table last year if the executive were a NEO.*

(2) *Amounts in column (c) reflect Company contributions for EID Program matching contribution, LRP and/or TCN allocation as follows: Mr. Novak, $190,000 LRP allocation; Mr. Grismer, $155,800 LRP allocation; Mr. Creed, $412,500 TCN allocation; Mr. Niccol, $126,350 LRP allocation and $223,210 EID matching contribution, and Mr. Pant, $408,500 LRP allocation. See footnote 6 of the Summary Compensation Table for more detail.*

(3) *Amounts in column (d) reflect earnings during the last fiscal year on deferred amounts. All earnings are based on the investment alternatives offered under the EID Program or the earnings credit provided under the LRP or the TCN described in the narrative above this table. The EID Program earnings are market based returns and, therefore, are not reported in the Summary Compensation Table. For Messrs. Grismer, Pant and Niccol, of their earnings reflected in this column, $12,861, $42,979 and $8,123 respectively were deemed above market earnings accruing to each of their accounts under the LRP. For Mr. Creed, of his earnings reflected in this column, $23,096 were deemed above market earnings accruing to his account under the TCN. Mr. Novak receives a market rate of interest on his account under the LRP. For above market earnings on nonqualified deferred compensation, see the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table.*

(4) *All amounts shown in column (e) were distributed in accordance with the executive's deferral election, except in the case of the following amounts distributed to pay payroll taxes due upon their account balance under the EID Program, LRP or TCN for 2015.*

Creed	16,049
Grismer	65,019
Novak	6,684
Pant	15,894
Niccol	69,469

(5) *Amounts reflected in column (f) are the year-end balances for each executive under the EID Program, TCN and the LRP. As required under SEC rules, below is the portion of the year-end balance for each executive which has previously been reported as compensation to the executive in the Company's Summary Compensation Table for 2015 and prior years.*

Creed	4,954,757
Grismer	2,887,547
Novak	88,280,855
Pant	2,933,282
Niccol	1,027,313
Su	993,025

Potential Payments Upon Termination or Change in Control

The information below describes and quantifies certain compensation that would become payable under existing plans and arrangements if the NEO's employment had terminated on December 31, 2015, given the NEO's compensation and service levels as of such date and, if applicable, based on the Company's closing stock price on that date. These benefits are in addition to benefits available generally to salaried employees, such as distributions under the Company's 401(k) Plan, retiree medical benefits, disability benefits and accrued vacation pay.

Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event, the Company's stock price and the executive's age.

Stock Options and SAR Awards. If one or more NEOs terminated employment for any reason other than retirement, death, disability or following a change in control as of December 31, 2015, they could exercise the stock options and SARs that were exercisable on that date as shown at the Outstanding Equity Awards at Year-End table on page 65, otherwise all options and SARs, pursuant to their terms, would have been forfeited and cancelled after that date. If the NEO had retired, died or become disabled as of December 31, 2015, exercisable stock options and SARs would remain exercisable through the term of the award. Except in the case of a change in control, no stock options or SARs become exercisable on an accelerated basis. Benefits a NEO may receive on a change of control are discussed below.

Executive Income Deferral Program. As described in more detail beginning at page 70, the NEOs participate in the EID Program, which permits the deferral of salary and annual incentive compensation. The last column of the Nonqualified Deferred Compensation Table on page 71 includes each NEO's aggregate balance at December 31, 2015. The NEOs are entitled to receive their vested amount under the EID Program in case of voluntary termination of employment. In the case of involuntary termination of employment, they are entitled to receive their vested benefit and the amount of the unvested benefit that corresponds to their deferral. In the case of death, disability or retirement after age 65, they or their beneficiaries are entitled to their entire account balance as shown in the last column of the Nonqualified Deferred Compensation table on page 71.

In the case of an involuntary termination of employment as of December 31, 2015, each NEO would receive the following: Mr. Creed $8,190,193, Mr. Grismer $2,465,015, Mr. Novak $207,535,309, Mr. Pant $8,702,530, Mr. Niccol $2,661,027 and Mr. Su $1,051,872. As discussed at page 71, these amounts reflect bonuses previously deferred by the executive and appreciation on these deferred amounts (see page 70 for discussion of investment alternatives available under the EID). In Mr. Novak's case, approximately 80% of his balance is invested in Company RSUs, which he will receive in the form of Company stock following his retirement. The other NEOs' EID balances are invested primarily in RSUs. Thus, Mr. Novak and the other NEOs' EID account balances represent deferred bonuses (earned in prior years) and appreciation of their accounts based primarily on the performance of the Company's stock.

Leadership Retirement Plan. Under the LRP, participants age 55 are entitled to a lump sum distribution of their account balance following their termination of employment. Participants under age 55 who terminate with more than five years of service will receive their account balance at their 55th birthday. In case of termination of employment as of December 31, 2015, Mr. Grismer would receive $871,035 when he attains age 55, Mr. Novak would have received $31,478,021, Mr. Pant would have received $2,805,888 and Mr. Niccol would receive $576,508 when he attains age 55.

Third Country National Plan. Under the TCN, participants age 55 or older are entitled to a lump sum distribution of their account balance in the quarter following their termination

of employment. Participants under age 55 who terminate will receive interest annually and their account balance will be distributed in the quarter following their 55th birthday. In case of termination of employment as of December 31, 2015, Mr. Creed would have received $1,693,271.

Performance Share Unit Awards. If one or more NEOs terminated employment for any reason other than retirement or death or following a change in control and prior to achievement of the performance criteria and vesting period, then the award would be cancelled and forfeited. If the NEO had retired, or died as of December 31, 2015, the PSU award would be paid out based on actual performance for the performance period, subject to a pro rata reduction reflecting the portion of the performance period not worked by the NEO. If any of these terminations had occurred on December 31, 2015, Messrs. Creed, Grismer, Novak, Pant, Niccol and Su would have been entitled to $592,442, $391,229, $1,629,718, $369,464, $83,643, and $475,906, respectively, assuming target performance.

Pension Benefits. The Pension Benefits Table on page 67 describes the general terms of each pension plan in which the NEOs participate, the years of credited service and the present value of the annuity payable to each NEO assuming termination of employment as of December 31, 2015. The table on page 69 provides the present value of the lump sum benefit payable to each NEO when they attain eligibility for Early Retirement (i.e., age 55 with 10 years of service) under the plans.

Life Insurance Benefits. For a description of the supplemental life insurance plans that provide coverage to the NEOs, see the All Other Compensation Table on page 63. If the NEOs had died on December 31, 2015, the survivors of Messrs. Creed, Grismer, Novak, Pant, Niccol and Su would have received Company-paid life insurance of $2,750,000; $1,640,000; $2,000,000; $2,043,000; $1,330,000 and $2,365,000, respectively, under this arrangement. Executives and all other salaried employees can purchase additional life insurance benefits up to a maximum combined company paid and additional life insurance of $3.5 million. This additional benefit is not paid or subsidized by the Company and, therefore, is not shown here.

Change in Control. Change in control severance agreements are in effect between YUM and certain key executives (including Messrs. Creed, Grismer, Novak, Pant and Niccol). These agreements are general obligations of YUM, and provide, generally, that if, within two years subsequent to a change in control of YUM, the employment of the executive is terminated (other than for cause, or for other limited reasons specified in the change in control severance agreements) or the executive terminates employment for Good Reason (defined in the change in control severance agreements to include a diminution of duties and responsibilities or benefits), the executive will be entitled to receive the following:

- a proportionate annual incentive assuming achievement of target performance goals under the bonus plan or, if higher, assuming continued achievement of actual Company performance until date of termination,
- a severance payment equal to two times the sum of the executive's base salary and the target bonus or, if higher, the actual bonus for the year preceding the change in control of the Company, and
- outplacement services for up to one year following termination.

In March 2013, the Company eliminated excise tax gross-ups and implemented a best net after-tax method. See the Company's CD&A on page 43 for more detail.

The change in control severance agreements have a three-year term and are automatically renewable each January 1 for another three-year term. An executive whose employment is not terminated within two years of a change in control will not be entitled to receive any severance payments under the change in control severance agreements.

Generally, pursuant to the agreements, a change in control is deemed to occur:

(i) if any person acquires 20% or more of the Company's voting securities (other than securities acquired directly from the Company or its affiliates);

(ii) if a majority of the directors as of the date of the agreement are replaced other than in specific circumstances; or

(iii) upon the consummation of a merger of the Company or any subsidiary of the Company other than (a) a merger where the Company's directors immediately before the change in control constitute a majority of the directors of the resulting organization, or (b) a merger effected to implement a recapitalization of the Company in which no person is or becomes the beneficial owner of securities of the Company representing 20% or more of the combined voting power of the Company's then-outstanding securities.

In addition to the payments described above, upon a change in control:

- All stock options and SARs granted prior to 2013 and held by the executive will automatically vest and become exercisable. For all stock options and SARs granted beginning in 2013, outstanding awards will fully and immediately vest following a change in control if the executive is employed on the date of the change in control of the Company and is involuntarily terminated (other than by the Company for cause) on or within two years following the change in control. See Company's CD&A on page 39 for more detail.

- All RSUs under the Company's EID Program held by the executive will automatically vest.
- All PSU awards under the Company's Performance Share Plan awarded in the year in which the change in control occurs will be paid out at target assuming a target level performance had been achieved for the entire performance period, subject to a pro rata reduction to reflect the portion of the performance period after the change in control. All PSUs awarded for performance periods that began before the year in which the change in control occurs will be paid out assuming performance achieved for the performance period was at the greater of target level performance or projected level of performance at the time of the change in control, subject to pro rata reduction to reflect the portion of the performance period after the change in control. In all cases, executives must be employed with the Company on the date of the change in control and involuntarily terminated upon or following the change in control and during the performance period. See Company's CD&A on page 39 for more detail.

If a change in control and each NEO's involuntary termination had occurred as of December 31, 2015, the following payments or other benefits would have been made or become available.

	Creed $	Grismer $	Novak $	Pant $	Niccol $
Severance Payment	5,500,000	3,280,000	4,000,000	3,906,875	2,739,260
Annual Incentive	1,650,000	840,000	1,000,000	1,003,438	669,630
Accelerated Vesting of Stock Options and SARs	957,743	1,073,957	3,202,648	2,692,655	455,067
Accelerated Vesting of RSUs	—	—	—	—	—
Acceleration of PSU Performance/Vesting	592,442	391,229	1,629,718	369,464	83,643
Outplacement	25,000	25,000	25,000	25,000	25,000
TOTAL	**8,725,185**	**5,610,186**	**9,857,366**	**7,997,432**	**3,972,600**

If a change in control without an involuntary termination had occurred as of December 31, 2015, the following benefits would have become available.

	Creed $	Grismer $	Novak $	Pant $	Niccol $
Accelerated Vesting of Stock Options and SARs	178,132	71,256	812,199	2,073,350	71,256
Accelerated Vesting of RSUs	—	—	—	—	—
Acceleration of PSU Performance/Vesting	—	—	—	—	—
TOTAL	**178,132**	**71,256**	**812,199**	**2,073,350**	**71,256**

DIRECTOR COMPENSATION

The table below summarizes compensation paid to each non-employee director during 2015.

The Company primarily uses stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill level required by the Company of members of the Board. The Board typically reviews each element of director compensation every two years.

In 2015, the Management Planning and Development Committee of the Board ("Committee") benchmarked the Company's director compensation against director compensation from the Company's Executive Peer Group discussed at page 36 as well as published survey data from the National Association of Corporate Directors for the largest 200 companies in the S&P 500. Data for this review was prepared for the Committee by its independent consultant, Meridian Compensation Partners LLC. This data revealed that the Company's director compensation was below the 50th percentile against both benchmarks and that the retainers paid to the Lead Director and the Chairpersons of the Audit Committee and the Management Planning and Development Committee were consistent with market practice. Following its review, the Board elected to increase non-employee director annual compensation to $240,000 which was approximately at the 50th percentile of the Company's Executive Peer Group (directors will receive a stock grant retainer with a fair market value of $200,000 and an annual SARs grant with an economic value of approximately $40,000). This change became effective in February 2016 and was paid beginning in February 2016. Previously, directors were paid in November of each year. This change in timing to February 2016 means that directors did not receive a stock retainer award or a SARs award during 2015, and, therefore, no stock retainer award or SARs award is reported below, except in the case of Messrs. Cornell and Meister who received initial stock retainer awards of $25,000 upon joining the Board in 2015. In addition, Mr. Cornell received a prorated stock retainer and SARs award for joining the Board two months prior to the Board adopting the changes described above.

The Board elected not to change retainers paid to the Chairpersons or Lead Director.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option/SAR Awards ($)(2)(3)	All Other Compensation ($)(4)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)
Cavanagh, Michael	—	—	—	15,172	15,172
Cornell, Brian	—	39,167	2,807	—	41,973
Dorman, Dave	—	—	—	10,000	10,000
Ferragamo, Massimo	—	—	—	—	—
Graddick-Weir, Mirian	—	—	—	7,500	7,500
Hill, Bonnie	—	—	—	—	—
Linen, Jonathan	—	—	—	10,000	10,000
Meister, Keith	—	25,000	—	25,000	50,000
Nelson, Thomas	—	—	—	1,000	1,000
Ryan, Thomas	—	—	—	2,500	2,500
Stock, Elane	—	—	—	1,000	1,000
Walter, Robert	—	—	—	5,000	5,000

(1) Amounts in column (c) represent the grant date fair value for annual stock retainer awards granted to directors in 2015.

(2) Amounts in column (d) represent the grant date fair value for annual SARs granted in fiscal 2015. For a discussion of the assumptions used to value the awards, see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2015 Annual Report in Notes to Consolidated Financial Statements at Note 14, "Share-based and Deferred Compensation Plans."

Proxy Statement

3) At December 31, 2015, the aggregate number of options and SARs awards outstanding for each non-management director was:

Name	SARs
Cavanagh, Michael	6,252
Cornell, Brian	150
Dorman, Dave	28,150
Ferragamo, Massimo	28,150
Graddick-Weir, Mirian	8,391
Hill, Bonnie	28,150
Linen, Jonathan	28,150
Meister, Keith	—
Nelson, Thomas	19,733
Ryan, Thomas	28,150
Stock, Elane	1,927
Walter, Robert	21,717

(4) Represents amount of matching charitable contributions made on behalf of the director under the Company's matching gift program and/or the amount of charitable contribution made in the director's name.

Employee Directors. Employee directors do not receive additional compensation for serving on the Board of Directors.

Non-Employee Directors Annual Compensation prior to 2015. Prior to 2015, each director who was not an employee of YUM received an annual stock grant retainer with a fair market value of $170,000 and an annual grant of vested SARs having an economic value of approximately $30,000 with an exercise price equal to the fair market value of Company stock on the date of grant. Directors may request to receive up to one-half of their stock retainer in cash. The request must be submitted to the Chair of the Management Planning and Development Committee. Directors may also defer payment of their retainers pursuant to the Directors Deferred Compensation Plan. Deferrals are invested in phantom Company stock and paid out in shares of Company stock. Deferrals may not be made for less than two years.

Committee Chairperson Retainer. In recognition of their added duties, the Lead Director of the Board (Mr. Ryan in 2015) receives an additional $25,000 stock retainer annually, the Chair of the Audit Committee (Mr. Nelson in 2015) receives an additional $20,000 stock retainer annually and the Chair of the Management Planning and Development Committee (Mr. Walter in 2015) receives an additional $15,000 stock retainer annually. These retainers were paid in November 2014 for 2015.

Initial Stock Grant upon Joining Board. Non-employee directors also receive a one-time stock grant with a fair market value of $25,000 on the date of grant upon joining the Board, distribution of which is deferred until termination from the Board.

Stock Ownership Requirements. Similar to executive officers, directors are subject to share ownership requirements. The directors' requirements provide that directors will not sell any of the Company's common stock received as compensation for service on the Board until the director has ceased being a member of the Board for one year (sales are permitted to the extent necessary to pay income taxes attributable to any stock retainer payment or exercise of a stock option or SAR).

Matching Gifts. To further YUM's support for charities, non-employee directors are able to participate in the YUM! Brands, Inc. Matching Gifts Program on the same terms as YUM's employees. Under this program, the YUM! Brands Foundation will match up to $10,000 a year in contributions by the director to a charitable institution approved by the YUM! Brands Foundation. At its discretion, the Foundation may match director contributions exceeding $10,000. In 2015, the Foundation implemented a matching gift incentive program in which it agreed to match without limit charitable contributions to the World Food Programme by any Yum employee or non-employee director. The Foundation matched Mr. Cavanagh's and Mr. Meister's contributions in excess of $10,000 to the World Food Programme under this program in 2015.

Insurance. We also pay the premiums on directors' and officers' liability and business travel accident insurance policies. The annual cost of this coverage was approximately $2 million. This is not included in the tables above as it is not considered compensation to the directors.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes, as of December 31, 2015, the equity compensation plans under which we may issue shares of stock to our directors, officers and employees under the Long Term Incentive Plan (the "1999 Plan"), the 1997 Long Term Incentive Plan (the "1997 Plan"), the SharePower Plan and the Restaurant General Manager Stock Option Plan (the "RGM Plan").

Plan Category	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	13,674,543[1]	51.50[2]	4,344,985[3]
Equity compensation plans not approved by security holders[4]	157,891	61.89[2]	8,208,434
TOTAL	**13,832,434[1]**	**51.80[2]**	**12,553,419[3]**

(1) Includes 5,139,612 shares issuable in respect of RSUs, performance units and deferred units.

(2) Weighted average exercise price of outstanding options and SARs only.

(3) Includes 2,172,493 shares available for issuance of awards of stock units, restricted stock, restricted stock units and performance share unit awards under the 1997 Plan, the 1999 Plan and the Sharepower Plan.

(4) Awards are made under the RGM Plan.

What are the key features of the 1999 Plan?

The 1999 Plan provides for the issuance of up to 70,600,000 shares of stock as non-qualified stock options, incentive stock options, SARs, restricted stock, restricted stock units, performance shares or performance units. Only our employees and directors are eligible to receive awards under the 1999 Plan. The purpose of the 1999 Plan is to motivate participants to achieve long range goals, attract and retain eligible employees, provide incentives competitive with other similar companies and align the interest of employees and directors with those of our shareholders. The 1999 Plan is administered by the Management Planning and Development Committee of the Board of Directors (the "Committee"). The exercise price of a stock option grant or SAR under the 1999 Plan may not be less than the average market price of our stock on the date of grant for years prior to 2008 or the closing price of our stock on the date of the grant beginning in 2008, and no options or SARs may have a term of more than ten years. The options and SARs that are currently outstanding under the 1999 Plan generally vest over a one to four year period and expire ten years from the date of the grant. Our shareholders approved the 1999 Plan in May 1999, and the plan as amended in 2003 and again in 2008. The performance measures of the 1999 Plan were re-approved by our shareholders in May 2013.

What are the key features of the 1997 Plan?

The 1997 Plan provides for the issuance of up to 90,000,000 shares of stock. Effective January 1, 2002, only restricted shares could be issued under this plan. This plan is utilized with respect to payouts on shares from our deferral plans and was originally approved by PepsiCo, Inc. as the sole shareholder of the Company in 1997, prior to the spin-off of the Company from PepsiCo, Inc. on October 6, 1997.

What are the key features of the SharePower Plan?

The SharePower Plan provides for the issuance of up to 28,000,000 shares of stock. The SharePower Plan allows us to award non-qualified stock options, SARs, restricted stock and restricted stock units. Employees, other than executive officers, are eligible to receive awards under the SharePower Plan. The SharePower Plan is administered by the Committee. The exercise price of a stock option or SAR grant under the SharePower Plan may not be less than the closing price of our stock on the date of the grant and no option or SAR may have a term of more than ten years. The options that are currently outstanding under the SharePower Plan generally vest over a one to four year period beginning on the date of grant.

The SharePower Plan was originally approved by PepsiCo, Inc. as the sole shareholder of the Company in 1997, prior to the spin-off of the Company from PepsiCo, Inc. on October 6, 1997.

What are the key features of the RGM Plan?

The RGM Plan provides for the issuance of up to 30,000,000 shares of common stock at a price equal to or greater than the closing price of our stock on the date of grant. The RGM Plan allows us to award non-qualified stock options, SARs, restricted stock and RSUs. Employees, other than executive officers, are eligible to receive awards under the RGM Plan. The purpose of the RGM Plan is (i) to give restaurant general managers (“RGMs”) the opportunity to become owners of stock, (ii) to align the interests of RGMs with those of YUM’s other shareholders, (iii) to emphasize that the RGM is YUM’s #1 leader, and (iv) to reward the performance of RGMs. In addition, the Plan provides incentives to Area Coaches, Franchise Business Leaders and other supervisory field operation positions that support RGMs and have profit and loss responsibilities within a defined region or area. While all non-executive officer employees are eligible to receive awards under the RGM plan, all awards granted have been to RGMs or their direct supervisors in the field. Grants to RGMs generally have four year vesting and expire after ten years. The RGM Plan is administered by the Committee, and the Committee has delegated its responsibilities to the Chief People Officer of the Company. The Board of Directors approved the RGM Plan on January 20, 1998.

AUDIT COMMITTEE REPORT

Who serves on the Audit Committee of the Board of Directors?

The members of the Audit Committee are Michael Cavanagh, Brian Cornell, Jonathan S. Linen, Keith Meister, P. Justin Skala and Thomas C. Nelson, Chair. (Mr. Skala was appointed to the committee on March 4, 2016 after the committee had approved this report and, therefore, did not sign the report.)

The Board of Directors has determined that all of the members of the Audit Committee are independent within the meaning of applicable SEC regulations and the listing standards of the NYSE and that Mr. Nelson, the chair of the Committee, is qualified as an audit committee financial expert within the meaning of SEC regulations. The Board has also determined that Mr. Nelson has accounting and related financial management expertise within the meaning of the listing standards of the NYSE and that each member is financially literate within the meaning of the NYSE listing standards.

What document governs the activities of the Audit Committee?

The Audit Committee operates under a written charter adopted by the Board of Directors. The Committee's responsibilities are set forth in this charter, which was amended and restated effective November 22, 2013. The charter is reviewed by management at least annually, and any recommended changes are presented to the Audit Committee for review and approval. The charter is available on our Web site at *www.yum.com/investors/governance/charters.asp.*

What are the responsibilities of the Audit Committee?

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of the Company's financial statements, the adequacy of the Company's system of internal controls and procedures and disclosure controls and procedures, the Company's risk management, the Company's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence and the performance of the Company's internal audit function and independent auditors. The Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Committee deems necessary to carry out its duties and receive appropriate funding, as determined by the Committee, from the Company for such advice and assistance.

The Committee has sole authority over the selection of the Company's independent auditors and manages the Company's relationship with its independent auditors (who report directly to the Committee). KPMG LLP has served as the Company's independent auditors since the date of the Company's inception in 1997. Each year, the Committee evaluates the performance, qualifications and independence of the independent auditors. In doing so, the Committee considers the quality of the services provided by the independent auditors, its capabilities and technical expertise and knowledge of the Company's operations and industry.

The Committee met 10 times during 2015. The Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Committee's meetings generally include private sessions with the Company's independent auditors and with the Company's internal auditors, in each case without the presence of the Company's management, as well as executive sessions consisting of only Committee members. In addition to the scheduled meetings, senior management confers with the Committee or its Chair from time to time, as senior management deems advisable or appropriate, in connection with issues or concerns that arise throughout the year.

Management is responsible for the Company's financial reporting process, including its system of internal control over financial reporting, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the U.S. The Company's independent auditors are responsible for auditing those financial statements in accordance with professional standards and expressing an opinion as to their material conformity with U.S. generally accepted accounting principles and for auditing the effectiveness of the Company's internal control over financial reporting. The Committee's responsibility is to monitor and review the Company's financial reporting

process and discuss management's report on the Company's internal control over financial reporting. It is not the Committee's duty or responsibility to conduct audits or accounting reviews or procedures. The Committee has relied, without independent verification, on management's representations that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the U.S. and that the Company's internal control over financial reporting is effective. The Committee has also relied, without independent verification, on the opinion of the independent auditors included in their report regarding the Company's financial statements and effectiveness of internal control over financial reporting.

What matters have members of the Audit Committee discussed with management and the independent auditors?

As part of its oversight of the Company's financial statements, the Committee reviews and discusses with both management and the Company's independent auditors all annual and quarterly financial statements prior to their issuance. During 2015, management advised the Committee that each set of financial statements reviewed had been prepared in accordance with accounting principles generally accepted in the U.S., and reviewed significant accounting and disclosure issues with the Committee. These reviews included discussions with the independent auditors of matters required to be discussed pursuant to Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 16 (*Communication with Audit Committees*), including the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant judgments, the clarity of disclosures in the financial statements and disclosures related to critical accounting practices. The Committee has also discussed with KPMG LLP matters relating to its independence, including a review of audit and non-audit fees and the written disclosures and letter received from KPMG LLP required by applicable requirements of the PCAOB regarding KPMG LLP's communications with the Committee concerning independence. The Committee also considered whether non-audit services provided by the independent auditors are compatible with the independent auditors' independence. The Committee also received regular updates, and written summaries as required by the PCAOB rules (for tax and other services), on the amount of fees and scope of audit, audit-related, tax and other services provided.

In addition, the Committee reviewed key initiatives and programs aimed at strengthening the effectiveness of the Company's internal and disclosure control structure. As part of this process, the Committee continued to monitor the scope and adequacy of the Company's internal auditing program, reviewing staffing levels and steps taken to implement recommended improvements in internal procedures and controls. The Committee also reviews and discusses legal and compliance matters with management, and, as necessary or advisable, the Company's independent auditors.

Has the Audit Committee made a recommendation regarding the audited financial statements for fiscal 2015?

Based on the Committee's discussions with management and the independent auditors and the Committee's review of the representations of management and the report of the independent auditors to the Board of Directors, and subject to the limitations on the Committee's role and responsibilities referred to above and in the Audit Committee Charter, the Committee recommended to the Board of Directors that it include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2015 for filing with the SEC.

Who prepared this report?

This report has been furnished by the members of the Audit Committee:

Thomas C. Nelson, Chairperson
Michael Cavanagh
Brian Cornell
Jonathan S. Linen
Keith Meister

ADDITIONAL INFORMATION

Who pays the expenses incurred in connection with the solicitation of proxies?

Expenses in connection with the solicitation of proxies will be paid by us. Proxies are being solicited principally by mail, by telephone and through the Internet. In addition, our directors, officers and regular employees, without additional compensation, may solicit proxies personally, by e-mail, telephone, fax or special letter. We will reimburse brokerage firms and others for their expenses in forwarding proxy materials to the beneficial owners of our shares.

How may I elect to receive shareholder materials electronically and discontinue my receipt of paper copies?

YUM shareholders with shares registered directly in their name who received shareholder materials in the mail may elect to receive future annual reports and proxy statements from us and to vote their shares through the Internet instead of receiving copies through the mail. We are offering this service to provide shareholders with added convenience, to reduce our environmental impact and to reduce Annual Report printing and mailing costs.

To take advantage of this option, shareholders must subscribe to one of the various commercial services that offer access to the Internet. Costs normally associated with electronic access, such as usage and telephone charges, will be borne by the shareholder.

To elect this option, go to *www.amstock.com*, click on Shareholder Account Access, log in and locate the option to receive Company mailing via e-mail. Shareholders who elect this option will be notified by mail how to access the proxy materials and how to vote their shares on the Internet or by phone.

If you consent to receive future proxy materials electronically, your consent will remain in effect unless it is withdrawn by writing our Transfer Agent, American Stock Transfer and Trust Company, LLC, 59 Maiden Lane, New York, NY 10038 or by logging onto our Transfer Agent's website at *www.amstock.com* and following the applicable instructions. Also, while this consent is in effect, if you decide you would like to receive a hard copy of the proxy materials, you may call, write or e-mail American Stock Transfer and Trust Company, LLC.

I share an address with another shareholder and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

The Company has adopted a procedure called "householding" which has been approved by the SEC. The Company and some brokers household proxy materials, delivering a single Notice and, if applicable, this proxy statement and Annual Report, to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders or they participate in electronic delivery of proxy materials. Shareholders who participate in householding will continue to access and receive separate proxy cards. This process will help reduce our printing and postage fees, as well as save natural resources. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to YUM! Brands, Inc., Investor Relations, 1441 Gardiner Lane, Louisville, KY 40213 or by calling Investor Relations at 1 (888) 298-6986 or by sending an e- mail to *yum.investor@yum.com*.

May I propose actions for consideration at next year's Annual Meeting of Shareholders or nominate individuals to serve as directors?

Under the rules of the SEC, if a shareholder wants us to include a proposal in our proxy statement and proxy card for presentation at our 2017 Annual Meeting of Shareholders, the proposal must be received by us at our principal executive offices at YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213 by December 10, 2016. The proposal should be sent to the attention of the Corporate Secretary.

Under our bylaws, certain procedures are provided that a shareholder must follow to nominate persons for election as directors or to introduce an item of business at an Annual Meeting of Shareholders that is not included in our proxy statement. These procedures provide that nominations for director nominees and/or an item of business to be introduced at an Annual Meeting of Shareholders must be submitted in writing to our Corporate Secretary at our principal executive offices and you must include information set forth in our bylaws. We must receive the notice of your intention to introduce a nomination or to propose an item of business at our 2017 Annual Meeting no later than the date specified in our bylaws. If the 2017 Annual Meeting is not held within 30 days before or after the anniversary of the date of this year's Annual Meeting, then the nomination or item of business must be received by the tenth day following the earlier of the date of mailing of the notice of the meeting or the public disclosure of the date of the meeting. Our Annual Meeting of Shareholders is generally held on the third Thursday of May. Assuming that our 2017 Annual Meeting is held on schedule, we must receive notice of your intention to introduce a nomination or other item of business at that meeting by February 20, 2017.

In addition, we recently amended our bylaws to provide for proxy access for director nominations by shareholders (as described at page 8). A shareholder, or group of up to 20 shareholders, owning continuously for at least three years shares of YUM common stock representing an aggregate of at least 3% of our outstanding shares, may nominate, and include in YUM's proxy materials, director nominees constituting up to 20% of YUM's Board, provided that the shareholder(s) and nominee(s) satisfy the requirements in YUM's bylaws. Notice of proxy access director nominees must be received no earlier than November 10, 2016, and no later than December 10, 2016.

The Board is not aware of any matters that are expected to come before the 2016 Annual Meeting other than those referred to in this proxy statement. If any other matter should come before the Annual Meeting, the individuals named on the form of proxy intend to vote the proxies in accordance with their best judgment.

The chairman of the Annual Meeting may refuse to allow the transaction of any business, or to acknowledge the nomination of any person, not made in compliance with the foregoing procedures.

Bylaw Provisions. You may contact YUM's Corporate Secretary at the address mentioned above for a copy of the relevant bylaw provisions regarding the requirements for making shareholder proposals and nominating director candidates.

Appendix A YUM! Brands, Inc. LONG TERM INCENTIVE PLAN (As Amended and Restated Effective as of May 20, 2016)

Section 1 General

1.1 Purpose. YUM! Brands, Inc. Long Term Incentive Plan (the "Plan") has been established by YUM! Brands, Inc. ("YUM!") to (i) attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) align the interests of Participants with those of YUM!'s shareholders.

1.2 Participation. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Individuals, those persons who will be granted one or more Awards under the Plan, and thereby become "Participants" in the Plan.

1.3 Operation, Administration, and Definitions. The operation and administration of the Plan shall be vested in the Committee, as described in Section 7 Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 9 hereof).

Section 2 Options and SARS

2.1 Definitions.

(a) The grant of an "Option" entitles the Participant to purchase shares of Stock at an Exercise Price (as defined in subsection 2.4) and during a specified time established by the Committee. Any Option granted under this Section 2 may be either a non-qualified option (an "NQO") or an incentive stock option (an "ISO"), as determined in the discretion of the Committee. An "NQO" is an Option that is not intended to be an "incentive stock option" as that term is described in Code Section 422(b). An "ISO" is an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in Code Section 422(b). An Option will be deemed to be a Non-Qualified Stock Option unless it is specifically designated by the Committee as an Incentive Stock Option and/or to the extent that it does not meet the requirements of an ISO.

(b) A stock appreciation right (an "SAR") entitles the Participant to receive, in cash or Stock, value equal to (or otherwise based on) the excess of: (i) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (ii) an Exercise Price established by the Committee.

2.2 Eligibility. The Committee shall designate the Participants to whom Options or SARs are to be granted under this Section 2 and shall determine the number of shares of Stock subject to each such Option or SAR and the other terms and conditions thereof, not inconsistent with the Plan. Without limiting the generality of the foregoing, the Committee may not grant dividends or dividend equivalents (current or deferred) with respect to any Option or SAR granted under the Plan. ISOs may only be granted to employees of YUM! or a Subsidiary.

2.3 Limits on ISOs. If the Committee grants ISOs, then to the extent that the aggregate fair market value of shares of Stock with respect to which ISOs are exercisable for the first time by any individual during any calendar year (under all plans of YUM! and its Subsidiaries) exceeds $100,000, such Options shall be treated as NQOs to the extent required by Code Section 422. Any Option that is intended to constitute an ISO shall satisfy any other requirements of Code Section 422 and, to the extent such Option does not satisfy such requirements, the Option shall be treated as a NQO.

Proxy Statement

2.4 Exercise Price. The "Exercise Price" of each Option or SAR granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option or SAR is granted; except that the Exercise Price shall not be less than the Fair Market Value of a share of Stock on the date of grant. Notwithstanding the foregoing, Options and SARs granted under the Plan in replacement for awards under plans and arrangements of YUM! or a Subsidiary that are assumed in business combinations may provide for Exercise Prices that are less than the Fair Market Value of the Stock at the time of the replacement grants, if the Committee determines that such Exercise Price is appropriate to preserve the economic benefit of the award.

2.5 Exercise. An Option or SAR shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee. In no event shall an Option or SAR be exercisable later than the ten-year anniversary of the date on which the Option or SAR is granted (or such shorter period required by law or the rules of any stock exchange on which the Stock is listed).

2.6 Payment of Option Exercise Price. The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

(a) Subject to the following provisions of this subsection 2.6, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 2.6(c), payment may be made as soon as practicable after the exercise).

(b) The Exercise Price shall be payable in cash or by tendering (including by way of a net exercise), by either actual delivery of shares or by attestation, shares of Stock acceptable to the Committee, and valued at Fair Market Value as of the day of exercise, or in any combination thereof, as determined by the Committee.

(c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to YUM! a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

2.7 Tandem Grants of Options and SARS. An Option may but need not be in tandem with an SAR, and an SAR may but need not be in tandem with an Option (in either case, regardless of whether the original award was granted under this Plan or another plan or arrangement). If an Option is in tandem with an SAR, the Exercise Price of both the Option and SAR shall be the same, and the exercise of the corresponding tandem SAR or Option shall cancel the corresponding tandem SAR or Option with respect to such share. If an SAR is in tandem with an Option but is granted after the grant of the Option, or if an Option is in tandem with an SAR but is granted after the grant of the SAR, the later granted tandem Award shall have the same Exercise Price as the earlier granted Award, but in no event less than the Fair Market Value of a share of Stock at the time of such grant.

2.8 No Repricing. Except for either adjustments pursuant to subsection 4.2 (relating to the adjustment of shares), or reductions of the Exercise Price approved by YUM!'s shareholders, the Exercise Price for any outstanding Option or SAR may not be decreased after the date of grant nor may an outstanding Option or SAR granted under the Plan be surrendered to YUM! as consideration for the grant of a replacement Option or SAR with a lower Exercise Price or a Full Value Award. Except as approved by YUM!'s shareholders, in no event shall any Option or SAR granted under the Plan be surrendered to YUM! in consideration for a cash payment if, at the time of such surrender, the Exercise Price of the Option or SAR is greater than the then current Fair Market Value of a share of Stock.

Section 3 Full Value Awards

3.1 Definition. A "Full Value Award" is a grant of one or more shares of Stock or a right to receive one or more shares of Stock in the future (including restricted stock, restricted stock units, performance shares, and performance units) which is contingent on continuing service, the achievement of performance objectives during a specified period performance, or other restrictions as determined by the Committee. The grant of Full Value Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee, including provisions relating to dividend or dividend equivalent rights and deferred payment or settlement. Notwithstanding the foregoing, no dividends or dividend equivalent rights will be paid or settled on Full Value Awards that have not been earned or vested.

3.2 Restrictions on Full Value Awards. Each Full Value Award shall be subject to the following:

(a) Any Full Value Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine.

(b) Except for Full Value Awards that are granted (i) in lieu of other compensation, (ii) as a form of payment of earned performance awards or other incentive compensation, (iii) to new hires, or (iv) as retention awards outside the United States, if the right to become vested in a Full Value Award granted to an employee is conditioned on the completion of a specified period of service with YUM! and the Subsidiaries, without achievement of Performance Measures or other performance objectives being required as a condition of vesting, then the required period of service for full vesting of the Full Value Award shall be not less than three years (provided that the required period for full vesting shall, instead, not be less than two years in the case of annual incentive deferrals payable in restricted shares), subject to pro rated vesting over the applicable minimum service period and to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participant's death, disability, retirement, change in control or involuntary termination). Awards to Directors are not subject to this paragraph 3.2(b).

3.3 Performance-Based Compensation. The Committee may designate a Full Value Award granted to any Participant as "Performance-Based Compensation" within the meaning of Code Section 162(m) and regulations thereunder. To the extent required by Code Section 162(m), any Full Value Award so designated shall be conditioned on the achievement of one or more Performance Measures determined by the Committee and the following additional requirements shall apply:

(a) The performance targets established for the performance period established by the Committee shall be objective (as that term is described in regulations under Code Section 162(m)) and shall be established in writing by the Committee not later than ninety (90) days after the beginning of the performance period (but in no event after 25% of the performance period has elapsed), and while the outcome as to the performance targets is substantially uncertain. The performance targets established by the Committee may be with respect to YUM!, a Subsidiary, operating unit, division, or group or individual performance (or any combination thereof) and shall be based on one or more Performance Measures.

(b) A Participant otherwise entitled to receive a Full Value Award for any performance period shall not receive a settlement or payment of the Award until the Committee has determined that the applicable performance target(s) have been attained. To the extent that the Committee exercises discretion in making the determination required by this paragraph 3.3(b), such exercise of discretion may not result in an increase in the amount of the payment.

Nothing in this subsection 3.3 shall preclude the Committee from granting Full Value Awards under the Plan that are not intended to constitute Performance-Based Compensation; provided, however, that, at the time of grant of Full Value Awards by the Committee, the Committee shall designate whether such Awards are intended to constitute Performance-Based Compensation.

Section 4 Stock Reserved and Limitations

4.1. Shares Reserved/Limitations. The shares of Stock for which Awards may be granted under the Plan shall be subject to the following:

(a) The shares of Stock with respect to which Awards may be made under the Plan shall be shares currently authorized but unissued or currently held or subsequently acquired by YUM! as treasury shares (to the extent permitted by law), including shares purchased in the open market or in private transactions.

(b) Subject to the following provisions of this subsection 4.1, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 92,600,000 (which number includes all shares delivered under the Plan since its establishment in 1999, determined in accordance with the terms of the Plan). For purposes of applying the limitations of this paragraph 4.1(b), each share of Stock delivered pursuant to Section 3 (relating to Full Value Awards) shall be counted as covering two shares of Stock, and shall reduce the number of shares of Stock available for delivery under this paragraph 4.1(b) by two shares except, however, in the case of restricted shares or restricted units delivered pursuant to the settlement of earned annual incentives, each share of Stock shall be counted as covering one share of Stock and shall reduce the number of shares of Stock available for delivery by one share.

(c) To the extent provided by the Committee, any Award may be settled in cash rather than Stock. To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash or used to satisfy the applicable tax withholding obligation, such

shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(d) If the Exercise Price of any stock option granted under the Plan is satisfied by tendering shares of Stock to YUM! (by either actual delivery or by attestation, including net exercise), only the number of shares of Stock issued net of the shares of Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(e) Subject to the terms and conditions of the Plan, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries with respect to ISOs under the Plan shall be 84,600,000; provided, however, that to the extent that shares not delivered must be counted against this limit as a condition of satisfying the rules applicable to ISOs, such rules shall apply to the limit on ISOs granted under the Plan.

(f) The maximum number of shares of Stock that may be issued in conjunction with Awards granted pursuant to Section 3 (relating to Full Value Awards) shall be 12,000,000 shares except that shares subject to Full Value Awards granted with respect to the deferral of annual cash incentive awards under a deferred compensation plan of YUM! or a Subsidiary will not count towards this maximum.

(g) Subject to subsection 4.2, the following additional maximums are imposed under the Plan.

(i) The maximum number of shares that may be covered by Awards granted to any one individual pursuant to Section 2 (relating to Options and SARs) shall be 9,000,000 shares during any five calendar-year period. If an Option is in tandem with an SAR, such that the exercise of the Option or SAR with respect to a share of Stock cancels the tandem SAR or Option right, respectively, with respect to such share, the tandem Option and SAR rights with respect to each share of Stock shall be counted as covering one share of Stock for purposes of applying the limitations of this subparagraph (i).

(ii) For Full Value Awards that are intended to be Performance-Based Compensation, no more than 3,000,000 shares of Stock may be subject to such Awards granted to any one individual during any five-calendar-year period (regardless of when such shares are deliverable). Notwithstanding the foregoing, in the case of any Full Value Award that is a performance unit award that is intended to be Performance-Based Compensation, no more than $10,000,000 may be subject to any such Awards granted to any one individual during any one-calendar-year period (regardless of when such amounts are deliverable). For purposes of this subparagraph (ii), a “performance unit award” means a Full Value Award that is the grant of a right to receive a designated dollar value amount of Stock which is contingent on the achievement of performance or other objectives during a specified period.

(iii) In the case of any Award to a Director, in no event shall the dollar value of the Award granted to any Director for any calendar year (determined as of the date of grant) exceed $750,000.

If the Awards are denominated in Stock but an equivalent amount of cash is delivered in lieu of delivery of shares of Stock, the limits of this paragraph 4.1(g) shall be applied based on the methodology used by the Committee to convert the number of shares of Stock into cash. If delivery of Stock is deferred until after the Stock has been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the Stock is earned shall be disregarded.

4.2. **Adjustments to Shares of Stock and Awards.** If any change in corporate capitalization, such as a stock split, reverse stock split, or stock dividend; or any corporate transaction such as a reorganization, reclassification, merger or consolidation or separation, including a spin-off, or sale or other disposition by YUM! of all or a portion of its assets, any other change in YUM!’s corporate structure, or any distribution to shareholders (other than a cash dividend that is not an extraordinary cash dividend) results in the outstanding shares of Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or class of shares or other securities of YUM!, or for shares of stock or other securities of any other corporation (or new, different or additional shares or other securities of YUM! or of any other corporation being received by the holders of outstanding shares of Stock), or a material change in the market value of the outstanding shares of Stock as a result of the change, transaction or distribution, then equitable adjustments shall be made by the Committee, as it determines are necessary and appropriate, in:

(a) the number and type of Shares (or other property) with respect to which Awards may be granted;

(b) the number and type of Shares (or other property) subject to outstanding Awards;

(c) the grant or Exercise Price with respect to outstanding Awards;

(d) the limitations set forth in subsection 4.1 (including the limitations set forth in paragraph 4.1(g)); and

(e) the terms, conditions or restrictions of outstanding Awards and/or Award Agreements;

provided, however, that all such adjustments made in respect of each ISO shall be accomplished so that such Option shall continue to be an ISO. However, in no event shall this subsection 4.2 be construed to permit a modification (including a replacement) of an Option or SAR if such modification either: (i) would result in accelerated recognition of income or imposition of additional tax under Code Section 409A; or (ii) would cause the Option or SAR subject to the modification (or cause a replacement Option or SAR) to be subject to Code Section 409A, provided that the restriction of this subparagraph (ii) shall not apply to any Option or SAR that, at the time it is granted or otherwise, is designated as being deferred compensation subject to Code Section 409A.

Section 5 Change in Control

Subject to the provisions of subsection 4.2 (relating to the adjustment of shares), and except as otherwise provided in the Plan or the Award Agreement reflecting the applicable Award, if a Change in Control occurs prior to the date on which an Award is vested and prior to the Participant's separation from service and if the Participant's employment is involuntarily terminated by the Company (other than for cause) on or within two years following the Change in Control, then:

(a) All outstanding Options (regardless of whether in tandem with SARs) shall become fully exercisable.

(b) All outstanding SARs (regardless of whether in tandem with Options) shall become fully exercisable.

(c) All Full Value Awards (including any Award payable in Stock which is granted in conjunction with a Company deferral program) shall become fully vested and the Committee shall determine the extent to which performance conditions are met in accordance with the terms of the Plan and the applicable Award Agreement.

Notwithstanding anything in this Plan or any Award agreement to the contrary, to the extent any provision of this Plan or an Award agreement would cause a payment of deferred compensation that is subject to Code Section 409A to be made upon the occurrence of a Change in Control, then such payment shall not be made unless such Change in Control also constitutes a "change in ownership", "change in effective control" or "change in ownership of a substantial portion of the Company's assets" within the meaning of Code Section 409A.

Section 6 Miscellaneous

6.1. Effective Date; Duration; Effect on Other Plans. The Plan was originally effective as of May 20, 1999. The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding; provided, however, that no Awards may be granted under the Plan on or after the ten-year anniversary of May 20, 2016, the date on which the Plan was amended and restated. In no event shall Awards be made under the Plan as amended and restated as set forth herein unless and until this amendment and restatement is approved by YUM!'s shareholders.

6.2. General Restrictions. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, YUM! shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

6.3. Tax Withholding. All distributions under the Plan are subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Participant, through the surrender of shares of Stock which the Participant already owns, or through the surrender of shares of Stock to which the Participant is otherwise entitled under the Plan; provided, however, previously-owned Stock that has been held by the Participant or Stock to which the Participant is entitled under the Plan may only be used to satisfy the minimum tax withholding required by applicable law (or other rates that will not have a negative accounting impact).

6.4. Grant and Use of Awards. Subject to subsection 4.1, in the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Awards may be granted as alternatives to or replacement of awards granted or outstanding under the Plan, or any other plan or arrangement of YUM! or a Subsidiary (including a plan or arrangement of a business or entity, all or a portion of which is acquired by YUM! or a Subsidiary). Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of YUM! or a Subsidiary, including the plans and arrangements of YUM! or a Subsidiary assumed in business combinations.

6.5. Settlement and Payments. Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment (other than Option or SAR other than to the extent permitted by Code Section 409A), subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents. Each Subsidiary shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such benefits are attributable to the services rendered for that Subsidiary by the Participant. Any disputes relating to liability of a Subsidiary for cash payments shall be resolved by the Committee.

6.6. Transferability. Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution.

6.7. Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

6.8. Agreement with Company. An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in such form of written document as is determined by the Committee. A copy of such document shall be provided to the Participant, and the Committee may, but need not require that the Participant sign a copy of such document. Such document is referred to in the Plan as an "Award Agreement" regardless of whether any Participant signature is required.

6.9. Action by Company or Subsidiary. Any action required or permitted to be taken by YUM! or any Subsidiary shall be by resolution of its board of directors, or by action of one or more non-employee members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of such company, or by any employee of YUM! or a Subsidiary who is delegated by the board of directors authority to take such action.

6.10. Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

6.11. Limitation of Implied Rights.

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of YUM! or any of the Subsidiaries whatsoever, including, without limitation, any specific funds, assets, or other property which YUM! or any of the Subsidiaries, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the Stock or amounts, if any, payable under the Plan, unsecured by any assets of YUM! or any of the Subsidiaries, and nothing contained in the Plan shall constitute a guarantee that the assets of YUM! or any of the Subsidiaries shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment or continued service, and selection as a Participant will not give any participating employee or other individual the right to be retained in the employ of YUM! or a Subsidiary or the right to continue to provide services to YUM! or a Subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any rights as a shareholder of YUM! prior to the date on which the individual fulfills all conditions for receipt of such rights.

6.12. Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

6.13. Misconduct. If the Committee determines that a present or former employee has (a) used for profit or disclosed to unauthorized persons, confidential or trade secrets of YUM! or any Subsidiary; (b) breached any contract with or violated any fiduciary obligation to YUM! or any Subsidiary; or (c) engaged in any conduct which the Committee determines is injurious to YUM! or its Subsidiaries, the Committee may cause that employee to forfeit his or her outstanding awards under the Plan, provided, however, that during the pendency of a Potential Change in Control and as of and following the occurrence a Change in Control, no outstanding awards under the Plan shall be subject to forfeiture pursuant to this subsection 6.13.

6.14. Restrictions on Shares and Awards. The Committee, in its discretion, may impose such restrictions on shares of Stock acquired pursuant to the Plan, whether pursuant to the exercise of an Option or SAR, settlement of a Full Value Award or otherwise, as it determines to be desirable, including, without limitation, restrictions relating to disposition of the shares and forfeiture restrictions based on service, performance, Stock ownership by the Participant, conformity with YUM's recoupment, compensation recovery, or clawback policies and such other factors as the Committee determines to be appropriate. Without limiting the generality of the foregoing, unless otherwise specified by the Committee, any awards under the Plan and any shares of Stock issued pursuant to the Plan shall be subject to YUM!'s compensation recovery, clawback, and recoupment policies as in effect from time to time.

6.15. Foreign Individuals. Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan. In furtherance of such purposes, the Committee may make such modifications, amendments, procedures and subplans as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which YUM! or any of the Subsidiaries operates or has employees. The foregoing provisions of this subsection 6.15 shall not be applied to increase the share limitations of Section 4 or to otherwise change any provision of the Plan that would otherwise require the approval of YUM!'s shareholders.

Section 7 Committee

7.1. Administration. The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the "Committee") in accordance with this Section 7. The Committee shall be selected by the Board, and shall consist solely of two or more non-employee members of the Board. If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee. As of the Approval Date, the Committee shall mean the Management Planning and Development Committee of the Board of Directors.

7.2. Powers of Committee. The Committee's administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Individuals those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 8 to cancel or suspend Awards.

(b) To the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, the Committee will have the authority and discretion to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(c) The Committee will have the authority and discretion to conclusively interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award Agreement made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(e) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the articles and by-laws of YUM!, and applicable state corporate law.

7.3. Delegation by Committee. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time. Until action to the contrary is taken by the Board or the Committee, the Committee's authority with respect to Awards and other matters concerning Participants below the Partners Council or Executive Officer level is delegated to the Chief Executive Officer or the Chief People Officer of YUM!.

7.4. Information to be Furnished to Committee. YUM! and the Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of YUM! and the Subsidiaries as to an individual's or Participant's employment (or other provision of services), termination of employment (or cessation of the provision of services), leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

Section 8 Amendment and Termination

The Board may, at any time, amend or terminate the Plan (and the Committee may amend any Award Agreement); provided, however, that no amendment or termination of the Plan or amendment of any Award Agreement may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted; and provided further that, adjustments pursuant to subsection 4.2 shall not be subject to the foregoing limitations of this Section 8; and provided further that, amendments to the provisions of subsection 2.8 (relating to Option and SAR repricing), amendments expanding the group of Eligible Individuals, or amendments increases in the number of shares reserved under the Plan pursuant to paragraphs 4.1(b) (total shares reserved), 4.1(e) (relating to the limitations on ISOs), 4.1(f) (relating to limitations on certain Full Value Awards) and 4.1(g) (relating to individual limits) will not be effective unless approved by YUM!'s shareholders; and provided further that, no other amendment shall be made to the Plan without the approval of YUM!'s shareholders if such approval is required by law or the rules of any stock exchange on which the Common Stock is listed. It is the intention of YUM! that, to the extent that any provisions of this Plan or any Awards granted hereunder are subject to Code Section 409A, the Plan and the Awards comply with the requirements of Code Section 409A and that the Board shall have the authority to amend the Plan as it deems necessary or desirable to conform to Code Section 409A. Notwithstanding the foregoing, neither YUM! nor the Subsidiaries guarantee that Awards under the Plan will comply with Code Section 409A and the Committee is under no obligation to make any changes to any Award to cause such compliance.

Section 9 Defined Terms

In addition to the other definitions contained herein, the following definitions shall apply:

(a) **Approval Date.** The term "Approval Date" shall mean the date on which YUM!'s shareholders approve this amendment and restatement of the Plan.

(b) **Award.** The term "Award" shall mean any award or benefit granted under the Plan, including, without limitation, the grant of Options, SARs, or Full Value Awards.

(c) **Board.** The term "Board" shall mean the Board of Directors of YUM!.

(d) **Change in Control.** Except as otherwise provided by the Committee, a "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following subparagraphs shall have occurred:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of YUM! (not including in the securities beneficially owned by such Person any securities acquired directly from YUM! or its Affiliates) representing 20% or more of the combined voting power of YUM!'s then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (I) of subparagraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving; individuals who, on the date hereof,

constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of YUM!), whose appointment or election by the Board or nomination for election by YUM!'s shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of YUM! or any direct or indirect Subsidiary with any other corporation, other than (I) a merger or consolidation immediately following which those individuals who immediately prior to the consummation of such merger or consolidation, constituted the Board, constitute a majority of the board of directors of YUM! or the surviving or resulting entity or any parent thereof, or (II) a merger or consolidation effected to implement a recapitalization of YUM! (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of YUM! (not including in the securities beneficially owned by such Person any securities acquired directly from YUM! or its Affiliates) representing 20% or more of the combined voting power of YUM!'s then outstanding securities.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of YUM! immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of YUM! immediately following such transaction or series of transactions.

(I) "Affiliate" shall have the meaning set forth in Rule 12b-2 under Section 12 of the Exchange Act.

(II) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act, except that a Person shall not be deemed to be the Beneficial Owner of any securities which are properly filed on a Form 13-G.

(III) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(IV) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) YUM! or any of its Affiliates; (ii) a trustee or other fiduciary holding securities under an employee benefit plan of YUM! or any of its subsidiaries; (iii) an underwriter temporarily holding securities pursuant to an offering of such securities; or (iv) a corporation owned, directly or indirectly, by the shareholders of YUM! in substantially the same proportions as their ownership of stock of YUM!.

(e) **Code.** The term "Code" shall mean the Internal Revenue Code of 1986, as amended. A reference to any Code provision shall include reference to any successor provision of the Code.

(f) **Director.** For purposes of the Plan, the term "Director" shall mean a member of the Board who is not an officer or employee of YUM! or any Subsidiary.

(g) **Eligible Individual.** For purposes of the Plan, the term "Eligible Individual" shall mean any officer, director or other employee of YUM! or its Subsidiaries, consultants, independent contractors or agents of YUM! or a Subsidiary, and persons who are expected to become officers, employees, directors, consultants, independent contractors or agents of YUM! or a Subsidiary (but effective no earlier than the date on which such individual begins to provide services to YUM! or a Subsidiary), including, in each case, Directors.

(h) **Fair Market Value.** The "Fair Market Value" of a share of Stock as of any date shall mean the closing price of a share of Stock on such date as reported on the composite tape for securities listed on the New York Stock Exchange (or if no sales of Stock were made on said exchange on such date, on the next preceding day on which sales were made on such exchange). If the Stock is not at the time listed or admitted to trading on a stock exchange, the Fair Market Value shall be the closing average of the closing bid and asked price of a share of Stock on the date in question in the over-the-counter market, as such price is reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Stock in such market. If the Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the Fair Market Value shall be as determined by the Committee in good faith.

(i) **Performance Measures.** In the case of any Award that is intended to constitute Performance-Based Compensation, the term "Performance Measures" shall mean any one or more of the following: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; revenues; stock price; total shareholder return; customer satisfaction metrics; or restaurant unit development. Each goal may be

expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of YUM! and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets.

(j) **Potential Change in Control.** A "Potential Change in Control" shall exist during any period in which the circumstances described in items (i), (ii), (iii) or (iv), below, exist (provided, however, that a Potential Change in Control shall cease to exist not later than the occurrence of a Change in Control):

(i) YUM! or any successor or assign thereof enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; provided that a Potential Change in Control described in this item (i) shall cease to exist upon the expiration or other termination of all such agreements.

(ii) Any Person (including YUM!) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control; provided that a Potential Change in Control described in this item (ii) shall cease to exist upon the withdrawal of such intention, or upon a reasonable determination by the Board that there is no reasonable chance that such actions would be consummated.

(iii) Any Person becomes the Beneficial Owner, directly or indirectly, of securities of YUM! representing 15% or more of the combined voting power of YUM!'s then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from YUM! or any of its Affiliates). However, a Potential Change in Control shall not be deemed to exist by reason of ownership of securities of YUM! by any person, to the extent that such securities of YUM! are acquired pursuant to a reorganization, recapitalization, spin-off or other similar transactions (including a series of prearranged related transactions) to the extent that immediately after such transaction or transactions, such securities are directly or indirectly owned in substantially the same proportions as the proportions of ownership of YUM!'s securities immediately prior to the transaction or transactions.

(iv) The Board adopts a resolution to the effect that, for purposes of this Plan, a potential change in control exists; provided that a Potential Change in Control described in this item (iv) shall cease to exist upon a reasonable determination by the Board that the reasons that give rise to the resolution providing for the existence of a Potential Change in Control have expired or no longer exist.

(k) **Subsidiaries.** The term "Subsidiary" shall mean any corporation, partnership, joint venture or other entity during any period in which at least a fifty percent voting or profits interest is owned, directly or indirectly, by YUM! (or by any entity that is a successor to YUM!), and any other business venture designated by the Committee in which YUM! (or any entity that is a successor to YUM!) has a significant interest, as determined in the discretion of the Committee; provided, however, that except for options and SARs designated as intended to be subject to Code Section 409A, options and SARs shall not be granted to employees or directors of Subsidiaries unless the ownership of the Subsidiary satisfies Treas. Reg. § 1.409A-1(b)(5)(iii). For purposes of applying the Plan to an ISO, the term "Subsidiary" shall mean a subsidiary determined in accordance with Code Section 424(f).

(l) **Stock.** The term "Stock" shall mean shares of common stock of YUM!.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the fiscal year ended December 26, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the transition period from ____________ to ____________

Commission file number 1-13163

YUM! BRANDS, INC.

(Exact name of registrant as specified in its charter)

North Carolina	**13-3951308**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1441 Gardiner Lane, Louisville, Kentucky	**40213**
(Address of principal executive offices)	*(Zip Code)*

(502) 874-8300

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:	
Title of Each class	Name of Each Exchange on Which Registered
Common Stock, no par value	**New York Stock Exchange**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

Indicate by check mark	**YES**	**NO**
• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☑	☐
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	☐	☑
• whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	☑	☐
• whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	☑	☐
• if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.	☑	
• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):		
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐		
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☑

The aggregate market value of the voting stock (which consists solely of shares of Common Stock) held by non-affiliates of the registrant as of June 13, 2015 computed by reference to the closing price of the registrant's Common Stock on the New York Stock Exchange Composite Tape on such date was approximately $39,200,000,000. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant. The number of shares outstanding of the registrant's Common Stock as of February 9, 2016 was 408,711,522 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement furnished to shareholders of the registrant in connection with the annual meeting of shareholders to be held on May 20, 2016 are incorporated by reference into Part III.

Table of Contents

PART I 2

ITEM 1	Business	2
ITEM 1A	Risk Factors	5
ITEM 1B	Unresolved Staff Comments	10
ITEM 2	Properties	11
ITEM 3	Legal Proceedings	11
ITEM 4	Mine Safety Disclosures	11

PART II 13

ITEM 5	Market for the Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities	13
ITEM 6	Selected Financial Data	15
ITEM 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
ITEM 7A	Quantitative and Qualitative Disclosures About Market Risk	32
ITEM 8	Financial Statements and Supplementary Data	33
ITEM 9	Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	65
ITEM 9A	Controls and Procedures	65
ITEM 9B	Other Information	66

PART III 67

ITEM 10	Directors, Executive Officers and Corporate Governance	67
ITEM 11	Executive Compensation	67
ITEM 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	67
ITEM 13	Certain Relationships and Related Transactions, and Director Independence	67
ITEM 14	Principal Accountant Fees and Services	67

PART IV 68

ITEM 15	Exhibits and Financial Statement Schedules	68

Forward-Looking Statements

In this Form 10-K, as well as in other written reports and oral statements, we present "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with those safe harbor provisions.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements often include words such as "may," "will," "estimate," "intend," "seek," "expect," "project," "anticipate," "believe," "plan," "could," "target," "predict," "likely," "should," "forecast," "outlook," "model," "ongoing" or other similar terminology. Forward-looking statements are based on our current expectations, estimates, assumptions or projections concerning future results or events, including, without limitation, statements regarding the intended capital return to shareholders as well as the related borrowing required to fund such capital return, the planned separation of the Yum! Brands and Yum! China businesses, the timing of any such separation, the future earnings and performance as well as capital structure of Yum! Brands, Inc. or any of its businesses, including the Yum! Brands and Yum! China businesses on a standalone basis if the separation is completed. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or projections will be achieved. Factors that could cause actual results and events to differ materially from our expectations and forward-looking statements include (i) the risks and uncertainties described in the Risk Factors included in Part I, Item 1A of this Form 10-K and (ii) the factors described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of this Form 10-K. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. The forward-looking statements included in this announcement are only made as of the date of this announcement and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

PART I

ITEM 1 Business

YUM! Brands, Inc. (referred to herein as "YUM", the "Registrant" or the "Company"), was incorporated under the laws of the state of North Carolina in 1997. The principal executive offices of YUM are located at 1441 Gardiner Lane, Louisville, Kentucky 40213, and the telephone number at that location is (502) 874-8300. Our website address is *http://yum.com*.

YUM, together with its subsidiaries, is referred to in this Form 10-K annual report ("Form 10-K") as the Company. The terms "we," "us" and "our" are also used in the Form 10-K to refer to the Company. Throughout this Form 10-K, the terms "restaurants," "stores" and "units" are used interchangeably. While YUM! Brands, Inc., referred to as the Company, does not directly own or operate any restaurants, throughout this document we may refer to restaurants that are owned or operated by our subsidiaries as being Company-owned.

Financial Information about Operating Segments and General Development of the Business

As of December 26, 2015, YUM consists of five operating segments:

- YUM China ("China" or "China Division") which includes all operations in mainland China
- YUM India ("India" or "India Division") which includes all operations in India, Bangladesh, Nepal and Sri Lanka
- The KFC Division which includes all operations of the KFC concept outside of China Division and India Division
- The Pizza Hut Division which includes all operations of the Pizza Hut concept outside of China Division and India Division
- The Taco Bell Division which includes all operations of the Taco Bell concept outside of India Division

Effective January, 2016 the India Division was segmented by brand, integrated into the global KFC, Pizza Hut and Taco Bell Divisions, and is no longer a separate operating segment. While our consolidated results will not be impacted, we will restate our historical segment information during 2016 for consistent presentation.

Operating segment information for the years ended December 26, 2015, December 27, 2014 and December 28, 2013 for the Company is included in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and in the related Consolidated Financial Statements in Part II, Item 8.

In October, 2015 we announced our intent to separate YUM's China business from YUM into an independent, publicly-traded company by the end of 2016. See our MD&A in this Form 10-K for further information.

Narrative Description of Business

General

YUM has over 42,000 restaurants in more than 130 countries and territories. Primarily through the three concepts of KFC, Pizza Hut and Taco Bell (the "Concepts"), the Company develops, operates, franchises and licenses a worldwide system of restaurants which prepare, package and sell a menu of competitively priced food items. Units are operated by a Concept or by independent franchisees or licensees under the terms of franchise or license agreements. Franchisees can range in size from individuals owning just one restaurant to large publicly-traded companies.

The China Division, based in Shanghai, China, comprises 7,176 units, primarily Company-owned KFCs and Pizza Huts. In 2015, the China Division recorded revenues of approximately $6.9 billion and Operating Profit of $757 million. The Company owns a controlling interest in Little Sheep Group Limited ("Little Sheep"), a casual dining concept headquartered in Inner Mongolia, China. We also own non-controlling interests in Chinese entities who operate in a manner similar to KFC franchisees and a meat processing entity that supplies lamb to the Little Sheep business. The KFC Division comprises 14,577 units, operating in 120 countries and territories outside China and India and recorded revenues of approximately $2.9 billion and Operating Profit of $677 million in 2015. The Pizza Hut Division comprises 13,728 units, operating in 90 countries and territories outside China and India and recorded revenues of approximately $1.1 billion and Operating Profit of $289 million in 2015. The Taco Bell Division comprises 6,400 units, operating in 20 countries and territories outside of India and recorded revenues of approximately $2.0 billion and Operating Profit of $539 million in 2015. The India Division, based in Delhi, India, comprises 811 units, operating in 4 countries and recorded revenues of $115 million and an Operating Loss of $19 million in 2015.

Restaurant Concepts

Most restaurants in each Concept offer consumers the ability to dine in and/or carry out food. In addition, Taco Bell and KFC offer a drive-thru option in many stores. Pizza Hut offers a drive-thru option on a much more limited basis. Pizza Hut typically offers delivery service, as does KFC on a more limited basis primarily in China.

Each Concept has proprietary menu items and emphasizes the preparation of food with high quality ingredients, as well as unique recipes and special seasonings to provide appealing, tasty and convenient food at competitive prices.

The franchise programs of the Company are designed to promote consistency and quality, and the Company is selective in granting franchises. Under standard franchise agreements, franchisees supply capital – initially by paying a franchise fee to YUM, by purchasing or leasing the land, building, equipment, signs, seating, inventories and supplies and, over the longer term, by reinvesting in the business. Franchisees contribute to the Company's revenues on an ongoing basis through the payment of royalties based on a percentage of sales.

The Company believes that it is important to maintain strong and open relationships with its franchisees and their representatives. To this end, the Company invests a significant amount of time working with the franchisee community and their representative organizations on key aspects of the business, including products, equipment, operational improvements and standards and management techniques.

Following is a brief description of each Concept:

KFC

- KFC was founded in Corbin, Kentucky by Colonel Harland D. Sanders, an early developer of the quick service food business and a pioneer of the restaurant franchise concept. The Colonel perfected his secret blend of 11 herbs and spices for Kentucky Fried Chicken in 1939 and signed up his first franchisee in 1952.
- KFC operates in 125 countries and territories throughout the world. As of year end 2015, KFC had 5,003 units in China, 372 units in India and 14,577 units within the KFC Division. 76 percent of the China units, 30 percent of the India units and 10 percent of the units outside China and India are Company-owned.
- KFC restaurants across the world offer fried and non-fried chicken products such as sandwiches, chicken strips, chicken-on-the-bone and other chicken products marketed under a variety of names. KFC restaurants also offer a variety of entrees and side items suited to local preferences and tastes. Restaurant decor throughout the world is characterized by the image of the Colonel.

Pizza Hut

- The first Pizza Hut restaurant was opened in 1958 in Wichita, Kansas, and within a year, the first franchise unit was opened. Today, Pizza Hut is the largest restaurant chain in the world specializing in the sale of ready-to-eat pizza products.
- Pizza Hut operates in 95 countries and territories throughout the world. As of year end 2015, Pizza Hut had 1,903 units in China, 432 units in India and 13,728 units within the Pizza Hut Division. Nearly all of the China units, none of the India units and 6 percent of the units outside China and India are Company-owned.
- Pizza Hut operates in the delivery, carryout and casual dining segments around the world. Outside of the U.S., Pizza Hut often uses unique branding to differentiate these segments. Additionally, a growing percentage of Pizza Hut's customer orders are being generated digitally.
- Pizza Hut features a variety of pizzas which are marketed under varying names. Each of these pizzas is offered with a variety of different toppings suited to local preferences and tastes. Many Pizza Huts also offer pasta and chicken wings, including approximately 5,900 stores offering wings under the brand WingStreet in the U.S. Outside the U.S., Pizza Hut casual dining restaurants offer a variety of core menu products other than pizza, which are typically suited to local preferences and tastes. Pizza Hut units feature a distinctive red roof logo on their signage.

Taco Bell

- The first Taco Bell restaurant was opened in 1962 by Glen Bell in Downey, California, and in 1964, the first Taco Bell franchise was sold.
- Taco Bell operates in 21 countries and territories throughout the world. As of year end 2015, there were 6,400 Taco Bell units within the Taco Bell Division, primarily in the U.S., and 7 units in India. 14 percent of the units within the Taco Bell Division and 86 percent of the India units are Company-owned.
- Taco Bell specializes in Mexican-style food products, including various types of tacos, burritos, quesadillas, salads, nachos and other related items. Taco Bell offers breakfast items in its U.S. stores. Taco Bell units feature a distinctive bell logo on their signage.

Restaurant Operations

Through its Concepts, YUM develops, operates, franchises and licenses a worldwide system of both traditional and non-traditional Quick Service Restaurants ("QSR"). Traditional units feature dine-in, carryout and, in some instances, drive-thru or delivery services. Non-traditional units, which are typically licensed outlets, include express units and kiosks which have a more limited menu, usually generate lower sales volumes and operate in non-traditional locations like malls, airports, gasoline service stations, train stations, subways, convenience stores, stadiums, amusement parks and colleges, where a full-scale traditional outlet would not be practical or efficient.

Restaurant management structure varies by Concept and unit size. Generally, each Concept-owned restaurant is led by a restaurant general manager ("RGM"), together with one or more assistant managers, depending on the operating complexity and sales volume of the restaurant. Each Concept issues detailed manuals, which may then be customized to meet local regulations and customs. These manuals set forth standards and requirements for all aspects of restaurant operations, including food safety and quality, food handling and product preparation procedures, equipment maintenance, facility standards and accounting control procedures. The restaurant management teams are responsible for the day-to-day operation of each unit and for ensuring compliance with operating standards. CHAMPS – which stands for Cleanliness, Hospitality, Accuracy, Maintenance, Product Quality and Speed of Service – is our proprietary systemwide program for training, measuring and rewarding employee performance against key customer measures. CHAMPS is intended to align the operating processes of our entire system around one core set of standards. RGMs' efforts, including CHAMPS performance measures, are monitored by Area Coaches. Area Coaches typically work with approximately six to twelve restaurants. Various senior operators visit restaurants from time to time to promote adherence to system standards and mentor restaurant team members.

Supply and Distribution

The Company's Concepts, including Concept units operated by its franchisees, are substantial purchasers of a number of food and paper products, equipment and other restaurant supplies. The principal items purchased include chicken, cheese, beef and pork products, paper and packaging materials. The Company has not experienced any significant continuous shortages of supplies, and alternative sources for most of these products are generally available. Prices paid for these supplies fluctuate. When prices increase, the Concepts may attempt to pass on such increases to their customers, although there is no assurance that this can be done practically.

China Division In China, we partner with approximately 450 independent food and paper suppliers, mostly China-based, providing a wide range

of products. The Company, along with multiple independently owned and operated distributors, utilizes approximately 20 logistic centers to distribute restaurant products to our Company and franchise stores. We also own a seasoning facility and a non-controlling interest in a meat processing facility in Inner Mongolia, both of which supply products to our Little Sheep business, as well as third-party customers.

Other Divisions In the U.S., the Company, along with the representatives of the Company's KFC, Pizza Hut and Taco Bell franchisee groups, are members of Restaurant Supply Chain Solutions, LLC ("RSCS"), which is responsible for purchasing certain restaurant products and equipment. The core mission of RSCS is to provide the lowest possible sustainable store-delivered prices for restaurant products and equipment. This arrangement combines the purchasing power of the Company-owned and franchisee restaurants which the Company believes leverages the system's scale to drive cost savings and effectiveness in the purchasing function. The Company also believes that RSCS fosters closer alignment of interests and a stronger relationship with its franchisee community.

Most food products, paper and packaging supplies, and equipment used in restaurant operations are distributed to individual restaurant units by third-party distribution companies. In the U.S., McLane Company, Inc. ("McLane") is the exclusive distributor for the majority of items used in Company-owned restaurants and for a substantial number of franchisee and licensee stores. The Company entered into an agreement with McLane effective January 1, 2011 relating to distribution to Company-owned restaurants. This agreement extends through December 31, 2016 and generally restricts Company-owned restaurants from using alternative distributors for most products.

Outside the U.S., we and our franchisees use decentralized sourcing and distribution systems involving many different global, regional and local suppliers and distributors. We have approximately 5,700 food and paper suppliers, including U.S.-based suppliers that export to many countries.

Trademarks and Patents

The Company and its Concepts own numerous registered trademarks and service marks. The Company believes that many of these marks, including its Kentucky Fried Chicken®, KFC®, Pizza Hut® and Taco Bell® marks, have significant value and are materially important to its business. The Company's policy is to pursue registration of its important marks whenever feasible and to oppose vigorously any infringement of its marks.

The use of these marks by franchisees and licensees has been authorized in our franchise and license agreements. Under current law and with proper use, the Company's rights in its marks can generally last indefinitely. The Company also has certain patents on restaurant equipment which, while valuable, are not material to its business.

Working Capital

Information about the Company's working capital is included in MD&A in Part II, Item 7 and the Consolidated Statements of Cash Flows in Part II, Item 8.

Seasonal Operations

The Company does not consider its operations to be seasonal to any material degree.

Competition

The retail food industry, in which our Concepts compete, is made up of supermarkets, supercenters, warehouse stores, convenience stores, coffee shops, snack bars, delicatessens and restaurants (including the QSR segment), and is intensely competitive with respect to food quality, price, service, convenience, location and concept. The industry is often affected by changes in consumer tastes; national, regional or local economic conditions; currency fluctuations; demographic trends; traffic patterns; the type, number and location of competing food retailers and products; and disposable purchasing power. Each of the Concepts competes with international, national and regional restaurant chains as well as locally-owned restaurants, not only for customers, but also for management and hourly personnel, suitable real estate sites and qualified franchisees. Given the various types and vast number of competitors, our Concepts do not constitute a significant portion of the retail food industry in terms of number of system units or system sales, either on a worldwide or individual country basis.

Research and Development ("R&D")

The Company operates R&D facilities in Shanghai, China (China Division); Plano, Texas (KFC and Pizza Hut Divisions); Irvine, California (Taco Bell Division); Louisville, Kentucky (KFC U.S.) and several other locations outside the U.S. In addition to Company R&D, we regularly also engage independent suppliers to conduct research and development activities for the benefit of the YUM system. The Company expensed $29 million, $30 million and $31 million in 2015, 2014 and 2013, respectively, for R&D activities.

Environmental Matters

The Company is not aware of any federal, state or local environmental laws or regulations that will materially affect its earnings or competitive position, or result in material capital expenditures. However, the Company cannot predict the effect on its operations of possible future environmental legislation or regulations. During 2015, there were no material capital expenditures for environmental control facilities and no such material expenditures are anticipated.

Government Regulation

U.S. Operations. The Company and its U.S. operations are subject to various federal, state and local laws affecting its business, including laws and regulations concerning information security, labor and employment, health, marketing, food labeling, sanitation and safety. Each of the Concepts' restaurants in the U.S. must comply with licensing and regulation by a number of governmental authorities, which include health, sanitation, safety, fire and zoning agencies in the state and/or municipality in which the restaurant is located. In addition, each Concept must comply with various state and federal laws that regulate the franchisor/franchisee relationship. To date, the Company has not been materially adversely affected by such licensing and regulation or by any difficulty, delay or failure to obtain required licenses or approvals.

International Operations. The Company's restaurants outside the U.S. are subject to national and local laws and regulations which are similar to those affecting U.S. restaurants. The restaurants outside the U.S. are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment, as well as anti-bribery and corruption laws.

See Item 1A "Risk Factors" for a discussion of risks relating to federal, state, local and international regulation of our business.

Employees

As of year end 2015, the Company and its subsidiaries employed approximately 505,000 persons. The Company believes that it provides working conditions and compensation that compare favorably with those of its principal competitors. The majority of employees are paid on an hourly basis. Some employees are subject to labor council relationships that vary due to the diverse cultures in which the Company operates. The Company and its Concepts consider their employee relations to be good.

Financial Information about Geographic Areas

Financial information about our significant geographic areas is incorporated herein by reference from the related Consolidated Financial Statements in Part II, Item 8.

Available Information

The Company makes available through the Investor Relations section of its internet website at *http://yum.com* its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission ("SEC") at *http://www.sec.gov*. These reports may also be obtained by visiting the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1 (800) SEC-0330.

Our Corporate Governance Principles and our Code of Conduct are also located within the Investor Relations section of the Company's website. The reference to the Company's website address does not constitute incorporation by reference of the information contained on the website and should not be considered part of this document. These documents, as well as our SEC filings, are available in print free of charge to any shareholder who requests a copy from our Investor Relations Department.

ITEM 1A Risk Factors

Risks Related to Our Business and Industry

You should carefully review the risks described below as they identify important factors that could cause our actual results to differ materially from our forward-looking statements and historical trends.

Food safety and food-borne illness concerns may have an adverse effect on our business.

Food-borne illnesses, such as E. coli, hepatitis A, trichinosis and salmonella, occur or may occur within our system from time to time. In addition, food safety issues such as food tampering, contamination and adulteration occur or may occur within our system from time to time. Any report or publicity linking us or one of our Concept restaurants, including restaurants operated by our Concepts' franchisees, to instances of food-borne illness or food safety issues could adversely affect our Concepts' brands and reputations as well as our revenues and profits, and possibly lead to product liability claims, litigation and damages. If a customer of our Concepts becomes ill from food-borne illnesses or as a result of food safety issues, restaurants in our system may be temporarily closed, which would decrease our revenues. In addition, instances or allegations of food-borne illness or food safety issues, real or perceived, involving our restaurants, restaurants of competitors, or suppliers or distributors (regardless of whether we use or have used those suppliers or distributors), or otherwise involving the types of food served at our restaurants, could result in negative publicity that could adversely affect our sales. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, which could result in disruptions in our supply chain and/or lower margins for us and our Concepts' franchisees.

Our significant China operations subject us to risks that could negatively affect our business.

A significant and growing portion of our restaurants are located, and our revenues and profits originate, in China. As a consequence, our overall financial results are heavily dependent on our results in China, and our business is significantly exposed to risks there. These risks include changes in economic conditions (including consumer spending, unemployment levels and wage and commodity inflation), consumer preferences, taxation (including income and non-income based tax rates and laws) and the regulatory environment, as well as increased media scrutiny of our business and industry and increased competition. In addition, our results of operations in China and the value of our Chinese assets are affected by fluctuations in currency exchange rates, which may adversely affect reported earnings. An increase in the value of the U.S. Dollar relative to the Chinese Renminbi could have an adverse effect on our reported earnings. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition or cash flows.

In addition, any significant or prolonged deterioration in U.S.-China relations could adversely affect our China business. Certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates the scope of our foreign investments and business conducted within China. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. If we were unable to enforce our intellectual property or contract rights in China, our business would be adversely impacted.

Although we have announced our intention to separate our China business through a spin-off to existing shareholders, following the spin-off the new China entity will be our largest franchisee or licensee, and we will therefore continue to be exposed to many of the foregoing risks even after the completion of the proposed spin-off.

Health concerns arising from outbreaks of viruses or other diseases may have an adverse effect on our business.

Outbreaks of avian flu occur from time to time around the world, and these outbreaks could reach pandemic levels. Public concern over avian flu generally may cause fear about the consumption of chicken, eggs and other products derived from poultry, which could cause customers to consume less poultry and related products. This would likely result in lower revenues and profits. Avian flu outbreaks could also adversely

affect the price and availability of poultry, which could negatively impact our profit margins and revenues. Widespread outbreaks could also affect our ability to attract and retain employees.

Furthermore, other viruses such as H1N1 or "swine flu" may be transmitted through human contact, and the risk of contracting viruses could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff restaurants. We could also be adversely affected if jurisdictions in which we have restaurants impose mandatory closures, seek voluntary closures or impose restrictions on operations of restaurants. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may affect our business.

Our international operations subject us to risks that could negatively affect our business.

A significant portion of our Concepts' restaurants are operated in countries and territories outside of the U.S., and we intend to continue expansion of our international operations. As a result, our business is increasingly exposed to risks inherent in international operations. These risks, which can vary substantially by country, include political instability, corruption, social and ethnic unrest, changes in economic conditions (including consumer spending, unemployment levels and wage and commodity inflation), the regulatory environment, income and non-income based tax rates and laws, foreign exchange control regimes and consumer preferences as well as changes in the laws and policies that govern foreign investment in countries where our restaurants are operated.

In addition, our results of operations and the value of our foreign assets are affected by fluctuations in currency exchange rates, which may adversely affect reported earnings. More specifically, an increase in the value of the U.S. Dollar relative to other currencies, such as the Australian Dollar, the British Pound, the Canadian Dollar and the Euro, as well as currencies in certain emerging markets, such as the Russian Ruble, could have an adverse effect on our reported earnings. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition or cash flows.

Failure to protect the integrity and security of personal information of our customers and employees could result in substantial costs, expose us to litigation and damage our reputation.

We receive and maintain certain personal financial and other information about our customers and employees. The use and handling of this information is regulated by evolving and increasingly demanding laws and regulations, as well as by certain third-party contracts. If our security and information systems are compromised as a result of data corruption or loss, cyber-attack or a network security incident or our employees, franchisees or vendors fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could result in liabilities and penalties and could damage our reputation, cause us to incur substantial costs and result in a loss of customer confidence, which could adversely affect our results of operations and financial condition. Additionally, we could be subject to litigation and government enforcement actions as a result of any such failure.

Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.

The products sold by our Concepts and their franchisees are sourced from a wide variety of domestic and international suppliers. We are also dependent upon third parties to make frequent deliveries of food products and supplies that meet our specifications at competitive prices. Shortages or interruptions in the supply of food items and other supplies to our restaurants could adversely affect the availability, quality and cost of items we use and the operations of our restaurants. Such shortages or disruptions could be caused by inclement weather, natural disasters such as floods, drought and hurricanes, increased demand, problems in production or distribution, restrictions on imports or exports, the inability of our vendors to obtain credit, political instability in the countries in which suppliers and distributors are located, the financial instability of suppliers and distributors, suppliers' or distributors' failure to meet our standards, product quality issues, inflation, other factors relating to the suppliers and distributors and the countries in which they are located, food safety warnings or advisories or the prospect of such pronouncements or other conditions beyond our control. A shortage or interruption in the availability of certain food products or supplies could increase costs and limit the availability of products critical to restaurant operations, which in turn could lead to restaurant closures and/or a decrease in sales. In addition, failure by a principal distributor for our Concepts and/or our Concepts' franchisees to meet its service requirements could lead to a disruption of service or supply until a new distributor is engaged, and any disruption could have an adverse effect on our business.

We may not attain our target development goals, aggressive development could cannibalize existing sales and new restaurants may not be profitable.

Our growth strategy depends in large part on our ability to increase our net restaurant count in markets outside the U.S., especially in China and other emerging markets. The successful development of new units depends in large part on our ability and the ability of our Concepts' franchisees to open new restaurants and to operate these restaurants profitably. We cannot guarantee that we, or our Concepts' franchisees, will be able to achieve our expansion goals or that new restaurants will be operated profitably. Further, there is no assurance that any new restaurant will produce operating results similar to those of our existing restaurants. Other risks which could impact our ability to increase our net restaurant count include prevailing economic conditions and our, or our Concepts' franchisees', ability to obtain suitable restaurant locations, negotiate acceptable lease or purchase terms for the locations, obtain required permits and approvals in a timely manner, hire and train qualified personnel and meet construction schedules.

Expansion into target markets could also be affected by our Concepts' franchisees' ability to obtain financing to construct and open new restaurants. If it becomes more difficult or more expensive for our Concepts' franchisees to obtain financing to develop new restaurants, the expected growth of our system could slow and our future revenues and operating cash flows could be adversely impacted.

In addition, the new restaurants could impact the sales of our existing restaurants nearby. There can be no assurance that sales cannibalization will not occur or become more significant in the future as we increase our presence in existing markets.

Changes in commodity, labor and other operating costs could adversely affect our results of operations.

An increase in certain commodity prices, such as food, supply and energy costs, could adversely affect our operating results. Our operating expenses also include employee wages and benefits and insurance costs (including workers' compensation, general liability, property and health) which may increase over time. Such increases could result from government imposition of higher minimum wages or from general economic or competitive conditions, which could affect wage rates. In addition, significant increases in gasoline prices could result in the imposition

of fuel surcharges by our distributors. Any increase in the prices of the commodities we use or operating expenses we incur could adversely affect our profit margins. Because our Concepts and their franchisees provide competitively priced food, our ability to pass along increased expenses to our customers is limited.

Our operating results are closely tied to the success of our Concepts' franchisees and licensees.

A significant portion of our restaurants are operated by franchisees and licensees from whom we derive a significant portion of our revenues in the form of royalty payments. As a result, the success of our business depends in part upon the operational and financial success of our Concepts' franchisees and licensees. We have limited control over how our Concepts' franchisees' and licensees' businesses are run, and the inability of franchisees or licensees to operate successfully could adversely affect our operating results through decreased royalty payments.

If franchisees or licensees incur too much debt, if their operating expenses or commodity prices increase or if economic or sales trends deteriorate such that they are unable to operate profitably or repay existing debt, it could result in financial distress, including insolvency or bankruptcy. If a significant franchisee or licensee or a significant number of our Concepts' franchisees or licensees become financially distressed, our operating results could be impacted through reduced or delayed royalty payments or increased rent obligations for leased properties on which we are contingently liable.

Our success depends substantially on our corporate reputation and on the value and perception of our brands.

Our success depends in large part upon our ability and our franchisees' and licensees' ability to maintain and enhance the value of our brands and our customers' connection to our brands. Brand value is based in part on consumer perceptions on a variety of subjective qualities. Business incidents, whether isolated or recurring and whether originating from us, our franchisees, licensees or suppliers, can significantly reduce brand value and consumer trust, particularly if the incidents receive considerable publicity or result in litigation. For example, our brands could be damaged by claims or perceptions about the quality or safety of our products or the quality of our suppliers, regardless of whether such claims or perceptions are true. Similarly, entities in our supply chain may engage in conduct, including alleged human rights abuses, that damages our or our brands' reputations. Any such incident could cause a decline in consumer confidence in, or the perception of, our Concepts and/or our products and decrease the value of our brands as well as consumer demand for our products, which would likely result in lower revenues and profits. Additionally, our corporate reputation could suffer from a real or perceived failure of corporate governance or misconduct by a company officer or representative.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could materially adversely impact our business.

There has been a marked increase in the use of social media platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests and/or may be inaccurate. The dissemination of information online could harm our business, prospects, financial condition, and results of operations, regardless of the information's accuracy. The harm may be immediate without affording us an opportunity for redress or correction.

Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about our Concepts, exposure of personally identifiable information, fraud and disclosure of out-of-date information. The inappropriate use of social media by our customers or employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation and adversely affect our results.

We could be party to litigation that could adversely affect us by increasing our expenses or subjecting us to significant monetary damages and other remedies.

We are regularly involved in legal proceedings, which include consumer, employment, tort, intellectual property, breach of contract, securities, derivative and other litigation (see the discussion of Legal Proceedings in Note 18 to the consolidated financial statements included in Item 8 of this Form 10-K). Plaintiffs in these types of lawsuits often seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may not be accurately estimated. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, such litigation may be expensive to defend and may divert resources away from our operations and negatively impact reported earnings. With respect to insured claims, a judgment for monetary damages in excess of any insurance coverage could adversely affect our financial condition or results of operations. Any adverse publicity resulting from these allegations may also adversely affect our reputation, which in turn could adversely affect our results.

In addition, the restaurant industry has been subject to claims that relate to the nutritional content of food products, as well as claims that the menus and practices of restaurant chains have led to customer health issues, including weight gain and other adverse effects. We may also be subject to these types of claims in the future and, even if we are not, publicity about these matters (particularly directed at the quick service and fast-casual segments of the retail food industry) may harm our reputation and adversely affect our results.

Changes in, or noncompliance with, governmental regulations may adversely affect our business operations, growth prospects or financial condition.

Our Concepts and their franchisees are subject to numerous laws and regulations around the world. These laws change regularly and are increasingly complex. For example, we are subject to:

- The Americans with Disabilities Act in the U.S. and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas.
- The U.S. Fair Labor Standards Act, which governs matters such as minimum wages, overtime and other working conditions, as well as family leave mandates and a variety of similar state laws that govern these and other employment law matters.
- Laws and regulations in government-mandated health care benefits such as the Patient Protection and Affordable Care Act.
- Laws and regulations relating to nutritional content, nutritional labeling, product safety and menu labeling.
- Laws relating to state and local licensing.
- Laws and regulations relating to health, sanitation, food, workplace safety, child labor, including laws prohibiting the use of certain "hazardous equipment" by employees younger than the age of 18 years of age, and fire safety and prevention.

- Laws and regulations relating to union organizing rights and activities.
- Laws relating to information security, privacy, cashless payments, and consumer protection.
- Environmental regulations.
- Federal and state immigration laws and regulations in the U.S.

Compliance with new or existing laws and regulations could impact our operations. The compliance costs associated with these laws and regulations could be substantial. Any failure or alleged failure to comply with these laws or regulations could adversely affect our reputation, international expansion efforts, growth prospects and financial condition or result in, among other things, litigation, revocation of required licenses, governmental investigations or proceedings, administrative enforcement actions, fines and civil and criminal liability. Publicity relating to any such noncompliance could also harm our reputation and adversely affect our revenues.

A broader standard for determining joint employer status may adversely affect our business operations and increase our liabilities.

The National Labor Relations Board has recently adopted a new and broader standard for determining when two or more otherwise unrelated employers may be found to be a joint employer of the same employees under the National Labor Relations Act. If this joint employer liability standard is upheld or adopted by other government agencies, it could cause us or our Concepts to be liable or held responsible for unfair labor practices and other violations, and required to conduct collective bargaining negotiations, regarding employees of totally separate, independent employers, most notably our franchisees. In such event, our operating expenses may increase as a result of required modifications to our business practices, increased litigation, governmental investigations or proceedings, administrative enforcement actions, fines and civil liability.

Failure to comply with anti-bribery or anti-corruption laws may adversely affect our business operations.

The Foreign Corrupt Practices Act, the UK Bribery Act and similar laws prohibiting bribery of government officials and other corrupt practices are the subject of increasing scrutiny and enforcement around the world. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, agents or other third parties will not take actions in violation of our policies or applicable law, particularly as we expand our operations in emerging markets. Any such violations or suspected violations could subject us to civil or criminal penalties, including substantial fines and significant investigation costs, and could also materially damage our reputation, brands, international expansion efforts and prospects, business and operating results. Publicity relating to any noncompliance or alleged noncompliance could also harm our reputation and adversely affect our revenues.

Tax matters, including changes in tax rates, disagreements with taxing authorities and imposition of new taxes could impact our results of operations and financial condition.

A significant percentage of our profit is earned outside the U.S. and taxed at lower rates than the U.S. statutory rates. Historically, the cash we generate outside the U.S. has principally been used to fund our international development. However, if the cash generated by our U.S. business is not sufficient to meet our need for cash in the U.S., we may need to repatriate a greater portion of our international earnings to the U.S. in the future. We are required to record U.S. income tax expense in our financial statements at the point in time when our management determines that we no longer have the ability and intent to indefinitely postpone tax consequences related to those international earnings. This could cause our worldwide effective tax rate to increase materially.

We are subject to income taxes as well as non-income based taxes, such as payroll, sales, use, value-added, net worth, property, withholding and franchise taxes in both the U.S. and various foreign jurisdictions. We are also subject to regular reviews, examinations and audits by the Internal Revenue Service ("IRS") and other taxing authorities with respect to such income and non-income based taxes inside and outside of the U.S. These reviews could include challenges of our methodologies for transfer pricing. If the IRS or another taxing authority disagrees with our tax positions, we could face additional tax liability, including interest and penalties. Payment of such additional amounts upon final settlement or adjudication of any disputes could have a material impact on our results of operations and financial position.

In addition, we are directly and indirectly affected by new tax legislation and regulation and the interpretation of tax laws and regulations worldwide. Changes in such legislation, regulation or interpretation could increase our taxes and have an adverse effect on our operating results and financial condition. This includes potential changes in tax laws or the interpretation of tax laws arising out of the Base Erosion Profit Shifting project initiated by the Organization for Economic Co-operation and Development.

Failure to protect our service marks or other intellectual property could harm our business.

We regard our Yum®, KFC®, Pizza Hut® and Taco Bell® service marks, and other service marks and trademarks related to our restaurant businesses, as having significant value and being important to our marketing efforts. We rely on a combination of protections provided by contracts, copyrights, patents, trademarks, service marks and other common law rights, such as trade secret and unfair competition laws, to protect our restaurants and services from infringement. We have registered certain trademarks and service marks in the United States and foreign jurisdictions. However, from time to time we become aware of names and marks identical or confusingly similar to our service marks being used by other persons. Although our policy is to oppose any such infringement, further or unknown unauthorized uses or other misappropriation of our trademarks or service marks could diminish the value of our brands and adversely affect our business. In addition, effective intellectual property protection may not be available in every country in which our Concepts have or intend to open or franchise a restaurant. There can be no assurance that these protections will be adequate, and defending or enforcing our service marks and other intellectual property could result in the expenditure of significant resources.

Our business may be adversely impacted by general economic conditions.

Our results of operations are dependent upon discretionary spending by consumers, which may be affected by general economic conditions globally or in one or more of the markets we serve. Some of the factors that impact discretionary consumer spending include unemployment, disposable income, the price of gasoline, stock market performance and consumer confidence. These and other macroeconomic factors could have an adverse effect on our sales, profitability or development plans, which could harm our financial condition and operating results.

The retail food industry in which we operate is highly competitive.

The retail food industry in which we operate is highly competitive with respect to price and quality of food products, new product development, advertising levels and promotional initiatives, customer service, reputation, restaurant location, and attractiveness and maintenance of properties. If consumer

or dietary preferences change, or our restaurants are unable to compete successfully with other retail food outlets in new and existing markets, our business could be adversely affected. We also face growing competition as a result of convergence in grocery, convenience, deli and restaurant services, including the offering by the grocery industry of convenient meals, including pizzas and entrees with side dishes. Competition from delivery aggregators and other food delivery services has also increased in recent years, particularly in urbanized areas. Increased competition could have an adverse effect on our sales, profitability or development plans, which could harm our financial condition and operating results. In addition, in the retail food industry, labor is a primary operating cost component. Competition for qualified employees could also require us to pay higher wages to attract a sufficient number of employees, which could adversely impact our profit margins.

We intend to substantially increase our level of debt which would make us more sensitive to the effects of economic downturns and could adversely affect our business.

In late 2015, we announced that we intend to return approximately $6.2 billion of capital to shareholders prior to the separation of our China business through share repurchases and/or a special dividend. To finance that return of capital we expect to incur significant additional indebtedness, some of which may be secured debt. This would have the effect of substantially increasing our total leverage.

An increase in our leverage could have important potential consequences, including, but not limited to:

- increasing our vulnerability to, and reducing our flexibility to plan for and respond to, general adverse economic and industry conditions and changes in our business and the competitive environment;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, dividends, share repurchases or other corporate purposes;
- increasing our vulnerability to a downgrade of our credit rating, which could adversely affect our cost of funds, liquidity and access to capital markets;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- increasing our exposure to the risk of increased interest rates insofar as current and future borrowings are subject to variable rates of interest;
- making it more difficult for us to repay, refinance or satisfy our obligations with respect to our debt;
- limiting our ability to borrow additional funds in the future and increasing the cost of any such borrowing;
- imposing restrictive covenants on our operations, which, if not complied with, could result in an event of default, which in turn, if not cured or waived, could result in the acceleration of the applicable debt, and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies; and
- increasing our exposure to risks related to fluctuations in foreign currency as we earn profits in a variety of currencies around the world and our debt is or is expected to be denominated in U.S. dollars.

There is no assurance that we will generate cash flow from operations or that future debt or equity financings will be available to us to enable us to pay our indebtedness or to fund other needs. As a result, we may need to refinance all or a portion of our indebtedness on or before maturity. There is no assurance that we will be able to refinance any of our indebtedness on favorable terms, or at all. Any inability to generate sufficient cash flow or refinance our indebtedness on favorable terms could have a material adverse effect on our financial condition.

Risks Related to the Planned Spin-Off

The proposed spin-off of our China business is subject to various risks and uncertainties and may not be completed on the terms or timeline currently contemplated, if at all, and will involve significant time and attention, which could disrupt or adversely affect our business.

We have announced our intention to separate YUM's China business from YUM into an independent, publicly-traded company by the end of 2016. This transaction, which is expected to be a U.S. tax-free spin-off of our China business, is complex in nature, subject to various conditions, and may be affected by unanticipated developments or changes in market, regulatory and certain other conditions. We expect to file a Registration Statement on Form 10 with the Securities and Exchange Commission ("SEC") that will contain detailed information regarding the business proposed to be spun-off. Completion of the spin-off will be contingent upon a number of factors, including the effectiveness of the Registration Statement, final approval by our Board of Directors, receipt of a tax opinion and other conditions. For these and other reasons, the spin-off may not be completed as expected by the end of 2016, if at all.

Additionally, execution of the proposed spin-off will require significant time and attention from management, which may distract management from the operation of our business and the execution of our other initiatives. Our employees may also be distracted due to uncertainty about their future roles with each of the separate companies pending the completion of the spin-off. We may also experience increased difficulties in attracting, retaining and motivating key employees during the pendency of the spin-off and following its completion. Any such difficulties could have a material adverse effect on our financial condition, results of operations or cash flows.

The proposed spin-off may not achieve some or all of the expected benefits and may adversely affect our business.

Even if the proposed spin-off is completed, we may not achieve, or may not achieve in a timely fashion, some or all of the expected benefits of the spin-off and the spin-off may in fact adversely affect our business. For example, once the China business becomes independent, it may choose to pursue growth opportunities with brands or businesses unrelated to our Concepts, which could divert attention and resources away from the growth of our Concepts in China.

In addition, if the spin-off is completed, the Company's operational and financial profile and the composition of the Company's revenue will change materially. There can be no assurance that these changes will yield the benefits currently expected or intended or that the combined value of the common stock of the two publicly-traded companies following the completion of the proposed spin-off will be equal to or greater than what the value of our common stock would have been had the proposed spin-off not occurred.

The spin-off transactions could result in substantial U.S. tax liability.

The spin-off will be conditioned on our receipt of an opinion of outside counsel, in form and substance satisfactory to us, substantially to the effect that, for U.S. federal income tax purposes, the spin-off and certain related transactions will qualify under Sections 355 and/or 368 of the U.S. Internal Revenue Code. The opinion will rely on various assumptions and representations as to factual matters made by the new China entity and us which, if inaccurate or incomplete in any material respect, would jeopardize the conclusions reached by such counsel in its opinion. The opinion will not be binding on the IRS or the courts, and there can be no assurance that the IRS or the courts will not challenge the conclusions stated in the opinion or that any such challenge would not prevail.

If, notwithstanding receipt of the opinion, the spin-off transaction were determined to be a taxable transaction, we would be treated as having sold shares of the new China entity in a taxable transaction, likely resulting in a significant taxable gain. In addition, each U.S. holder of our common stock who receives shares of the new China entity in the spin-off transaction would generally be treated as receiving a taxable distribution of property in an amount equal to the fair market value of the shares of the new China entity received. That distribution would be taxable to each such stockholder as a dividend to the extent of our current and accumulated earnings and profits. For each such stockholder, any amount that exceeded our earnings and profits would be treated first as a non-taxable return of capital to the extent of such stockholder's tax basis in our shares of common stock with any remaining amount being taxed as a capital gain.

At the time of the spin-off, we will enter into a Tax Matters Agreement with the new China entity. The Tax Matters Agreement will address which company, YUM or the new China entity, will be responsible for any taxes imposed as a result of the spin-off transaction.

The spin-off may be subject to China indirect transfer tax.

The China State Administration of Taxation recently issued Bulletin 7 on Income arising from Indirect Transfers of Assets by Non-Resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of People's Republic of China (PRC) taxable assets, including equity interests in a PRC resident enterprise, by a non-resident enterprise, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of PRC enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to PRC enterprise income tax of 10%.

We have evaluated the potential applicability of Bulletin 7 to our plan to separate our China business in a tax free restructuring and believe it is more likely than not that Bulletin 7 does not apply. We believe that the restructuring has reasonable commercial purpose.

However, given how recently Bulletin 7 was promulgated there are significant uncertainties regarding what constitutes a reasonable commercial purpose, how the safe harbor provisions for group restructurings are to be interpreted and how the taxing authorities will ultimately view our planned spin-off. As a result, our position could be challenged by the tax authorities resulting in a 10% tax assessed on the difference between the fair market value and the tax basis of the separated China business. As our tax basis in the China business is minimal, the amount of such a tax could be significant and have a material adverse effect on our results of operations and our financial condition.

If the proposed spin-off is consummated, there may be substantial changes in our stockholder base, which may cause the price of our common stock to fluctuate following the proposed spin-off.

Investors holding YUM's common stock today may hold YUM common stock because of a decision to invest in a company with significant China or emerging markets exposure. If the proposed spin-off is completed, shares of YUM common stock will represent an investment in a company with less exposure to China, a key emerging market. This change may not match some holders' investment strategies, which could cause investors to sell their shares of YUM common stock. Excessive selling pressure could cause the market price of YUM common stock to decrease following the completion of the proposed spin-off.

ITEM 1B Unresolved Staff Comments

The Company has received no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2015 fiscal year and that remain unresolved.

ITEM 2 Properties

As of year end 2015, the Company's Concepts owned approximately 905 units and leased land, building or both for approximately 8,025 units worldwide. These units are further detailed as follows:

- The China Division leased land, building or both in approximately 5,770 units.
- The KFC Division owned approximately 260 units and leased land, building or both in approximately 1,125 units.
- The Pizza Hut Division owned approximately 110 units and leased land, building or both in approximately 650 units.
- The Taco Bell Division owned approximately 535 units and leased land, building or both in approximately 360 units.
- The India Division leased land, building or both in approximately 120 units.

Company-owned restaurants in China are generally leased for initial terms of 10 to 15 years and generally do not have renewal options. Historically, the Company has either been able to renew its China Division leases or enter into competitive leases at replacement sites without a significant impact on our operations, cash flows or capital resources. Company-owned restaurants in the U.S. with leases are generally leased for initial terms of 15 or 20 years and generally have renewal options; however, Pizza Hut delivery/carryout units in the U.S. generally are leased for significantly shorter initial terms with shorter renewal options. Company-owned restaurants outside of China and the U.S. with leases have initial lease terms and renewal options that vary by country. The Company currently has land, buildings or both in approximately 825 units, not included in the property counts above, that it leases or subleases to franchisees, principally in the U.S., UK and China.

The China Division leases their corporate headquarters and research facilities in Shanghai, China. The KFC Division and Pizza Hut Division corporate headquarters and a KFC and Pizza Hut research facility in Plano, Texas are owned by Pizza Hut. Taco Bell leases its corporate headquarters and research facility in Irvine, California. The YUM corporate headquarters and a KFC research facility in Louisville, Kentucky are owned by the Company. Additional information about the Company's properties is included in the Consolidated Financial Statements in Part II, Item 8.

The Company believes that its properties are generally in good operating condition and are suitable for the purposes for which they are being used.

ITEM 3 Legal Proceedings

The Company is subject to various lawsuits covering a variety of allegations. The Company believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the Consolidated Financial Statements, is not likely to have a material adverse effect on the Company's annual results of operations, financial condition or cash flows. Matters faced by the Company include, but are not limited to, claims from franchisees, suppliers, employees, customers and others related to operational, contractual or employment issues as well as claims that the Company has infringed on third party intellectual property rights. In addition, the Company brings claims from time-to-time relating to infringement of, or challenges to, our intellectual property, including registered marks. Finally, as a publicly-traded company, disputes arise from time to time with our shareholders, including allegations that the Company breached federal securities laws or that officers and/or directors breached fiduciary duties. Descriptions of current specific claims and contingencies appear in Note 18, Contingencies, to the Consolidated Financial Statements included in Part II, Item 8, which Note is incorporated by reference into this item.

ITEM 4 Mine Safety Disclosures

Not applicable

Executive Officers of the Registrant

The executive officers of the Company as of February 16, 2016, and their ages and current positions as of that date are as follows:

David C. Novak, 63, is Executive Chairman of the Board of YUM. He has served in this position since January 2015. Prior to this position, he served as Chairman of the Board and Chief Executive Officer of YUM from January 2001 to December 2014.

Greg Creed, 58, is Chief Executive Officer of YUM. He has served in this position since January 2015. He served as Chief Executive Officer of Taco Bell Division from January 2014 to December 2014 and as Chief Executive Officer of Taco Bell U.S. from 2011 to December 2013. Prior to this position, Mr. Creed served as President and Chief Concept Officer of Taco Bell U.S., a position he held beginning in December 2006.

Jonathan D. Blum, 57, is Senior Vice President, Chief Public Affairs Officer and Global Nutrition Officer of YUM. He has served as Senior Vice President and Chief Public Affairs Officer since July 1997. In March of 2012, his title and job responsibilities were expanded to include Global Nutrition Officer.

Roger Eaton, 55, is Chief Executive Officer of KFC Division, a position he has held since August 2015. Prior to that, he served as President of KFC Division from January 2014 to August 2015 and as Chief Operations Officer of YUM from November 2011 to August 2015. Prior to these positions, Mr. Eaton served as Chief Executive Officer of KFC U.S. and YUM Operational Excellence Officer from February 2011 to November 2011.

David Gibbs, 52, is Chief Executive Officer of Pizza Hut Division. He has served in this position since January 2015. From January 2014 to December 2014, Mr. Gibbs served as President of Pizza Hut U.S. Prior to this position, Mr. Gibbs served as President and Chief Financial Officer of Yum! Restaurants International, Inc. ("YRI") from May 2012 through December 2013. Mr. Gibbs served as Chief Financial Officer of YRI from January 2011 to April 2012. He was Chief Financial Officer of Pizza Hut U.S. from September 2005 to December 2010.

Patrick Grismer, 54, is Chief Financial Officer of YUM. He has served in this position since May 2012. Prior to this position, Mr. Grismer served as Chief Planning and Control Officer of YUM, a position he held beginning January 2011. Mr. Grismer served as Chief Financial Officer of YRI from June 2008 to January 2011.

Marc Kesselman, 44, is Chief Legal Officer, General Counsel and Corporate Secretary of YUM. He has served in this position since February 2016. Mr. Kesselman joined YUM from Dean Foods where he held the position of Executive Vice President, General Counsel, Corporate Secretary & Government Affairs from January 2015 to January 2016. Prior to this position, he worked at PepsiCo from January 2009 to December 2014, most recently serving as Senior Vice President and General Counsel of PepsiCo Americas Foods & Frito Lay North America. From May 2006 to December 2008 he served as General Counsel of the United States Department of Agriculture.

Brian Niccol, 41, is Chief Executive Officer of Taco Bell Division, a position he has held since January 2015. From January 2014 to December 2014, Mr. Niccol served as President of Taco Bell Division. From May 2013 to December 2013 Mr. Niccol served as President of Taco Bell U.S. Mr. Niccol served as Chief Marketing and Innovation Officer of Taco Bell U.S. from October 2011 to April 2013. Prior to this position, he served as General Manager of Pizza Hut U.S. from February 2011 to September 2011. From September 2007 to January 2011 he was Chief Marketing Officer of Pizza Hut U.S.

Muktesh Pant, 61, is Chief Executive Officer of YUM's China Division, a position he has held since August 2015. From January 2014 to August 2015, he served as Chief Executive Officer of KFC Division. Prior to this position he served as Chief Executive Officer of YRI from December 2011 to December 2013. Mr. Pant served as President of YRI from May 2010 to December 2011 and as President of Global Brand Building for YUM from February 2009 to December 2011. He served as Chief Marketing Officer of YRI from July 2005 to May 2010.

David Russell, 46, is Vice President, Finance and Corporate Controller of YUM. He has served in this position since December 2012. He has been Vice President and Corporate Controller since February 2011. Effective December 2012, his duties and title were expanded to include Vice President, Finance. From November 2010 to February 2011, Mr. Russell served as Vice President, Controller-Designate. From January 2008 to November 2010, he served as Vice President and Assistant Controller.

Tracy Skeans, 43, is Chief People Officer of YUM, a position she has held since January 2016. From January 2015 to December 2015, she was President of Pizza Hut International. Prior to this position, Ms. Skeans served as Chief People Officer of Pizza Hut Division from December 2013 to December 2014 and Chief People Officer of Pizza Hut U.S. from October 2011 to November 2013. From June 2006 to September 2011, she also served as Director of Human Resources for Pizza Hut U.S.

Executive officers are elected by and serve at the discretion of the Board of Directors.

PART II

ITEM 5 Market for the Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Common Stock trades under the symbol YUM and is listed on the New York Stock Exchange ("NYSE"). The following sets forth the high and low NYSE composite closing sale prices by quarter for the Company's Common Stock and dividends per common share.

2015

Quarter	High	Low	Dividends Declared
First	$ 81.80	$ 70.01	$ —
Second	94.88	78.29	0.82
Third	92.75	76.10	—
Fourth	83.42	67.12	0.92

2014

Quarter	High	Low	Dividends Declared
First	$ 77.40	$ 66.16	$ 0.37
Second	79.99	73.20	0.37
Third	83.29	69.40	—
Fourth	78.36	67.23	0.82

In 2015, the Company declared two cash dividends of $0.41 per share and two cash dividends of $0.46 per share of Common Stock, one of which had a distribution date of February 5, 2016. In 2014, the Company declared two cash dividends of $0.37 per share and two cash dividends of $0.41 per share of Common Stock, one of which had a distribution date of February 6, 2015. The Company currently targets, and will continue to target subsequent to the planned spin-off of our China business, an annual dividend payout ratio of 45% to 50% of net income.

As of February 9, 2016, there were 55,462 registered holders of record of the Company's Common Stock.

Issuer Purchases of Equity Securities

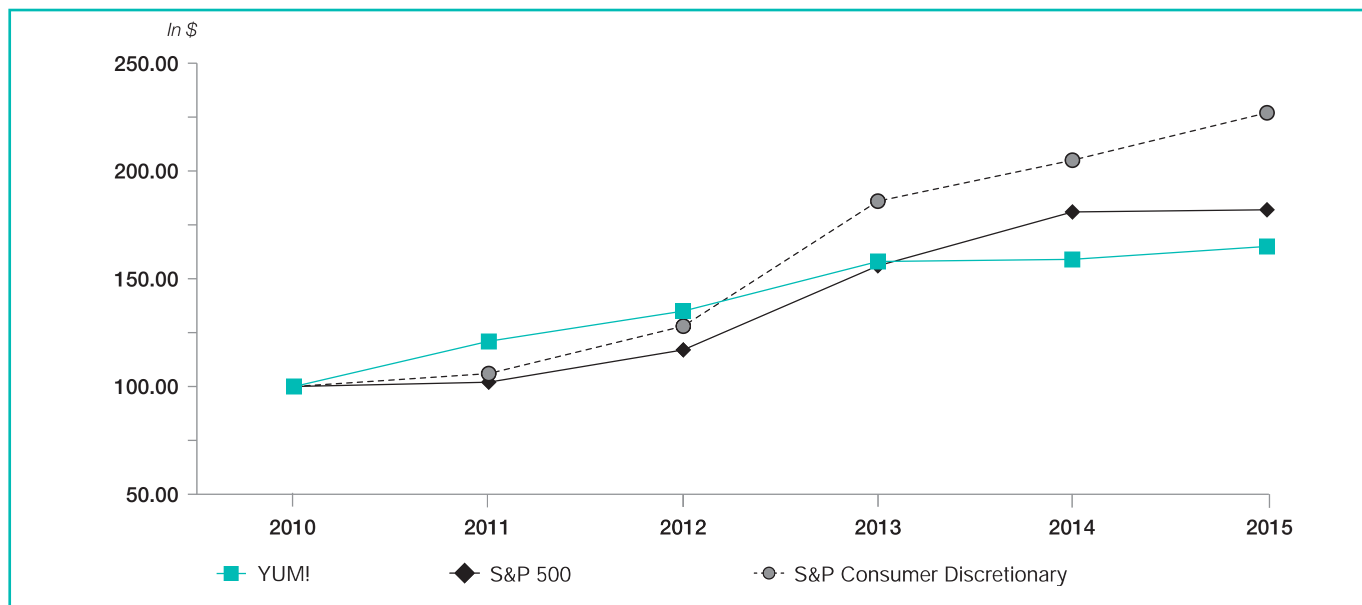
The following table provides information as of December 26, 2015 with respect to shares of Common Stock repurchased by the Company during the quarter then ended:

Fiscal Periods	Total number of shares purchased *(thousands)*	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs *(thousands)*	Approximate dollar value of shares that may yet be purchased under the plans or programs *(millions)*
Period 10	—	N/A	—	$ 763
9/6/15 – 10/3/15				
Period 11	1,914	$ 73.16	1,914	$ 623
10/4/15 – 10/31/15				
Period 12	4,006	$ 71.14	4,006	$ 338
11/1/15 – 11/28/15				
Period 13	5,506	$ 73.56	5,506	$ 933
11/29/15 – 12/26/15				
TOTAL	**11,426**	**$ 72.64**	**11,426**	**$ 933**

On November 20, 2014, our Board of Directors authorized share repurchases through May 2016 of up to $1 billion (excluding applicable transaction fees) of our outstanding Common Stock. On December 8, 2015, our Board of Directors authorized additional share repurchases through December 2016 of up to $1 billion (excluding applicable transaction fees) of our outstanding Common Stock. As of December 26, 2015, we have remaining capacity to repurchase up to $933 million of Common Stock under the December 2015 authorization.

Stock Performance Graph

This graph compares the cumulative total return of our Common Stock to the cumulative total return of the S&P 500 Stock Index and the S&P 500 Consumer Discretionary Sector, a peer group that includes YUM, for the period from December 23, 2010 to December 24, 2015, the last trading day of our 2015 fiscal year. The graph assumes that the value of the investment in our Common Stock and each index was $100 at December 23, 2010 and that all dividends were reinvested.



	12/23/2010	12/30/2011	12/28/2012	12/27/2013	12/26/2014	12/24/2015
YUM	$ 100	$ 121	$ 135	$ 158	$ 159	$ 165
S&P 500	$ 100	$ 102	$ 117	$ 156	$ 181	$ 182
S&P Consumer Discretionary	$ 100	$ 106	$ 128	$ 186	$ 205	$ 227

ITEM 6 Selected Financial Data

SELECTED FINANCIAL DATA

YUM! BRANDS, INC. AND SUBSIDIARIES

	Fiscal Year				
(in millions, except per share and unit amounts)	2015	2014	2013	2012	2011[g]
Income Statement Data					
Revenues					
Company sales	$11,145	$11,324	$11,184	$11,833	$10,893
Franchise and license fees and income	1,960	1,955	1,900	1,800	1,733
Total	13,105	13,279	13,084	13,633	12,626
Closures and impairment income (expenses)[a]	(79)	(535)	(331)	(37)	(135)
Refranchising gain (loss)[b]	(10)	33	100	78	(72)
Operating Profit[c]	1,921	1,557	1,798	2,294	1,815
Interest expense, net[c]	134	130	247	149	156
Income before income taxes	1,787	1,427	1,551	2,145	1,659
Net Income – including noncontrolling interest	1,298	1,021	1,064	1,608	1,335
Net Income – YUM! Brands, Inc.	1,293	1,051	1,091	1,597	1,319
Basic earnings per common share	2.97	2.37	2.41	3.46	2.81
Diluted earnings per common share	2.92	2.32	2.36	3.38	2.74
Diluted earnings per common share before Special Items[c]	3.18	3.09	2.97	3.25	2.87
Cash Flow Data					
Provided by operating activities	$ 2,139	$ 2,049	$ 2,139	$ 2,294	$ 2,170
Capital spending, excluding acquisitions and investments	973	1,033	1,049	1,099	940
Proceeds from refranchising of restaurants	246	114	260	364	246
Repurchase shares of Common Stock	1,200	820	770	965	752
Dividends paid on Common Stock	730	669	615	544	481
Balance Sheet Data					
Total assets[h]	$ 8,075	$ 8,334	$ 8,695	$ 9,013	$ 8,834
Long-term debt	3,054	3,077	2,918	2,932	2,997
Total debt	3,977	3,344	2,989	2,942	3,317
Other Data					
Number of stores at year end					
Company	8,927	8,664	8,097	7,544	7,403
Unconsolidated Affiliates	796	757	716	660	587
Franchisees & licensees	32,969	32,125	31,420	30,733	29,056
System	42,692	41,546	40,233	38,937	37,046
China Division system sales growth[d]					
Reported	—%	1%	(1)%	23%	35%
Local currency[e]	2%	1%	(4)%	20%	29%
KFC Division system sales growth[d]					
Reported	(4)%	2%	—%	2%	9%
Local currency[e]	7%	6%	3%	6%	4%
Pizza Hut Division system sales growth[d]					
Reported	(2)%	—%	—%	2%	5%
Local currency[e]	2%	1%	1%	5%	2%
Taco Bell Division system sales growth[d]					
Reported	8%	4%	4%	7%	1%
Local currency[e]	8%	4%	4%	9%	(1)%
India Division system sales growth[d][f]					
Reported	(9)%	(1)%	11%	13%	36%
Local currency[e]	(5)%	3%	20%	29%	35%
Shares outstanding at year end	420	434	443	451	460
Cash dividends declared per Common Share	$ 1.74	$ 1.56	$ 1.41	$ 1.24	$ 1.07
Market price per share at year end	$ 74.00	$ 73.14	$ 73.87	$ 64.72	$ 59.01

(a) *Closures and impairment income (expense) includes $463 million and $295 million of Little Sheep impairment losses in 2014 and 2013 respectively. See Note 4. Additionally, 2011 included $80 million of net losses related to the divestitures of the Long John Silver's and A&W All-American Food Restaurants brands.*

(b) *See Note 4 for discussion of Refranchising gain (loss) for fiscal years 2015, 2014 and 2013. Fiscal year 2012 included $122 million in net gains from refranchising restaurants in the U.S., primarily Taco Bells, and $70 million in losses related to the refranchising of our remaining Company-owned Pizza Hut UK dine-in restaurants. Fiscal year 2011 included a charge of $76 million as a result of our initial decision to refranchise or close all of our remaining Company-owned Pizza Hut UK dine-in restaurants.*

(c) *In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") throughout this document, the Company provides non-GAAP measurements which present operating results on a basis before Special Items. The Company uses earnings before Special Items as a key performance measure of results of operations for the purpose of evaluating performance internally and Special Items are not included in any of our segment results. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of earnings before Special Items provides additional information to investors to facilitate the comparison of past and present results, excluding items that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.*

2015, 2014 and 2013 Special Items are described in further detail within our Management's Discussion and Analysis of Financial Condition and Results of Operations. Special Items in 2012 positively impacted Operating Profit by $58 million, primarily due to $122 million in U.S. refranchising net gains and a $74 million gain on the acquisition of an additional interest in and resulting consolidation of Little Sheep, partially offset by $84 million in pension settlement charges and $70 million of losses associated with the refranchising of the Pizza Hut UK dine-in business. Special Items in 2011 negatively impacted Operating Profit by $187 million, primarily due to $86 million in losses and other costs relating to the divestitures of the Long John Silvers and A&W All-American Food Restaurants brands and $76 million in losses as a result of our initial decision to refranchise or close all of our remaining Company-owned Pizza Hut UK dine-in restaurants. Special items resulted in cumulative net tax benefits of $1 million and $123 million in 2012 and 2011, respectively.

(d) *System sales growth includes the results of all restaurants regardless of ownership, including company-owned, franchise, unconsolidated affiliate and license restaurants that operate our Concepts, except for non-company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise, unconsolidated affiliate and license restaurants typically generate ongoing franchise and license fees for the Company at a rate of 4% to 6% of sales. Franchise, unconsolidated affiliate and license restaurant sales are not included in Company sales on the Consolidated Statements of Income; however, the franchise and license fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.*

(e) *Local currency represents the percentage change excluding the impact of foreign currency translation. These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.*

(f) *Effective the beginning of 2014, results from our Mauritius stores are included in KFC and Pizza Hut Divisions as applicable. While there was no impact to our consolidated results, this change negatively impacted India's 2014 reported and local currency system sales growth by 10% and 11%, respectively.*

(g) *Fiscal years 2015, 2014, 2013 and 2012 include 52 weeks and fiscal year 2011 includes 53 weeks. Our fiscal calendar results in a 53rd week every five or six years. This impacts all of our U.S. businesses and certain of our international businesses that report on a period, as opposed to a monthly, basis within our global brand divisions. Our China and India Divisions report on a monthly basis and thus did not have a 53rd week in 2011.*

The estimated impacts of the 53rd week on Company sales, Franchise and license fees and income and Operating Profit in 2011 were increases of $72 million, $19 million and $25 million, respectively. The $25 million Operating Profit benefit was offset throughout 2011 by investments, including franchise development incentives, as well as higher-than-normal spending, such as restaurant closures within our global brand divisions.

(h) *In 2015, we retrospectively adopted Accounting Standard Update (ASU) No. 2015-17, Balance Sheet Classification of Deferred Taxes. See Income Taxes section of Note 2. We have restated Total assets for 2014 to reflect this change, but have not restated 2013, 2012 or 2011.*

The selected financial data should be read in conjunction with the Consolidated Financial Statements.

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction and Overview

The following Management's Discussion and Analysis ("MD&A"), should be read in conjunction with the Consolidated Financial Statements ("Financial Statements") in Item 8 and the Forward-Looking Statements and the Risk Factors set forth in Item 1A.

YUM! Brands, Inc. ("YUM" or the "Company") operates, franchises or licenses a worldwide system of over 42,000 restaurants in more than 130 countries and territories operating primarily under the KFC, Pizza Hut or Taco Bell (collectively the "Concepts") brands. These three Concepts are the global leaders in the chicken, pizza and Mexican-style food categories, respectively. Of the over 42,000 restaurants, 21% are operated by the Company and its subsidiaries and 79% are operated by franchisees, licensees or unconsolidated affiliates.

As of December 26, 2015, YUM consists of five operating segments:

- YUM China ("China" or "China Division") which includes all operations in mainland China
- YUM India ("India" or "India Division") which includes all operations in India, Bangladesh, Nepal and Sri Lanka
- The KFC Division which includes all operations of the KFC concept outside of China Division and India Division
- The Pizza Hut Division which includes all operations of the Pizza Hut concept outside of China Division and India Division
- The Taco Bell Division which includes all operations of the Taco Bell concept outside of India Division

Effective January, 2016 the India Division was segmented by brand, integrated into the global KFC, Pizza Hut and Taco Bell Divisions, and is no longer a separate operating segment. While our consolidated results will not be impacted, we will restate our historical segment information during 2016 for consistent presentation.

In October, 2015 we announced our intent to separate YUM's China business from YUM into an independent, publicly-traded company by the end of 2016. This transaction, which is expected to be a tax-free spin-off of our China business, will create two powerful, independent, focused growth companies with distinct strategies, financial profiles and investment characteristics. The new China entity will become a licensee

of YUM in mainland China, with exclusive rights to the KFC, Pizza Hut and Taco Bell concepts. Upon completion of the planned spin-off, YUM will become more of a "pure play" franchisor with more stable earnings, higher profit margins, lower capital requirements and stronger cash flow conversion. Consistent with this strategy YUM is targeting 96% franchisee ownership of its restaurants by the end of 2017.

YUM has announced its intention to return substantial capital to shareholders prior to this planned spin-off, the majority of which will be funded by incremental borrowings. With this recapitalization, the Company is transitioning to a non-investment grade credit rating with a balance sheet more consistent with highly-levered peer restaurant franchise companies. Moreover, this will allow for an ongoing return-of-capital framework that will seek to optimize the Company's long-term growth rate on a per-share basis.

Completion of the spin-off will be subject to certain conditions, including receiving final approval from the YUM Board of Directors, receipt of various regulatory approvals, receipt of an opinion of counsel with respect to certain tax matters, the effectiveness of filings related to public listing and applicable securities laws, and other terms and conditions as may be determined by the Board of Directors. There can be no assurance regarding the ultimate timing of the proposed transaction or that the transaction will be completed.

Our historical ongoing earnings growth model has targeted a 10% earnings per share ("EPS") growth rate, which was based on Operating Profit growth targets of 15% in China, 10% for our KFC Division, 8% for our Pizza Hut Division, and 6% for our Taco Bell Division. See the Division discussions within the Results of Operations section of this MD&A for further details on our Divisions' 2015 targets.

YUM's 2016 Operating Profit is expected to grow 10% in constant currency, including the impact of 2016 having a 53rd week. While we expect to spin off our China business prior to the end of 2016, this target assumes our China business will remain part of YUM through the end of 2016. YUM's 2016 target is based on Operating Profit growth instead of EPS growth given the uncertainties surrounding the specific timing and pricing of our 2016 shareholder capital returns.

Subsequent to the spin-off of our China business, we are targeting about 15% ongoing EPS growth for the new China entity and about 15% ongoing total shareholder return for the remaining ongoing YUM business. The new China entity's 15% EPS growth includes contributions from both Operating Profit and financial strategies such as share repurchases. YUM's 15% total shareholder return includes ongoing Operating Profit growth targets of 10% for our KFC Division, 8% for our Pizza Hut Division and 6% for our Taco Bell Division, which are consistent with our historical ongoing earnings growth model. The 15% total shareholder return also includes 1% to 2% growth from the China license fee, 3% to 5% growth from financial strategies and approximately 2% yield from dividends.

We intend for this MD&A to provide the reader with information that will assist in understanding our results of operations, including performance metrics that management uses to assess the Company's performance. Throughout this MD&A, we commonly discuss the following performance metrics:

- The Company provides certain percentage changes excluding the impact of foreign currency translation ("FX" or "Forex"). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.
- System sales growth includes the results of all restaurants regardless of ownership, including company-owned, franchise, unconsolidated affiliate and license restaurants that operate our Concepts, except for non-company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise, unconsolidated affiliate and license restaurants typically generate ongoing franchise and license fees for the Company at a rate of 4% to 6% of sales. Franchise, unconsolidated affiliate and license restaurant sales are not included in Company sales on the Consolidated Statements of Income; however, the franchise and license fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.
- Same-store sales growth is the estimated percentage change in sales of all restaurants that have been open and in the YUM system one year or more.
- Company Restaurant profit ("Restaurant profit") is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales. Company restaurant margin as a percentage of sales is defined as Restaurant profit divided by Company sales. Within the Company Sales and Restaurant Profit analysis, Store Portfolio Actions represent the net impact of new unit openings, acquisitions, refranchising and store closures, and Other primarily represents the impact of same-store sales as well as the impact of changes in costs such as inflation/deflation.
- In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") throughout this MD&A, the Company provides non-GAAP measurements which present operating results on a basis before Special Items. The Company uses earnings before Special Items as a key performance measure of results of operations for the purpose of evaluating performance internally and Special Items are not included in any of our segment results. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of earnings before Special Items provides additional information to investors to facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.
- All Note references herein refer to the Notes to the Financial Statements. Tabular amounts are displayed in millions of U.S. dollars except per share and unit count amounts, or as otherwise specifically identified. Percentages may not recompute due to rounding.

Results of Operations

Summary

All comparisons within this summary are versus the same period a year ago and exclude the impact of Special Items. All system sales growth and Operating Profit comparisons exclude the impact of foreign currency.

2015 diluted EPS increased 3% to $3.18 per share versus our target of 10% growth, as sales and profits at our China Division did not recover as strongly as expected and adverse foreign currency translation significantly impacted reported earnings.

We expected China Division sales and profits to grow significantly in the second half of 2015 as we recovered from the adverse publicity in July 2014 surrounding improper food handling practices of a former supplier. China Division sales initially turned significantly positive as we lapped the July 2014 supplier incident, but overall sales in the second half of 2015 trailed our expectations, particularly at Pizza Hut Casual Dining. KFC China grew same stores sales 3% in Q3 and 6% in Q4, while Pizza Hut Casual Dining same-store sales declined 1% in Q3 and 8% in Q4. For the year China Division same-store sales declined 4%.

Foreign currency translation from our international operations negatively impacted EPS growth by 6 percentage points.

2015 financial highlights are below:

	China Division	KFC Division	Pizza Hut Division	Taco Bell Division	India Division
System Sales Growth (Decline)	2%	7%	2%	8%	(5)%
Operating Profit Growth (Decline)	8%	8%	1%	12%	(118)%
Same Store Sales Growth (Decline)	(4)%	3%	1%	5%	(13)%
New Unit Openings	743	715	577	276	54

Worldwide

The Consolidated Results of Operations for the years to date ended December 26, 2015, December 27, 2014 and December 28, 2013 are presented below:

	Amount			% B/(W)	
	2015	2014	2013	2015	2014
Company sales	$ 11,145	$ 11,324	$ 11,184	(2)	1
Franchise and license fees and income	1,960	1,955	1,900	—	3
Total Revenues	$ 13,105	$ 13,279	$ 13,084	(1)	1
Restaurant Profit	$ 1,786	$ 1,642	$ 1,683	9	(2)
Restaurant Margin %	16.0%	14.5%	15.0%	1.5 ppts.	(0.5) ppts.
Operating Profit	$ 1,921	$ 1,557	$ 1,798	23	(13)
Interest expense, net	134	130	247	(4)	47
Income tax provision	489	406	487	(20)	17
Net Income – including noncontrolling interests	1,298	1,021	1,064	27	(4)
Net Income (loss) – noncontrolling interests	5	(30)	(27)	NM	(12)
Net Income – YUM! Brands, Inc.	$ 1,293	$ 1,051	$ 1,091	23	(4)
Diluted EPS[(a)]	$ 2.92	$ 2.32	$ 2.36	26	(2)
Diluted EPS Before Special Items[(a)]	$ 3.18	$ 3.09	$ 2.97	3	4
Reported Effective Tax Rate	27.3%	28.5%	31.4%		
Effective Tax Rate Before Special Items	25.6%	25.5%	28.0%		

(a) See Note 3 for the number of shares used in these calculations.

	2015	2014
System Sales Growth, reported	(1)%	2%
System Sales Growth, excluding FX	5%	3%

				% Increase (Decrease)	
Unit Count	**2015**	**2014**	**2013**	**2015**	**2014**
Franchise & License	32,969	32,125	31,420	3	2
Company-owned	8,927	8,664	8,097	3	7
Unconsolidated Affiliates	796	757	716	5	6
	42,692	41,546	40,233	3	3

Special Items

Special Items, along with the reconciliation to the most comparable GAAP financial measure, are presented below.

Detail of Special Items	Year 2015	2014	2013
Gains (losses) associated with the refranchising of equity markets outside the U.S. (See Note 4)	$ (96)	$ 7	$ —
Costs associated with KFC U.S. Acceleration Agreement (See Note 4)	(72)	—	—
Loss associated with planned sale of aircraft (See Note 7)	(15)	—	—
Costs associated with the planned spin-off of the China business and YUM recapitalization[(a)]	(9)	—	—
U.S. Refranchising gain (loss)[(b)]	75	6	91
Little Sheep impairment (See Note 4)	—	(463)	(295)
Other Special Items Income (Expense)[(c)]	1	3	(18)
Special Items Income (Expense) – Operating Profit	(116)	(447)	(222)
Losses related to the extinguishment of debt – Interest Expense, net (See Note 4)	—	—	(118)
Special Items Income (Expense) before income taxes	(116)	(447)	(340)
Tax Benefit (Expense) on Special Items[(d)]	(1)	72	41
Special Items Income (Expense), net of tax – including noncontrolling interests	(117)	(375)	(299)
Special Items Income (Expense), net of tax – noncontrolling interests (See Note 4)	—	26	19
Special Items Income (Expense), net of tax – YUM! Brands, Inc.	$ (117)	$ (349)	$ (280)
Average diluted shares outstanding	443	453	461
Special Items diluted EPS	$ (0.26)	$ (0.77)	$ (0.61)
Reconciliation of Operating Profit Before Special Items to Reported Operating Profit			
Operating Profit before Special Items	$ 2,037	$ 2,004	$ 2,020
Special Items Income (Expense) – Operating Profit	(116)	(447)	(222)
Reported Operating Profit	$ 1,921	$ 1,557	$ 1,798
Reconciliation of EPS Before Special Items to Reported EPS			
Diluted EPS before Special Items	$ 3.18	$ 3.09	$ 2.97
Special Items EPS	(0.26)	(0.77)	(0.61)
Reported EPS	$ 2.92	$ 2.32	$ 2.36
Reconciliation of Effective Tax Rate Before Special Items to Reported Effective Tax Rate			
Effective Tax Rate before Special Items	25.6%	25.5%	28.0%
Impact on Tax Rate as a result of Special Items[(d)]	1.7%	3.0%	3.4%
Reported Effective Tax Rate	27.3%	28.5%	31.4%

(a) We have incurred $9 million of expenses for initiatives related to the planned spin-off of our China business into an independent publicly-traded company and our recapitalization plan.

(b) The refranchising gains in 2015 and 2013 were primarily due to gains on sales of Taco Bell restaurants.

(c) Other Special Items Income (Expense) in 2013 primarily includes pension settlement charges of $10 million related to a program where the company allowed certain former employees the opportunity to voluntarily elect an early payout of their pension benefits, the majority of which were funded from existing pension plan assets, and $5 million of expense relating to U.S. G&A productivity initiatives and realignment of resources (primarily severance and early retirement costs) undertaken in conjunction with the refranchising of restaurants in the U.S.

(d) The tax benefit (expense) was determined based upon the impact of the nature, as well as the jurisdiction of the respective individual components within Special Items.

China Division

The China Division has 7,176 units, predominately KFC and Pizza Hut Casual Dining restaurants which are the leading quick service and casual dining restaurant brands, respectively, in mainland China. Given our strong competitive position, a growing economy and a population of approximately 1.4 billion in mainland China, the Company has rapidly added KFC and Pizza Hut Casual Dining restaurants and accelerated the development of Pizza Hut Home Service (home delivery). For 2015, China Division targeted mid-single-digit same-store sales growth, moderate margin improvement, at least 700 new unit openings and Operating Profit growth of at least 15%.

				% B/(W) 2015		% B/(W) 2014	
	2015	2014	2013	Reported	Ex FX	Reported	Ex FX
Company sales	$ 6,789	$ 6,821	$ 6,800	—	1	—	1
Franchise and license fees and income	120	113	105	7	9	7	7
Total revenues	$ 6,909	$ 6,934	$ 6,905	—	2	—	1
Restaurant profit	$ 1,077	$ 1,009	$ 1,050	7	9	(4)	(4)
Restaurant margin %	15.9%	14.8%	15.4%	1.1 ppts.	1.0 ppts.	(0.6) ppts.	(0.6) ppts.
G&A expenses	$ 397	$ 391	$ 357	(2)	(3)	(9)	(9)
Operating Profit	$ 757	$ 713	$ 777	6	8	(8)	(8)

	2015	2014
System Sales Growth, reported	—%	1%
System Sales Growth, excluding FX	2%	1%
Same-Store Sales Growth (Decline) %	(4)%	(5)%

				% Increase (Decrease)	
Unit Count	2015	2014	2013	2015	2014
Company-owned	5,768	5,417	5,026	6	8
Unconsolidated Affiliates	796	757	716	5	6
Franchise & License	612	541	501	13	8
	7,176	6,715	6,243	7	8

	2014	New Builds	Closures	Refranchised	Acquired	Other	2015
Company-owned	5,417	636	(198)	(90)	3	—	5,768
Unconsolidated Affiliates	757	58	(15)	—	—	(4)	796
Franchise & License	541	49	(69)	90	(3)	4	612
Total	6,715	743	(282)	—	—	—	7,176

	2013	New Builds	Closures	Refranchised	Acquired	Other	2014
Company-owned	5,026	664	(195)	(79)	1	—	5,417
Unconsolidated Affiliates	716	56	(14)	—	—	(1)	757
Franchise & License	501	17	(56)	79	(1)	1	541
Total	6,243	737	(265)	—	—	—	6,715

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

		2015 vs. 2014			
Income / (Expense)	2014	Store Portfolio Actions	Other	FX	2015
Company sales	$ 6,821	$ 363	$ (262)	$ (133)	$ 6,789
Cost of sales	(2,207)	(102)	108	42	(2,159)
Cost of labor	(1,407)	(70)	63	28	(1,386)
Occupancy and other	(2,198)	(108)	97	42	(2,167)
Restaurant Profit	$ 1,009	$ 83	$ 6	$ (21)	$ 1,077

		2014 vs. 2013			
Income / (Expense)	2013	Store Portfolio Actions	Other	FX	2014
Company sales	$ 6,800	$ 358	$ (322)	$ (15)	$ 6,821
Cost of sales	(2,258)	(104)	151	4	(2,207)
Cost of labor	(1,360)	(75)	26	2	(1,407)
Occupancy and other	(2,132)	(124)	52	6	(2,198)
Restaurant Profit	$ 1,050	$ 55	$ (93)	$ (3)	$ 1,009

In 2015, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth partially offset by the impact of refranchising. Significant other factors impacting Company sales and/or Restaurant profit were labor efficiencies and lower utilities, partially offset by wage inflation of 8%, company same-store sales declines of 4% and commodity inflation of 1%. See the Summary at the beginning of this section for discussion of China sales.

In 2014, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were wage rate inflation of 9% and same-store sales declines of 5% which led to inefficiencies in Cost of sales, partially offset by labor efficiencies and lower advertising expense.

Franchise and License Fees and Income

In 2015, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by the impact of refranchising and net new unit growth, partially offset by franchise and license same-store sales declines of 2%.

In 2014, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by the impact of refranchising, partially offset by franchise and license same-store sales declines of 4%.

G&A Expenses

In 2015 and 2014, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by higher compensation costs due to wage inflation and higher headcount.

Operating Profit

In 2015, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by net new unit growth and lower restaurant operating costs, partially offset by same-store sales declines, decreased Other income due to lower insurance recoveries related to the 2012 poultry supply incident and higher closure and impairment expenses. See the Summary at the beginning of this section for discussion of China sales.

In 2014, the decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales declines, higher restaurant operating costs and higher G&A expenses, partially offset by net new unit growth and increased Other income due to an insurance recovery related to the 2012 poultry supply incident.

KFC Division

The KFC Division has 14,577 units, approximately 70% of which are located outside the U.S. The KFC Division has experienced significant unit growth in emerging markets, which comprised approximately 40% of both the Division's units and profits, respectively, as of the end of 2015. Additionally, 90% of the KFC Division units were operated by franchisees and licensees as of the end of 2015. For 2015, KFC Division targeted at least 425 net new international units, low-single-digit same-store sales growth and Operating Profit growth of 10%.

				% B/(W) 2015		% B/(W) 2014	
	2015	2014	2013	Reported	Ex FX	Reported	Ex FX
Company sales	$ 2,106	$ 2,320	$ 2,192	(9)	5	6	9
Franchise and license fees and income	842	873	844	(4)	7	4	7
Total revenues	$ 2,948	$ 3,193	$ 3,036	(8)	6	5	8
Restaurant profit	$ 312	$ 308	$ 277	1	16	12	14
Restaurant margin %	14.8%	13.3%	12.6%	1.5 ppts.	1.4 ppts.	0.7 ppts.	0.7 ppts.
G&A expenses	$ 386	$ 383	$ 391	(1)	(12)	2	—
Operating Profit	$ 677	$ 708	$ 649	(4)	8	9	13

	2015	2014
System Sales Growth, reported	(4)%	2%
System Sales Growth, excluding FX	7%	6%
Same-Store Sales Growth %	3%	3%

				% Increase (Decrease)	
Unit Count	2015	2014	2013	2015	2014
Franchise & License	13,189	12,874	12,647	2	2
Company-owned	1,388	1,323	1,257	5	5
	14,577	14,197	13,904	3	2

	2014	New Builds	Closures	Refranchised	Acquired	Other	2015
Franchise & License	12,874	609	(302)	31	(12)	(11)	13,189
Company-owned	1,323	106	(22)	(31)	12	—	1,388
Total	14,197	715	(324)	—	—	(11)	14,577

	2013	New Builds	Closures	Refranchised	Acquired	Other	2014
Franchise & License	12,647	553	(356)	39	(4)	(5)	12,874
Company-owned	1,257	123	(22)	(39)	4	—	1,323
Total	13,904	676	(378)	—	—	(5)	14,197

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	2015 vs. 2014				
Income / (Expense)	2014	Store Portfolio Actions	Other	FX	2015
Company sales	$ 2,320	$ 54	$ 65	$ (333)	$ 2,106
Cost of sales	(809)	(25)	2	115	(717)
Cost of labor	(552)	(8)	(16)	79	(497)
Occupancy and other	(651)	(16)	(6)	93	(580)
Restaurant Profit	$ 308	$ 5	$ 45	$ (46)	$ 312

	2014 vs. 2013				
Income / (Expense)	2013	Store Portfolio Actions	Other	FX	2014
Company sales	$ 2,192	$ 110	$ 79	$ (61)	$ 2,320
Cost of sales	(766)	(43)	(26)	26	(809)
Cost of labor	(521)	(25)	(16)	10	(552)
Occupancy and other	(628)	(38)	(3)	18	(651)
Restaurant Profit	$ 277	$ 4	$ 34	$ (7)	$ 308

In 2015, the increase in Company sales and Restaurant profit associated with store portfolio actions were driven by international net new unit growth partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were company same-store sales growth of 3%.

In 2014, the increase in Company sales associated with store portfolio actions was driven by international net new unit growth and the impact of the acquisition of restaurants in Turkey from an existing franchisee in April 2013, partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales growth of 4%, which was partially offset by higher restaurant operating costs in international markets.

Franchise and License Fees and Income

In 2015, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by growth in international net new units, franchise and license same-store sales growth of 3% and refranchising.

In 2014, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by growth in international net new units and franchise and license same-store sales growth of 2%.

G&A Expenses

In 2015, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by higher incentive compensation, increased headcount in international markets and higher pension costs, including lapping the favorable resolution of a pension issue in the UK during 2014.

In 2014, G&A expenses, excluding the impact of foreign currency translation, were even with prior year as the impact of higher headcount in strategic international markets, higher incentive compensation costs and the impact of the acquisition of restaurants in Turkey from an existing franchisee in April 2013 was offset by lower pension costs in 2014 including the favorable resolution of a pension issue in the UK.

Operating Profit

In 2015, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales growth and international net new units, partially offset by higher G&A expenses.

In 2014, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by growth in same-store sales and international net new units, partially offset by higher restaurant operating costs in international markets.

Pizza Hut Division

The Pizza Hut Division has 13,728 units, approximately 60% of which are located in the U.S. The Pizza Hut Division operates as one brand that uses multiple distribution channels including delivery, dine-in and express (e.g. airports). Emerging markets comprised approximately 20% of both units and profits for the Division as of the end of 2015. Additionally, 94% of the Pizza Hut Division units were operated by franchisees and licensees as of the end of 2015. For 2015, Pizza Hut targeted at least 400 net new units, mid-single-digit same-store sales growth and 10% Operating Profit growth.

				% B/(W) 2015		% B/(W) 2014	
	2015	2014	2013	Reported	Ex FX	Reported	Ex FX
Company sales	$ 609	$ 607	$ 609	—	3	—	(1)
Franchise and license fees and income	536	541	538	(1)	3	1	2
Total revenues	$ 1,145	$ 1,148	$ 1,147	—	3	—	1
Restaurant profit	$ 59	$ 50	$ 71	19	16	(30)	(32)
Restaurant margin %	9.7%	8.2%	11.7%	1.5 ppts.	1.0 ppts.	(3.5) ppts.	(3.7) ppts.
G&A expenses	$ 266	$ 246	$ 224	(8)	(13)	(10)	(11)
Operating Profit	$ 289	$ 295	$ 339	(2)	1	(13)	(13)

	2015	2014
System Sales Growth, reported	(2)%	—%
System Sales Growth, excluding FX	2%	1%
Same-Store Sales Growth (Decline) %	1%	(1)%

				% Increase (Decrease)	
Unit Count	2015	2014	2013	2015	2014
Franchise & License	12,969	12,814	12,601	1	2
Company-owned	759	788	732	(4)	8
	13,728	13,602	13,333	1	2

	2014	New Builds	Closures	Refranchised	Acquired	Other	2015
Franchise & License	12,814	522	(418)	90	(44)	5	12,969
Company-owned	788	55	(38)	(90)	44	—	759
Total	13,602	577	(456)	—	—	5	13,728

	2013	New Builds	Closures	Refranchised	Acquired	Other	2014
Franchise & License	12,601	586	(359)	6	(19)	(1)	12,814
Company-owned	732	91	(48)	(6)	19	—	788
Total	13,333	677	(407)	—	—	(1)	13,602

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	2015 vs. 2014				
Income / (Expense)	2014	Store Portfolio Actions	Other	FX	2015
Company sales	$ 607	$ 24	$ (4)	$ (18)	$ 609
Cost of sales	(180)	(7)	12	6	(169)
Cost of labor	(188)	(6)	(2)	6	(190)
Occupancy and other	(189)	(9)	(1)	8	(191)
Restaurant Profit	$ 50	$ 2	$ 5	$ 2	$ 59

	2014 vs. 2013				
Income / (Expense)	2013	Store Portfolio Actions	Other	FX	2014
Company sales	$ 609	$ 21	$ (24)	$ 1	$ 607
Cost of sales	(173)	(7)	—	—	(180)
Cost of labor	(183)	(9)	4	—	(188)
Occupancy and other	(182)	(8)	—	1	(189)
Restaurant Profit	$ 71	$ (3)	$ (20)	$ 2	$ 50

In 2015, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by the impact of acquisitions in Canada and the U.S. and net new unit growth, partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were commodity deflation, primarily in the U.S., partially offset by company same-store sales declines of 1%.

In 2014, the increase in Company sales associated with store portfolio actions was driven by the impact of net new unit growth, the acquisition of restaurants in the U.S. and the acquisition of restaurants in Turkey from an existing franchisee in April 2013, partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were company same-store sales declines of 4%, commodity inflation, primarily in the U.S., and higher self-insurance costs.

Franchise and License Fees and Income

In 2015, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by net new unit growth. Franchise and license same-store sales grew 1%.

In 2014, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by net new unit growth. Franchise and license same-store sales declined 1%.

G&A Expenses

In 2015, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by strategic international investments and higher U.S. pension costs.

In 2014, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by strategic international investments, higher litigation costs and lapping a pension curtailment gain in the first quarter of 2013 related to one of our UK pension plans, partially offset by lower pension costs in the U.S.

Operating Profit

In 2015, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by net new unit growth and same-store sales growth, partially offset by higher G&A expenses.

In 2014, the decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by higher G&A expenses, same-store sales declines and higher restaurant operating costs, partially offset by net new unit growth.

Taco Bell Division

The Taco Bell Division has 6,400 units, the vast majority of which are in the U.S. The Company owns 15% of the Taco Bell units in the U.S., where the brand has historically achieved high restaurant margins and returns. For 2015, Taco Bell targeted about 150 net new units, low-single-digit same-store sales growth and Operating Profit growth of 6%.

				% B/(W) 2015		% B/(W) 2014	
	2015	2014	2013	Reported	Ex FX	Reported	Ex FX
Company sales	$ 1,541	$ 1,452	$ 1,474	6	6	(2)	(2)
Franchise and license fees and income	447	411	395	9	9	4	4
Total revenues	$ 1,988	$ 1,863	$ 1,869	7	7	—	—
Restaurant profit	$ 343	$ 274	$ 287	25	25	(5)	(5)
Restaurant margin %	22.3%	18.9%	19.5%	3.4 ppts.	3.4 ppts.	(0.6) ppts.	(0.6) ppts.
G&A expenses	$ 228	$ 185	$ 206	(23)	(23)	10	10
Operating Profit	$ 539	$ 480	$ 456	12	12	5	5

	2015	2014
System Sales Growth, reported	8%	4%
System Sales Growth, excluding FX	8%	4%
Same-Store Sales Growth %	5%	3%

				% Increase (Decrease)	
Unit Count	2015	2014	2013	2015	2014
Franchise & License	5,506	5,273	5,157	4	2
Company-owned	894	926	891	(3)	4
	6,400	6,199	6,048	3	2

	2014	New Builds	Closures	Refranchised	Acquired	Other	2015
Franchise & License	5,273	239	(80)	65	—	9	5,506
Company-owned	926	37	(4)	(65)	—	—	894
Total	6,199	276	(84)	—	—	9	6,400

	2013	New Builds	Closures	Refranchised	Acquired	Other	2014
Franchise & License	5,157	209	(90)	3	(12)	6	5,273
Company-owned	891	27	(1)	(3)	12	—	926
Total	6,048	236	(91)	—	—	6	6,199

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	2015 vs. 2014			
Income / (Expense)	2014	Store Portfolio Actions	Other	2015
Company sales	$ 1,452	$ 38	$ 51	$ 1,541
Cost of sales	(431)	(10)	20	(421)
Cost of labor	(414)	(12)	(1)	(427)
Occupancy and other	(333)	(11)	(6)	(350)
Restaurant Profit	$ 274	$ 5	$ 64	$ 343

	2014 vs. 2013			
Income / (Expense)	2013	Store Portfolio Actions	Other	2014
Company sales	$ 1,474	$ (47)	$ 25	$ 1,452
Cost of sales	(424)	14	(21)	(431)
Cost of labor	(419)	14	(9)	(414)
Occupancy and other	(344)	12	(1)	(333)
Restaurant Profit	$ 287	$ (7)	$ (6)	$ 274

In 2015, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were company same-store sales growth of 4% and commodity deflation.

In 2014, the decrease in Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising, partially offset by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were commodity inflation and higher food and labor costs due to the launch of breakfast in the U.S., partially offset by company same-store sales growth of 2%.

Franchise and License Fees and Income

In 2015, the increase in Franchise and license fees and income was driven by franchise and license same-store sales growth of 5%, net new unit growth and lapping franchise incentives provided in the first quarter of 2014 related to the national launch of breakfast.

In 2014, the increase in Franchise and license fees and income was driven by same-store sales growth of 3%, refranchising and net new unit growth, partially offset by franchise incentives provided in the first quarter of 2014 related to the launch of breakfast.

G&A Expenses

In 2015, the increase in G&A expenses was driven by higher incentive compensation costs, investment spending on strategic growth and technology initiatives, higher U.S. pension costs, higher litigation costs and the creation of the Live Más Scholarship.

In 2014, the decrease in G&A expenses was driven by lower U.S. pension costs and lower incentive compensation costs.

Operating Profit

In 2015, the increase in Operating Profit was driven by same-store sales growth and net new unit growth, partially offset by higher G&A expenses.

In 2014, the increase in Operating Profit was driven by same-store sales growth, lower G&A expenses and net new unit growth, partially offset by higher restaurant operating costs.

India Division

The India Division has 811 units, predominately KFC and Pizza Hut restaurants. Effective January, 2016 the India Division was segmented by brand, integrated into the global KFC, Pizza Hut and Taco Bell Divisions, and is no longer a separate operating segment. While our consolidated results will not be impacted, we will restate our historical segment information during 2016 for consistent presentation.

				% B/(W) 2015		% B/(W) 2014	
	2015	2014	2013	Reported	Ex FX	Reported	Ex FX
Total revenues[a]	$ 115	$ 141	$ 127	(18)	(14)	11	16
Operating Profit (loss)	$ (19)	$ (9)	$ (15)	(108)	(118)	39	35

	2015	2014
System Sales Growth, reported[a]	(9)%	(1)%
System Sales Growth, excluding FX[a]	(5)%	3%
Same-Store Sales Growth (Decline)%	(13)%	(5)%

				% Increase (Decrease)	
Unit Count	2015	2014	2013	2015	2014
Franchise & License	693	623	514	11	21
Company-owned	118	210	191	(44)	10
	811	833	705	(3)	18

	2014	New Builds	Closures	Refranchised	Acquired	2015
Franchise & License	623	54	(70)	86	—	693
Company-owned	210	—	(6)	(86)	—	118
Total	833	54	(76)	—	—	811

	2013	New Builds	Closures	Refranchised	Acquired	2014
Franchise & License	514	110	(21)	20	—	623
Company-owned	191	46	(7)	(20)	—	210
Total	705	156	(28)	—	—	833

(a) *Effective the beginning of 2014, results from our Mauritius stores are included in KFC and Pizza Hut Divisions as applicable. Prior year units have been adjusted for comparability while division System Sales Growth, Total Revenues and Operating Profit (loss) have not been restated due to the immaterial dollar impact of this change. While there was no impact to our consolidated results, this change negatively impacted India's 2014 System Sales Growth, reported and excluding FX, by 10% and 11%, respectively. This change negatively impacted India's 2014 Total revenues by 2% and Operating Profit (loss) by $1 million.*

Corporate & Unallocated

Income / (Expense)	2015	2014	2013	% B/(W) 2015	% B/(W) 2014
Corporate G&A expenses	$ (204)	$ (189)	$ (207)	(7)	9
Unallocated franchise and license expenses	(71)	—	—	NM	—
Unallocated closures and impairments	—	(463)	(295)	NM	(57)
Refranchising gain (loss) (See Note 4)	(10)	33	100	NM	(67)
Other unallocated	(37)	(11)	(6)	NM	(78)
Interest expense, net	(134)	(130)	(247)	(4)	47
Income tax provision (See Note 16)	(489)	(406)	(487)	(20)	17
Effective tax rate (See Note 16)	27.3%	28.5%	31.4%	1.2 ppts.	2.9 ppts.

Corporate G&A Expenses

In 2015, the increase in Corporate G&A expenses was driven by higher professional fees and higher pension costs.

In 2014, the decrease in Corporate G&A expenses was driven by lower pension costs, including lapping higher pension settlement charges, partially offset by higher professional fees.

Unallocated Franchise and License expenses

In 2015, Unallocated franchise and license expenses represent charges related to the KFC U.S. acceleration agreement. See Note 4.

Unallocated Closures and Impairments

In 2014 and 2013, Unallocated closures and impairments represent Little Sheep impairment charges. See Note 4.

Other Unallocated

In 2015, Other unallocated primarily includes foreign exchange losses and a write-down related to our decision to dispose of a corporate aircraft in China.

In 2014 and 2013, Other unallocated primarily includes foreign exchange losses.

Interest Expense, Net

The increase in interest expense, net for 2015 was driven by increased net short-term borrowings.

The decrease in interest expense, net for 2014 was driven by lapping $118 million of premiums paid and other costs related to the extinguishment of debt in 2013. See Note 4.

Consolidated Cash Flows

Net cash provided by operating activities was $2,139 million in 2015 versus $2,049 million in 2014. The increase was primarily driven by lapping higher income tax payments in the prior year, partially offset by higher pension contributions.

In 2014, net cash provided by operating activities was $2,049 million compared to $2,139 million in 2013. The decrease was primarily driven by higher income taxes paid.

Net cash used in investing activities was $682 million in 2015 compared to $936 million in 2014. The decrease was primarily driven by higher refranchising proceeds and lower capital spending.

In 2014, net cash used in investing activities was $936 million compared to $886 million in 2013. The increase was primarily driven by lower refranchising proceeds, partially offset by lapping the acquisition of restaurants in Turkey from an existing franchisee in April 2013.

Net cash used in financing activities was $1,292 million in 2015 compared to $1,114 million in 2014. The increase was primarily driven by higher share repurchases and dividends, partially offset by higher net borrowings.

In 2014, net cash used in financing activities was $1,114 million compared to $1,451 million in 2013. The decrease was primarily driven by higher borrowings on our revolving credit facility.

Consolidated Financial Condition

The increase in our Short-term borrowings is primarily due to the outstanding balance of $600 million on a new term loan facility and the reclassification of $300 million Senior Unsecured Notes as short-term due to their April 2016 maturity date, partially offset by the maturity of $250 million Senior Unsecured Notes in September 2015.

Long-term debt is also impacted by outstanding borrowings of $701 million under our revolving credit facility as of December 26, 2015. See Note 10.

Other liabilities and deferred credits declined $277 million primarily due to actuarial gains and cash contributions related to our pension plans.

Liquidity and Capital Resources

Operating in the retail food industry allows us to generate substantial cash flows from the operations of our company-owned stores and from our extensive franchise operations which require a limited YUM investment. Net cash provided by operating activities has exceeded $2 billion each of the last five fiscal years. These operating cash flows have largely funded our historical capital spending and returns to shareholders in the form of cash dividends and share repurchases.

To the extent operating cash flows plus other sources of cash such as refranchising proceeds have not covered our desired levels of capital spending and returns to shareholders, we have had borrowing capacity to fund shortfalls. Net cash provided by operating activities, refranchising proceeds, capital spending, repurchases of shares of Common Stock and dividends paid on Common Stock each of the last three years are as follows:

	2015	2014	2013
Net Cash Provided by Operating Activities	$ 2,139	$ 2,049	$ 2,139
Refranchising Proceeds	246	114	260
Capital spending	(973)	(1,033)	(1,049)
Repurchase shares of Common Stock	(1,200)	(820)	(770)
Dividends paid on Common Stock	(730)	(669)	(615)

We generate a significant amount of cash from operating activities outside the U.S. that we have used historically to fund our international development. To the extent we have needed to repatriate international cash to fund our U.S. discretionary cash spending, including returns to shareholders and debt repayments, we have historically been able to do so in a tax-efficient manner. If we experience an unforeseen decrease in our cash flows from our U.S. businesses or are unable to refinance future U.S. debt maturities we may be required to repatriate future international earnings at tax rates higher than we have historically experienced.

As previously noted we intend to spin-off our China business from YUM into an independent, publicly-traded company prior to the end of 2016. Upon completion of the planned spin-off, YUM will become more of a "pure play" franchisor with more stable earnings, higher profit margins, lower capital requirements and stronger cash flow conversion.

YUM has announced its intention to return approximately $6.2 billion of capital to shareholders prior to this planned spin-off, the majority of which would be funded by incremental borrowings. We expect these incremental borrowings to occur as the Company transitions to a non-investment grade credit rating with a balance sheet more consistent with highly-levered peer restaurant franchise companies.

As part of our intention to return up to $6.2 billion to shareholders, we began increasing our rate of share repurchases in October, 2015. In December, 2015 we entered into a $1.5 billion short-term credit facility to help fund these share repurchases, and there were $600 million of outstanding borrowings related to this facility as of December 26, 2015. We expect to borrow an additional $5.2 billion in 2016.

When we announced our recapitalization plan, our credit ratings were lowered to non-investment grade by both Standard & Poor's (BB) and Moody's Investor Services (Ba3). This downgrade did not significantly impact our 2015 borrowing costs and we do not expect it to impact our ability to execute our recapitalization plan or the balance of our planned shareholder returns. While we do not anticipate any further downgrade to our credit rating, such a downgrade would increase the Company's current borrowing costs and could impact the Company's ability to access the credit markets cost effectively if necessary. Based on the amount and composition of our debt at December 26, 2015, our interest expense would not materially increase on a full-year basis should we receive a further one-level downgrade in our ratings.

Borrowing Capacity

Our primary bank credit agreement comprises a $1.3 billion syndicated senior unsecured revolving credit facility (the "Credit Facility") which matures in March 2017 and includes 24 participating banks with commitments ranging from $23 million to $115 million. We believe the syndication reduces our dependency on any one bank.

Under the terms of the Credit Facility, we may borrow up to the maximum borrowing limit, less outstanding letters of credit or banker's acceptances, where applicable. At December 26, 2015, our unused Credit Facility totaled $594 million net of outstanding letters of credit of $5 million and outstanding borrowings of $701 million. The interest rate for borrowings under the Credit Facility ranges from 1.00% to 1.75% over the "London Interbank Offered Rate" ("LIBOR"). The exact spread over LIBOR under the Credit Facility depends upon our performance against specified financial criteria. Interest on any outstanding borrowings under the Credit Facility is payable at least quarterly.

On December 8, 2015, we entered into a credit agreement providing for an unsecured term loan facility (the "Short-Term Loan Credit Facility") in an amount up to $1.5 billion which matures in June 2016 with an option for YUM to extend maturity for an additional three months and includes three participating banks. This credit agreement is being used to fund a portion of our planned capital returns to shareholders.

Under the terms of the Short-Term Loan Credit Facility, we may borrow up to the full amount of the facility in up to three draws. At December 26, 2015, our unused Short-term Loan Credit Facility totaled $900 million net of outstanding borrowings of $600 million. The interest rate for most borrowings under the Short-Term Loan Credit Facility ranges from 1.00% to 1.75% over LIBOR. The exact spread over LIBOR under the Short-Term Loan Credit Facility depends upon our performance against specified financial criteria. Interest on any outstanding borrowings under the Short-Term Loan Credit Facility is payable at least quarterly.

Both the Credit Facility and the Short-Term Loan Credit Facility are unconditionally guaranteed by our principal domestic subsidiaries and contain financial covenants relating to the maintenance of leverage and fixed charge coverage ratios. The agreements for both credit facilities also contain affirmative and negative covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. Given the Company's strong balance sheet and cash flows we were able to comply with all debt covenant requirements at December 26, 2015 with a considerable amount of cushion. Additionally, both facilities contain cross-default provisions whereby our failure to make any payment on our indebtedness in a principal amount in excess of $125 million, or the acceleration of the maturity of any such indebtedness, will constitute a default under such agreement.

The majority of our remaining long-term debt primarily comprises Senior Unsecured Notes with varying maturity dates from 2016 through 2043 and stated interest rates ranging from 3.75% to 6.88%. The notes represent senior, unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated indebtedness. Amounts outstanding under Senior Unsecured Notes were $2.5 billion at December 26, 2015. Our Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of any of our indebtedness in a principal amount in excess of $50 million will constitute a default under the Senior Unsecured Notes unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice.

Contractual Obligations

Our significant contractual obligations and payments as of December 26, 2015 included:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations[a]	$ 5,072	$ 1,048	$ 1,233	$ 759	$ 2,032
Capital leases[b]	287	20	40	39	188
Operating leases[b]	4,957	672	1,189	973	2,123
Purchase obligations[c]	765	568	136	54	7
Benefit plans[d]	259	61	100	32	66
Total Contractual Obligations	$ 11,340	$ 2,369	$ 2,698	$ 1,857	$ 4,416

(a) *Amounts include maturities of debt outstanding as of December 26, 2015 and expected interest payments on those outstanding amounts on a nominal basis. See Note 10.*

(b) *These obligations, which are shown on a nominal basis, relate primarily to approximately 8,000 company-owned restaurants. See Note 11.*

(c) *Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. We have excluded agreements that are cancelable without penalty. Purchase obligations relate primarily to supply agreements, marketing, information technology, purchases of property, plant and equipment ("PP&E") as well as consulting, maintenance and other agreements.*

(d) *Includes actuarially-determined timing of payments from our most significant unfunded pension plan as well as scheduled payments from our deferred compensation plan and other unfunded benefit plans where payment dates are determinable. This table excludes $34 million of future benefit payments for deferred compensation and other unfunded benefit plans to be paid upon separation of employee's service or retirement from the company, as we cannot reasonably estimate the dates of these future cash payments.*

We sponsor noncontributory defined benefit pension plans covering certain salaried and hourly employees, the most significant of which are in the U.S. and UK. The most significant of the U.S. plans, the YUM Retirement Plan (the "Plan"), is funded while benefits from our other significant U.S. plan are paid by the Company as incurred (see footnote (d) above). Our funding policy for the Plan is to contribute annually amounts that will at least equal the minimum amounts required to comply with the Pension Protection Act of 2006. However, additional voluntary contributions are made from time to time to improve the Plan's funded status. At December 26, 2015 the Plan was in a net underfunded position of $29 million. The UK pension plans were in a net overfunded position of $58 million at our 2015 measurement date.

We do not anticipate making any significant contributions to the Plan in 2016. Investment performance and corporate bond rates have a significant effect on our net funding position as they drive our asset balances and discount rate assumptions. Future changes in investment performance and corporate bond rates could impact our funded status and the timing and amounts of required contributions in 2016 and beyond.

Our post-retirement health care plan in the U.S. is not required to be funded in advance, but is pay as you go. We made post-retirement benefit payments of $6 million in 2015 and no future funding amounts are included in the contractual obligations table. See Note 13.

We have excluded from the contractual obligations table payments we may make for exposures for which we are self-insured, including workers' compensation, employment practices liability, general liability, automobile liability, product liability and property losses (collectively "property and casualty losses") and employee healthcare and long-term disability claims. The majority of our recorded liability for self-insured property and casualty losses and employee healthcare and long-term disability claims represents estimated reserves for incurred claims that have yet to be filed or settled.

We have not included in the contractual obligations table approximately $28 million of liabilities for unrecognized tax benefits relating to various tax positions we have taken. These liabilities may increase or decrease over time as a result of tax examinations, and given the status of the examinations, we cannot reliably estimate the period of any cash settlement with the respective taxing authorities. These liabilities exclude amounts that are temporary in nature and for which we anticipate that over time there will be no net cash outflow.

We have excluded from the contractual obligations table certain commitments associated with the KFC U.S. Acceleration Agreement (See Note 4) as we cannot reliably estimate the specific timing of the remaining investments to be made in each of the next two years. In connection with this agreement we anticipate investing a total of approximately $125 million through 2017 primarily to fund new back-of-house equipment for franchisees and to provide incentives to accelerate franchisee store remodels, of which $72 million was invested in 2015.

Off-Balance Sheet Arrangements

See the Lease Guarantees, Franchise Loan Pool and Equipment Guarantees, and Unconsolidated Affiliates Guarantees sections of Note 18 for discussion of our off-balance sheet arrangements.

New Accounting Pronouncements Not Yet Adopted

In May, 2014 the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. In July, 2015 the FASB approved a one-year deferral of the effective date of the new standard. ASU 2014-09 is now effective for the Company in our first quarter of fiscal year 2018 with early adoption permitted in the first quarter of 2017. The standard allows for either a full retrospective or modified retrospective transition method. The Standard will not impact our recognition of revenue from company-owned restaurants or our recognition of continuing fees from franchisees or licensees, which are based on a percentage of franchise and license sales. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of other less significant revenue transactions such as initial fees from franchisees and refranchising of company-owned restaurants.

Critical Accounting Policies and Estimates

Our reported results are impacted by the application of certain accounting policies that require us to make subjective or complex judgments. These judgments involve estimations of the effect of matters that are inherently uncertain and may significantly impact our quarterly or annual results of operations or financial condition. Changes in the estimates and judgments could significantly affect our results of operations, financial condition and cash flows in future years. A description of what we consider to be our most significant critical accounting policies follows.

Impairment or Disposal of Long-Lived Assets

We review long-lived assets of restaurants (primarily PP&E and allocated intangible assets subject to amortization) semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We evaluate recoverability based on the restaurant's forecasted undiscounted cash flows, which incorporate our best estimate of sales growth and margin improvement based upon our plans for the unit and actual results at comparable restaurants. For restaurant assets that are deemed to not be recoverable, we write down the impaired restaurant to its estimated fair value. Key assumptions in the determination of fair value are the future after-tax cash flows of the restaurant, which are reduced by future royalties a franchisee would pay, and a discount rate. The after-tax cash flows incorporate reasonable sales growth and margin improvement assumptions that would be used by a franchisee in the determination of a purchase price for the restaurant. Estimates of future cash flows are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions.

We perform an impairment evaluation at a restaurant group level if it is more likely than not that we will refranchise restaurants as a group. Expected net sales proceeds are generally based on actual bids from the buyer, if available, or anticipated bids given the discounted projected after-tax cash flows for the group of restaurants. Historically, these anticipated bids have been reasonably accurate estimations of the proceeds ultimately received. The after-tax cash flows used in determining the anticipated bids incorporate reasonable assumptions we believe a franchisee would make such as sales growth and margin improvement as well as expectations as to the useful lives of the restaurant assets. These after-tax cash flows also include a deduction for the anticipated, future royalties we would receive under a franchise agreement with terms substantially at market entered into simultaneously with the refranchising transaction.

The discount rate used in the fair value calculations is our estimate of the required rate of return that a franchisee would expect to receive when purchasing a similar restaurant or groups of restaurants and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

We evaluate indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicates impairment might exist. We perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future after-tax cash flows associated with the intangible asset. Our most significant indefinite-lived intangible asset is our Little Sheep trademark with a book value of $56 million at December 26, 2015. The fair value estimate of the Little Sheep trademark in our fourth quarter impairment testing exceeded its carrying value. Fair value was determined using a relief-from-royalty valuation approach that included estimated future revenues as a significant input, and a discount rate of 13% as our estimate of the required rate-of-return that a third-party buyer would expect to receive when purchasing the Little Sheep trademark. The primary drivers of fair value include franchise revenue growth and revenues from a wholly-owned business that sells seasoning to retail customers. Franchise revenue growth reflects annual same-store sales growth of 4% and approximately 35 new franchise units per year, partially offset by the impact of approximately 25 franchise closures per year. The seasoning business is forecasted to generate sales growth rates consistent with historical results.

Impairment of Goodwill

We evaluate goodwill for impairment on an annual basis as of the beginning of our fourth quarter or more often if an event occurs or circumstances change that indicates impairment might exist. Goodwill is evaluated for impairment by determining whether the fair value of our reporting units exceed their carrying values. Our reporting units are our business units (which are aligned based on geography) in our KFC, Pizza Hut and Taco Bell Divisions and individual brands in our China and India Divisions. Fair value is the price a willing buyer would pay for the reporting unit, and is generally estimated using discounted expected future after-tax cash flows from Company-owned restaurant operations and franchise royalties.

Future cash flow estimates and the discount rate are the key assumptions when estimating the fair value of a reporting unit. Future cash flows are based on growth expectations relative to recent historical performance and incorporate sales growth and margin improvement assumptions that we believe a third-party buyer would assume when determining a purchase price for the reporting unit. The sales growth and margin improvement assumptions that factor into the discounted cash flows are highly correlated as cash flow growth can be achieved through various interrelated strategies such as product pricing and restaurant productivity initiatives. The discount rate is our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing a business from us that constitutes a reporting unit. We believe the discount rate is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

The fair values of all our reporting units with goodwill balances were substantially in excess of their respective carrying values as of the 2015 goodwill testing date.

When we refranchise restaurants, we include goodwill in the carrying amount of the restaurants disposed of based on the relative fair values of the portion of the reporting unit disposed of in the refranchising versus the portion of the reporting unit that will be retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which include a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transaction. Appropriate adjustments are made to the fair value determinations if such franchise agreement is determined to not be at prevailing market rates. When determining whether such franchise agreement is at prevailing market rates our primary consideration is consistency with the terms of our current franchise agreements both within the country that the restaurants are being refranchised in and around the world. The Company believes consistency in royalty rates as a percentage of sales is appropriate as the Company and franchisee share in the impact of near-term fluctuations in sales results with the acknowledgment that over the long-term the royalty rate represents an appropriate rate for both parties.

The discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee is reduced by future royalties the franchisee will pay the Company. The Company thus considers the fair value of future royalties to be received under the franchise agreement as fair value retained in its determination of the goodwill to be written off when refranchising. Others may consider the fair value of these future royalties as fair value disposed of and thus would conclude that a larger percentage of a reporting unit's fair value is disposed of in a refranchising transaction.

During 2015, the Company's reporting units with the most significant refranchising activity and recorded goodwill were KFC India, Taco Bell U.S. and KFC China. Within KFC India, 86 restaurants were refranchised (representing 42% of beginning-of-year company units) and less than $1 million in goodwill was written off (representing 25% of beginning-of-year goodwill). Within Taco Bell U.S., 65 restaurants were refranchised (representing 7% of beginning-of-year company units) and $2 million in goodwill was written off (representing 2% of beginning-of-year goodwill). Within KFC China, 52 restaurants were refranchised (representing 1% of beginning-of-year company units) and less than $1 million in goodwill was written off (representing less than 1% of beginning-of-year goodwill).

See Note 2 for a further discussion of our policies regarding goodwill.

Self-Insured Property and Casualty Losses

We record our best estimate of the remaining cost to settle incurred self-insured property and casualty losses. The estimate is based on the results of an independent actuarial study and considers historical claim frequency and severity as well as changes in factors such as our business environment, benefit levels, medical costs and the regulatory environment that could impact overall self-insurance costs. Additionally, our reserve includes a risk margin to cover unforeseen events that may occur over the several years required to settle claims, increasing our confidence level that the recorded reserve is adequate.

See Note 18 for a further discussion of our insurance programs.

Pension Plans

Certain of our employees are covered under defined benefit pension plans. Our two most significant plans are in the U.S. and combined had a projected benefit obligation ("PBO") of $1,134 million and a fair value of plan assets of $1,004 million at December 26, 2015.

The PBO reflects the actuarial present value of all benefits earned to date by employees and incorporates assumptions as to future compensation levels. Due to the relatively long time frame over which benefits earned to date are expected to be paid, our PBOs are highly sensitive to changes in discount rates. For our U.S. plans, we measured our PBOs using a discount rate of 4.90% at December 26, 2015. This discount rate was determined with the assistance of our independent actuary. The primary basis for our discount rate determination is a model that consists of a hypothetical portfolio of ten or more corporate debt instruments rated Aa or higher by Moody's or S&P with cash flows that mirror our expected benefit payment cash flows under the plans. We exclude from the model those corporate debt instruments flagged by Moody's or S&P for a potential downgrade (if the potential downgrade would result in a rating below Aa by both Moody's and S&P) and bonds with yields that were two standard deviations or more above the mean. In considering possible bond portfolios, the model allows the bond cash flows for a particular year to exceed the expected benefit payment cash flows for that year. Such excesses are assumed to be reinvested at appropriate one-year forward rates and used to meet the benefit payment cash flows in a future year. The weighted-average yield of this hypothetical portfolio was used to arrive at an appropriate discount rate. We also ensure that changes in the discount rate as compared to the prior year are consistent with the overall change in prevailing market rates and make adjustments as necessary. A 50 basis-point increase in this discount rate would have decreased these U.S. plans' PBOs by approximately $70 million at our measurement date. Conversely, a 50 basis-point decrease in this discount rate would have increased our U.S. plans' PBOs by approximately $80 million at our measurement date.

The pension expense we will record in 2016 is also impacted by the discount rate, as well as the long-term rates of return on plan assets and mortality assumptions we selected at our measurement date. We expect pension expense for our U.S. plans to decrease approximately $35 million in 2016. The decrease is primarily driven by a decrease in amortization of net loss due to lower net unrecognized losses in Accumulated other comprehensive income. Lower net unrecognized losses in Accumulated other comprehensive income are primarily a result of a higher discount rate at our 2015 measurement date. A 50 basis-point change in our discount rate assumption at our measurement date would impact our 2016 U.S. pension expense by approximately $6 million.

Our estimated long-term rate of return on U.S. plan assets is based upon the weighted-average of historical returns for each asset category. Our expected long-term rate of return on U.S. plan assets, for purposes of determining 2016 pension expense, at December 26, 2015 was 6.75%. We believe this rate is appropriate given the composition of our plan assets and historical market returns thereon. A 100 basis point change in our expected long-term rate of return on plan assets assumption would impact our 2016 U.S. pension expense by approximately $10 million. Additionally, every 100 basis point variation in actual return on plan assets versus our expected return of 6.75% will impact our unrecognized pre-tax actuarial net loss by approximately $10 million.

A decrease in discount rates over time has largely contributed to an unrecognized pre-tax actuarial net loss of $138 million included in Accumulated other comprehensive income (loss) for these U.S. plans at December 26, 2015. We will recognize approximately $6 million of such loss in net periodic benefit cost in 2016 versus $45 million recognized in 2015. See Note 13.

Income Taxes

At December 26, 2015, we had valuation allowances of approximately $250 million to reduce our $1.2 billion of deferred tax assets to amounts that are more likely than not to be realized. The net deferred tax assets primarily relate to temporary differences in profitable U.S. federal, state and foreign jurisdictions, net operating losses in certain foreign jurisdictions, the majority of which do not expire, and U.S. foreign tax credit carryovers that expire 10 years from inception and for which we anticipate having foreign earnings to utilize. In evaluating our ability to recover our deferred tax assets, we consider future taxable income in the various jurisdictions as well as carryforward periods and restrictions on usage. The estimation of future taxable income in these jurisdictions and our resulting ability to utilize deferred tax assets can significantly change based on future events, including our determinations as to feasibility of certain tax planning strategies. Thus, recorded valuation allowances may be subject to material future changes.

As a matter of course, we are regularly audited by federal, state and foreign tax authorities. We recognize the benefit of positions taken or expected to be taken in our tax returns in our Income Tax Provision when it is more likely than not that the position would be sustained upon examination by these tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. At December 26, 2015 we had $98 million of unrecognized tax benefits, $89 million of which are temporary in nature and, if recognized, would not impact the effective tax rate. We evaluate unrecognized tax benefits, including interest thereon, on a quarterly basis to ensure that they have been appropriately adjusted for events, including audit settlements, which may impact our ultimate payment for such exposures.

We have investments in foreign subsidiaries where the carrying values for financial reporting exceed the tax basis. We have not provided deferred tax on the portion of the excess that we believe is indefinitely reinvested, as we have the ability and intent to indefinitely postpone these basis differences from reversing with a tax consequence. We estimate that our total temporary difference upon which we have not provided deferred tax is approximately $2.3 billion at December 26, 2015. A determination of the deferred tax liability on this amount is not practicable.

If our intentions regarding our ability and intent to postpone these basis differences from reversing with a tax consequence change, deferred tax may need to be provided that could materially impact the provision for income taxes.

See Note 16 for a further discussion of our income taxes.

ITEM 7A Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to financial market risks associated with interest rates, foreign currency exchange rates and commodity prices. In the normal course of business and in accordance with our policies, we manage these risks through a variety of strategies, which may include the use of financial and commodity derivative instruments to hedge our underlying exposures. Our policies prohibit the use of derivative instruments for trading purposes, and we have processes in place to monitor and control their use.

Interest Rate Risk

We have a market risk exposure to changes in interest rates, principally in the U.S. We have attempted to minimize this risk and lower our overall borrowing costs on a portion of our debt through the utilization of derivative financial instruments, primarily interest rate swaps. These swaps were entered into with financial institutions and have reset dates and critical terms that match those of the underlying debt. Accordingly, any change in fair value associated with interest rate swaps is offset by the opposite impact on the related debt.

At December 26, 2015 and December 27, 2014 a hypothetical 100 basis-point increase in short-term interest rates would result, over the following twelve-month period, in a reduction of approximately $14 million and $5 million, respectively, in income before income taxes. The estimated reductions are based upon the current level of variable rate debt and assume no changes in the volume or composition of that debt and include no impact from interest income related to cash and cash equivalents. In addition, the fair value of our derivative financial instruments at December 26, 2015 and December 27, 2014 would decrease approximately $1 million and $4 million, respectively, as a result of the same hypothetical 100 basis-point increase and the fair value of our Senior Unsecured Notes at December 26, 2015 and December 27, 2014 would decrease approximately $119 million and $182 million, respectively. Fair value was determined based on the present value of expected future cash flows considering the risks involved and using discount rates appropriate for the duration.

Foreign Currency Exchange Rate Risk

Changes in foreign currency exchange rates impact the translation of our reported foreign currency denominated earnings, cash flows and net investments in foreign operations and the fair value of our foreign currency denominated financial instruments. Historically, we have chosen not to hedge foreign currency risks related to our foreign currency denominated earnings and cash flows through the use of financial instruments. We attempt to minimize the exposure related to our net investments in foreign operations by financing those investments with local currency denominated debt when practical. In addition, we attempt to minimize the exposure related to foreign currency denominated financial instruments by purchasing goods and services from third parties in local currencies when practical. Consequently, foreign currency denominated financial instruments consist primarily of intercompany receivables and payables. At times, we utilize forward contracts and cross-currency swaps to reduce our exposure related to these intercompany receivables and payables. The notional amount and maturity dates of these contracts match those of the underlying receivables or payables such that our foreign currency exchange risk related to these instruments is minimized.

The Company's foreign currency net asset exposure (defined as foreign currency assets less foreign currency liabilities) totaled approximately $4.7 billion as of December 26, 2015. Operating in international markets exposes the Company to movements in foreign currency exchange rates. The Company's primary exposures result from our operations in Asia-Pacific, Europe and the Americas. For the fiscal year ended December 26, 2015 Operating Profit would have decreased approximately $155 million if all foreign currencies had uniformly weakened 10% relative to the U.S. dollar. This estimated reduction assumes no changes in sales volumes or local currency sales or input prices.

Commodity Price Risk

We are subject to volatility in food costs as a result of market risk associated with commodity prices. Our ability to recover increased costs through higher pricing is, at times, limited by the competitive environment in which we operate. We manage our exposure to this risk primarily through pricing agreements with our vendors.

ITEM 8 Financial Statements and Supplementary Data

Index to Financial Information

	Page Reference
Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	34
Consolidated Statements of Income for the fiscal years ended December 26, 2015, December 27, 2014 and December 28, 2013	35
Consolidated Statements of Comprehensive Income for the fiscal years ended December 26, 2015, December 27, 2014 and December 28, 2013	36
Consolidated Statements of Cash Flows for the fiscal years ended December 26, 2015, December 27, 2014 and December 28, 2013	37
Consolidated Balance Sheets as of December 26, 2015 and December 27, 2014	38
Consolidated Statements of Shareholders' Equity for the fiscal years ended December 26, 2015, December 27, 2014 and December 28, 2013	39
Notes to Consolidated Financial Statements	40

Financial Statement Schedules

No schedules are required because either the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the above-listed financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

YUM! Brands, Inc.:

We have audited the accompanying consolidated balance sheets of YUM! Brands, Inc. and subsidiaries (YUM) as of December 26, 2015 and December 27, 2014, and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity for each of the fiscal years in the three-year period ended December 26, 2015. We also have audited YUM's internal control over financial reporting as of December 26, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. YUM's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on these consolidated financial statements and an opinion on YUM's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YUM as of December 26, 2015 and December 27, 2014, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 26, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, YUM maintained, in all material respects, effective internal control over financial reporting as of December 26, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

s/s KPMG LLP

Louisville, Kentucky

February 16, 2016

Consolidated Statements of Income

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 26, 2015, DECEMBER 27, 2014 AND DECEMBER 28, 2013

(in millions, except per share data)	**2015**	**2014**	**2013**
Revenues			
Company sales	$ 11,145	$ 11,324	$ 11,184
Franchise and license fees and income	1,960	1,955	1,900
Total revenues	13,105	13,279	13,084
Costs and Expenses, Net			
Company restaurants			
Food and paper	3,507	3,678	3,669
Payroll and employee benefits	2,517	2,579	2,499
Occupancy and other operating expenses	3,335	3,425	3,333
Company restaurant expenses	9,359	9,682	9,501
General and administrative expenses	1,504	1,419	1,412
Franchise and license expenses	242	160	158
Closures and impairment (income) expenses	79	535	331
Refranchising (gain) loss	10	(33)	(100)
Other (income) expense	(10)	(41)	(16)
Total costs and expenses, net	11,184	11,722	11,286
Operating Profit	1,921	1,557	1,798
Interest expense, net	134	130	247
Income Before Income Taxes	1,787	1,427	1,551
Income tax provision	489	406	487
Net Income – including noncontrolling interests	1,298	1,021	1,064
Net Income (loss) – noncontrolling interests	5	(30)	(27)
Net Income – YUM! Brands, Inc.	**$ 1,293**	**$ 1,051**	**$ 1,091**
Basic Earnings per Common Share	**$ 2.97**	**$ 2.37**	**$ 2.41**
Diluted Earnings per Common Share	**$ 2.92**	**$ 2.32**	**$ 2.36**
Dividends Declared per Common Share	**$ 1.74**	**$ 1.56**	**$ 1.41**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 26, 2015, DECEMBER 27, 2014 AND DECEMBER 28, 2013

(in millions)	2015	2014	2013
Net income – including noncontrolling interests	$ 1,298	$ 1,021	$ 1,064
Other comprehensive income (loss), net of tax:			
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature			
Adjustments and gains (losses) arising during the year	(259)	(149)	10
Reclassifications of adjustments and (gains) losses into Net Income	115	2	—
	(144)	(147)	10
Tax (expense) benefit	—	4	(2)
	(144)	(143)	8
Changes in pension and post-retirement benefits			
Unrealized gains (losses) arising during the year	101	(209)	221
Reclassification of (gains) losses into Net Income	53	27	83
	154	(182)	304
Tax (expense) benefit	(57)	69	(115)
	97	(113)	189
Changes in derivative instruments			
Unrealized gains (losses) arising during the year	32	23	6
Reclassification of (gains) losses into Net Income	(41)	(23)	(2)
	(9)	—	4
Tax (expense) benefit	1	—	(1)
	(8)	—	3
Other comprehensive income (loss), net of tax	(55)	(256)	200
Comprehensive Income – including noncontrolling interests	1,243	765	1,264
Comprehensive Income (loss) – noncontrolling interests	(1)	(32)	(23)
Comprehensive Income – Yum! Brands, Inc.	**$ 1,244**	**$ 797**	**$ 1,287**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 26, 2015, DECEMBER 27, 2014 AND DECEMBER 28, 2013

(in millions)	**2015**	**2014**	**2013**
Cash Flows – Operating Activities			
Net Income – including noncontrolling interests	$ 1,298	$ 1,021	$ 1,064
Depreciation and amortization	747	739	721
Closures and impairment (income) expenses	79	535	331
Refranchising (gain) loss	10	(33)	(100)
Contributions to defined benefit pension plans	(98)	(18)	(23)
Losses and other costs related to the extinguishment of debt	—	—	120
Deferred income taxes	(89)	(172)	(24)
Equity income from investments in unconsolidated affiliates	(41)	(30)	(26)
Distributions of income received from unconsolidated affiliates	21	28	43
Excess tax benefit from share-based compensation	(50)	(42)	(44)
Share-based compensation expense	57	55	49
Changes in accounts and notes receivable	(54)	(21)	(12)
Changes in inventories	58	(22)	18
Changes in prepaid expenses and other current assets	(22)	12	(21)
Changes in accounts payable and other current liabilities	128	60	(102)
Changes in income taxes payable	20	(143)	14
Other, net	75	80	131
Net Cash Provided by Operating Activities	**2,139**	**2,049**	**2,139**
Cash Flows – Investing Activities			
Capital spending	(973)	(1,033)	(1,049)
Proceeds from refranchising of restaurants	246	114	260
Acquisitions	(9)	(28)	(99)
Other, net	54	11	2
Net Cash Used in Investing Activities	**(682)**	**(936)**	**(886)**
Cash Flows – Financing Activities			
Proceeds from long-term debt	—	—	599
Repayments of long-term debt	(263)	(66)	(666)
Revolving credit facilities, three months or less, net	285	416	—
Short-term borrowings, by original maturity			
More than three months – proceeds	609	2	56
More than three months – payments	—	(2)	(56)
Three months or less, net	—	—	—
Repurchase shares of Common Stock	(1,200)	(820)	(770)
Excess tax benefit from share-based compensation	50	42	44
Employee stock option proceeds	12	29	37
Dividends paid on Common Stock	(730)	(669)	(615)
Other, net	(55)	(46)	(80)
Net Cash Used in Financing Activities	**(1,292)**	**(1,114)**	**(1,451)**
Effect of Exchange Rates on Cash and Cash Equivalents	**(6)**	**6**	**(5)**
Net Increase (Decrease) in Cash and Cash Equivalents	**159**	**5**	**(203)**
Cash and Cash Equivalents – Beginning of Year	**578**	**573**	**776**
Cash and Cash Equivalents – End of Year	**$ 737**	**$ 578**	**$ 573**

See accompanying Notes to Consolidated Financial Statements.

Form 10-K

Consolidated Balance Sheets

YUM! BRANDS, INC. AND SUBSIDIARIES

DECEMBER 26, 2015 AND DECEMBER 27, 2014

(in millions)	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 737	$ 578
Accounts and notes receivable, net	377	325
Inventories	229	301
Prepaid expenses and other current assets	242	254
Advertising cooperative assets, restricted	103	95
Total Current Assets	1,688	1,553
Property, plant and equipment, net	4,189	4,498
Goodwill	656	700
Intangible assets, net	271	318
Investments in unconsolidated affiliates	61	52
Other assets	534	560
Deferred income taxes	676	653
Total Assets	**$ 8,075**	**$ 8,334**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	$ 1,985	$ 1,970
Income taxes payable	77	77
Short-term borrowings	923	267
Advertising cooperative liabilities	103	95
Total Current Liabilities	3,088	2,409
Long-term debt	3,054	3,077
Other liabilities and deferred credits	958	1,235
Total Liabilities	7,100	6,721
Redeemable noncontrolling interest	6	9
Shareholders' Equity		
Common Stock, no par value, 750 shares authorized; 420 shares and 434 shares issued in 2015 and 2014, respectively	—	—
Retained earnings	1,150	1,737
Accumulated other comprehensive income (loss)	(239)	(190)
Total Shareholders' Equity – YUM! Brands, Inc.	911	1,547
Noncontrolling interests	58	57
Total Shareholders' Equity	969	1,604
Total Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity	**$ 8,075**	**$ 8,334**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 26, 2015, DECEMBER 27, 2014 AND DECEMBER 28, 2013

	Yum! Brands, Inc.						
	Issued Common Stock						
(in millions)	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Shareholders' Equity	Redeemable Noncontrolling Interest
Balance at December 29, 2012	**451**	**$ —**	**$ 2,286**	**$ (132)**	**$ 99**	**$ 2,253**	**$ 59**
Net Income (loss)			1,091		(5)	1,086	(22)
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $2 million)				4	2	6	2
Pension and post-retirement benefit plans (net of tax impact of $115 million)				189		189	
Net unrealized gain on derivative instruments (net of tax impact of $1 million)				3		3	
Comprehensive Income (loss)						1,284	(20)
Dividends declared			(635)		(18)	(653)	
Acquisition of Little Sheep store-level noncontrolling interests					(15)	(15)	
Repurchase of shares of Common Stock	(11)	(110)	(640)			(750)	
Employee stock option and SARs exercises (includes tax impact of $42 million)	3	49				49	
Compensation-related events (includes tax impact of $8 million)		61				61	
Balance at December 28, 2013	**443**	**$ —**	**$ 2,102**	**$ 64**	**$ 63**	**$ 2,229**	**$ 39**
Net Income (loss)			1,051		(1)	1,050	(29)
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $4 million)				(143)	(1)	(144)	(1)
Reclassification of translation adjustments into income				2		2	
Pension and post-retirement benefit plans (net of tax impact of $69 million)				(113)		(113)	
Comprehensive Income (loss)						795	(30)
Dividends declared			(691)		(4)	(695)	
Repurchase of shares of Common Stock	(11)	(95)	(725)			(820)	
Employee stock option and SARs exercises (includes tax impact of $37 million)	2	33				33	
Compensation-related events (includes tax impact of $5 million)		62				62	
Balance at December 27, 2014	**434**	**$ —**	**$ 1,737**	**$ (190)**	**$ 57**	**$ 1,604**	**$ 9**
Net Income (loss)			1,293		6	1,299	(1)
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $3 million)				(250)	(4)	(254)	(2)
Reclassification of translation adjustments into income (net of tax impact of $3 million)				112		112	
Pension and post-retirement benefit plans (net of tax impact of $57 million)				97		97	
Net unrealized loss on derivative instruments (net of tax impact of $1 million)				(8)		(8)	
Comprehensive Income (loss)						1,246	(3)
Dividends declared		—	(756)			(756)	
Acquisition of Little Sheep store-level noncontrolling interests		1			(1)	—	
Repurchase of shares of Common Stock	(16)	(76)	(1,124)			(1,200)	
Employee stock option and SARs exercises (includes tax impact of $43 million)	2	11				11	
Compensation-related events (includes tax impact of $7 million)		64				64	
Balance at December 26, 2015	**420**	**$ —**	**$ 1,150**	**$ (239)**	**$ 58**	**$ 969**	**$ 6**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(Tabular amounts in millions, except share data)

NOTE 1 Description of Business

YUM! Brands, Inc. and Subsidiaries (collectively referred to herein as "YUM" or the "Company") comprise primarily the worldwide operations of KFC, Pizza Hut and Taco Bell (collectively the "Concepts"). YUM has over 42,000 units of which 57% are located outside the U.S. in more than 130 countries and territories. YUM was created as an independent, publicly-owned company on October 6, 1997 via a tax-free distribution by our former parent, PepsiCo, Inc., of our Common Stock to its shareholders. References to YUM throughout these Consolidated Financial Statements are made using the first person notations of "we," "us" or "our."

Through our widely-recognized Concepts, we develop, operate, franchise and license a system of both traditional and non-traditional quick service restaurants. Each Concept has proprietary menu items and emphasizes the preparation of food with high quality ingredients as well as unique recipes and special seasonings to provide appealing, convenient, tasty and attractive food at competitive prices. Our traditional restaurants feature dine-in, carryout and, in some instances, drive-thru or delivery service. Non-traditional units, which are principally licensed outlets, include express units and kiosks which have a more limited menu and operate in non-traditional locations like malls, airports, gasoline service stations, train stations, subways, convenience stores, stadiums, amusement parks and colleges, where a full-scale traditional outlet would not be practical or efficient. We also operate multibrand units, where two or more of our Concepts are operated in a single unit.

As of December 26, 2015, YUM consisted of five operating segments:

- YUM China ("China" or "China Division") which includes all operations in mainland China
- YUM India ("India" or "India Division") which includes all operations in India, Bangladesh, Nepal and Sri Lanka
- The KFC Division which includes all operations of the KFC concept outside of China Division and India Division
- The Pizza Hut Division which includes all operations of the Pizza Hut concept outside of China Division and India Division
- The Taco Bell Division which includes all operations of the Taco Bell concept outside of India Division

Effective January, 2016 the Company's India Division was segmented by brand, integrated into the global KFC, Pizza Hut and Taco Bell Divisions, and is no longer a separate operating segment. While our consolidated results will not be impacted, we will restate our historical segment information during 2016 for consistent presentation.

In October, 2015 we announced our intent to separate YUM's China business from YUM into an independent, publicly-traded company by the end of 2016. This transaction, which is expected to be a tax-free spin-off of our China business, will create two powerful, independent, focused growth companies with distinct strategies, financial profiles and investment characteristics.

Completion of the spin-off will be subject to certain conditions, including, among others, receiving final approval from the YUM Board of Directors, receipt of various regulatory approvals, receipt of an opinion of counsel with respect to certain tax matters, the effectiveness of filings related to public listing and applicable securities laws, and other terms and conditions as may be determined by the Board of Directors.

NOTE 2 Summary of Significant Accounting Policies

Our preparation of the accompanying Consolidated Financial Statements in conformity with Generally Accepted Accounting Principles in the United States of America ("GAAP") requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Principles of Consolidation and Basis of Preparation. Intercompany accounts and transactions have been eliminated in consolidation. We consolidate entities in which we have a controlling financial interest, the usual condition of which is ownership of a majority voting interest. We also consider for consolidation an entity, in which we have certain interests, where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity ("VIE"), is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it.

Our most significant variable interests are in entities that operate restaurants under our Concepts' franchise and license arrangements. We do not generally have an equity interest in our franchisee or licensee businesses with the exception of certain entities in China as discussed below. Additionally, we do not typically provide significant financial support such as loans or guarantees to our franchisees and licensees. However, we do have variable interests in certain franchisees through real estate lease arrangements to which we are a party. At the end of 2015, YUM has future lease payments due from franchisees, on a nominal basis, of approximately $345 million, and we are contingently liable on certain other lease agreements that have been assigned to franchisees. See Lease Guarantees, Franchise Loan Pool and Equipment Guarantees and Unconsolidated Affiliate Guarantees sections in Note 18. As our franchise and license arrangements provide our franchisee and licensee entities the power to direct the activities that most significantly impact their economic performance, we do not consider ourselves the primary beneficiary of any such entity that might otherwise be considered a VIE.

See Note 18 for additional information on an entity that operates a franchise lending program that is a VIE in which we have a variable interest but for which we are not the primary beneficiary and thus do not consolidate.

Certain investments in entities that operate KFCs in China are accounted for by the equity method. These entities are not VIEs and our lack of majority voting rights precludes us from controlling these affiliates. Thus, we do not consolidate these affiliates, instead accounting for them under the equity method. Our Little Sheep brand, a casual dining concept that is part of our China Division, holds an investment in a meat processing entity that is also accounted for by the equity method. Our share of the net income or loss of those unconsolidated affiliates is included in Other (income) expense.

We report Net income attributable to non-controlling interests, which includes the minority shareholders of the entities that operate the KFCs in Beijing and Shanghai, China and the minority shareholders of Little Sheep, separately on the face of our Consolidated Statements of Income. The portion of equity not attributable to the Company for KFC Beijing and KFC Shanghai is reported within equity, separately from the Company's equity on the Consolidated Balance Sheets. The shareholder that owns the remaining 7% ownership interest in Little Sheep holds an option that, if exercised, requires us to redeem their non-controlling interest. This Redeemable non-controlling interest is classified outside permanent equity and recorded in the Consolidated Balance Sheet as the greater of the initial carrying amount adjusted for the non-controlling interest's share of net income (loss), or its redemption value.

We participate in various advertising cooperatives with our franchisees and licensees established to collect and administer funds contributed for use in advertising and promotional programs designed to increase sales and enhance the reputation of the Company and its franchise owners. Contributions to the advertising cooperatives are required for both Company-owned and franchise restaurants and are generally based on a percentage of restaurant sales. We maintain certain variable interests in these cooperatives. As the cooperatives are required to spend all funds collected on advertising and promotional programs, total equity at risk is not sufficient to permit the cooperatives to finance their activities without additional subordinated financial support. Therefore, these cooperatives are VIEs. As a result of our voting rights, we consolidate certain of these cooperatives for which we are the primary beneficiary. Advertising cooperative assets, consisting primarily of cash received from the Company and franchisees and accounts receivable from franchisees, can only be used to settle obligations of the respective cooperative. Advertising cooperative liabilities represent the corresponding obligation arising from the receipt of the contributions to purchase advertising and promotional programs for which creditors do not have recourse to the general credit of the Company as the primary beneficiary. Therefore, we report all assets and liabilities of these advertising cooperatives that we consolidate as Advertising cooperative assets, restricted and Advertising cooperative liabilities in the Consolidated Balance Sheet. As the contributions to these cooperatives are designated and segregated for advertising, we act as an agent for the franchisees and licensees with regard to these contributions. Thus, we do not reflect franchisee and licensee contributions to these cooperatives in our Consolidated Statements of Income or Consolidated Statements of Cash Flows.

Fiscal Year. Our fiscal year ends on the last Saturday in December and, as a result, a 53rd week is added every five or six years. The first three quarters of each fiscal year consist of 12 weeks and the fourth quarter consists of 16 weeks in fiscal years with 52 weeks and 17 weeks in fiscal years with 53 weeks. Our subsidiaries operate on similar fiscal calendars except that China, India and certain other international subsidiaries operate on a monthly calendar, and thus never have a 53rd week, with two months in the first quarter, three months in the second and third quarters and four months in the fourth quarter. International businesses within our KFC, Pizza Hut and Taco Bell divisions close approximately one month earlier to facilitate consolidated reporting. Our next fiscal year scheduled to include a 53rd week is 2016.

Foreign Currency. The functional currency of our foreign entities is the currency of the primary economic environment in which the entity operates. Functional currency determinations are made based upon a number of economic factors, including but not limited to cash flows and financing transactions. The operations, assets and liabilities of our entities outside the United States are initially measured using the functional currency of that entity. Income and expense accounts for our operations of these foreign entities are then translated into U.S. dollars at the average exchange rates prevailing during the period. Assets and liabilities of these foreign entities are then translated into U.S. dollars at exchange rates in effect at the balance sheet date. As of December 26, 2015, net cumulative translation adjustment losses of $109 million are recorded in Accumulated other comprehensive income (loss) in the Consolidated Balance Sheet.

The majority of our foreign currency net asset exposure is in countries where we have company-owned restaurants. As we manage and share resources at the individual brand level within a country, cumulative translation adjustments are recorded and tracked at the foreign-entity level that represents the operations of our individual brands within that country. Translation adjustments recorded in Accumulated other comprehensive income (loss) are subsequently recognized as income or expense generally only upon sale of the related investment in a foreign entity, or upon a sale of assets and liabilities within a foreign entity that represents a complete or substantially complete liquidation of that entity. For purposes of determining whether a sale or complete or substantially complete liquidation of an investment in a foreign entity has occurred, we consider those same foreign entities for which we record and track cumulative translation adjustments. See Note 4 for information on the liquidation of our Mexico foreign entities and related Income Statement recognition of translation adjustments.

Gains and losses arising from the impact of foreign currency exchange rate fluctuations on transactions in foreign currency are included in Other (income) expense in our Consolidated Statement of Income.

Reclassifications. We have reclassified certain items in the Consolidated Financial Statements for prior periods to be comparable with the classification for the fiscal year ended December 26, 2015. These reclassifications had no effect on previously reported Net Income – YUM! Brands, Inc.

Franchise and License Operations. We execute franchise or license agreements for each unit operated by third parties which set out the terms of our arrangement with the franchisee or licensee. Our franchise and license agreements typically require the franchisee or licensee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and their payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The internal costs we incur to provide support services to our franchisees and licensees are charged to General and Administrative ("G&A") expenses as incurred. Certain direct costs of our franchise and license operations are charged to franchise and license expenses. These costs include provisions for estimated uncollectible fees, rent or depreciation expense associated with restaurants we lease or sublease to franchisees, franchise and license marketing funding, amortization expense for franchise-related intangible assets and certain other direct incremental franchise and license support costs.

Revenue Recognition. Revenues from Company-owned restaurants are recognized when payment is tendered at the time of sale. The Company presents sales net of sales-related taxes. Income from our franchisees and licensees includes initial fees, continuing fees, renewal fees and rental income from restaurants we lease or sublease to them. We recognize initial fees received from a franchisee or licensee as revenue when we have performed substantially all initial services required by the franchise or license agreement, which is generally upon the opening of a store. We recognize continuing fees, which are based upon a percentage of franchisee and licensee sales as those sales occur and rental income is recognized as it is earned. We recognize renewal fees when a renewal agreement with a franchisee or licensee becomes effective. We present initial fees collected upon the sale of a company-owned restaurant to a franchisee in Refranchising (gain) loss.

While the majority of our franchise agreements are entered into with terms and conditions consistent with those at a prevailing market rate, there are instances when we enter into franchise agreements with terms that are not at market rates (for example, below-market continuing fees) for a specified period of time. We recognize the estimated value of terms in franchise agreements entered into concurrently with a refranchising transaction that are not consistent with market terms as part of the upfront refranchising gain (loss) and amortize that amount into Franchise and license fees and income over the period such terms are in effect. The value of terms that are not considered to be at market within franchise agreements is estimated based upon the difference between cash expected to be received under the franchise agreement and cash that would have been expected to be received under a franchise agreement with terms substantially consistent with market.

Direct Marketing Costs. To the extent we participate in advertising cooperatives, we expense our contributions as incurred which are based on a percentage of sales. We charge direct marketing costs incurred outside of a cooperative to expense ratably in relation to revenues over the year in which incurred and, in the case of advertising production costs, in the year the advertisement is first shown. Deferred direct marketing costs, which are classified as prepaid expenses, consist of media and related advertising production costs which will generally be used for the first time in the next fiscal year and have historically not been significant. Our advertising expenses were $581 million, $589 million and $607 million in 2015, 2014 and 2013, respectively. We report substantially all of our direct marketing costs in Occupancy and other operating expenses.

Research and Development Expenses. Research and development expenses, which we expense as incurred, are reported in G&A expenses. Research and development expenses were $28 million, $30 million and $31 million in 2015, 2014 and 2013, respectively.

Share-Based Employee Compensation. We recognize all share-based payments to employees, including grants of employee stock options and stock appreciation rights ("SARs"), in the Consolidated Financial Statements as compensation cost over the service period based on their fair value on the date of grant. This compensation cost is recognized over the service period on a straight-line basis for awards that actually vest. We present this compensation cost consistent with the other compensation costs for the employee recipient in either Payroll and employee benefits or G&A expenses. See Note 14 for further discussion of our share-based compensation plans.

Legal Costs. Settlement costs are accrued when they are deemed probable and reasonably estimable. Anticipated legal fees related to self-insured workers' compensation, employment practices liability, general liability, automobile liability, product liability and property losses (collectively, "property and casualty losses") are accrued when deemed probable and reasonably estimable. Legal fees not related to self-insured property and casualty losses are recognized as incurred. See Note 18 for further discussion of our legal proceedings.

Impairment or Disposal of Property, Plant and Equipment. Property, plant and equipment ("PP&E") is tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The assets are not recoverable if their carrying value is less than the undiscounted cash flows we expect to generate from such assets. If the assets are not deemed to be recoverable, impairment is measured based on the excess of their carrying value over their fair value.

For purposes of impairment testing for our restaurants, we have concluded that an individual restaurant is the lowest level of independent cash flows unless our intent is to refranchise restaurants as a group. We review our long-lived assets of such individual restaurants (primarily PP&E and allocated intangible assets subject to amortization) semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We use two consecutive years of operating losses as our primary indicator of potential impairment for our semi-annual impairment testing of these restaurant assets. We evaluate the recoverability of these restaurant assets by comparing the estimated undiscounted future cash flows, which are based on our entity-specific assumptions, to the carrying value of such assets. For restaurant assets that are not deemed to be recoverable, we write-down an impaired restaurant to its estimated fair value, which becomes its new cost basis. Fair value is an estimate of the price a franchisee would pay for the restaurant and its related assets and is determined by discounting the estimated future after-tax cash flows of the restaurant, which include a deduction for royalties we would receive under a franchise agreement with terms substantially at market. The after-tax cash flows incorporate reasonable assumptions we believe a franchisee would make such as sales growth and margin improvement. The discount rate used in the fair value calculation is our estimate of the required rate of return that a franchisee would expect to receive when purchasing a similar restaurant and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

In executing our refranchising initiatives, we most often offer groups of restaurants for sale. When we believe it is more likely than not a restaurant or groups of restaurants will be refranchised for a price less than their carrying value, but do not believe the restaurant(s) have met the criteria to be classified as held for sale, we review the restaurants for impairment. We evaluate the recoverability of these restaurant assets by comparing estimated sales proceeds plus holding period cash flows, if any, to the carrying value of the restaurant or group of restaurants. For restaurant assets that are not deemed to be recoverable, we recognize impairment for any excess of carrying value over the fair value of the restaurants, which is based on the expected net sales proceeds. To the extent ongoing agreements to be entered into with the franchisee simultaneous with the refranchising are expected to contain terms, such as royalty rates, not at prevailing market rates, we consider the off-market terms in our impairment evaluation. We recognize any such impairment charges in Refranchising (gain) loss. Refranchising (gain) loss includes the gains or losses from the sales of our restaurants to new and existing franchisees, including any impairment charges discussed above, and the related initial franchise fees. We recognize gains on restaurant refranchisings when the sale transaction closes and control of the restaurant operations have transferred to the franchisee.

When we decide to close a restaurant, it is reviewed for impairment and depreciable lives are adjusted based on the expected disposal date. Other costs incurred when closing a restaurant such as costs of disposing of the assets as well as other facility-related expenses from previously closed stores are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income, if any. Any costs recorded upon store closure as well as any subsequent adjustments to liabilities for remaining lease obligations as a result of lease termination or changes in estimates of sublease income are recorded in Closures and impairment (income) expenses. To the extent we sell assets, primarily land, associated with a closed store, any gain or loss upon that sale is also recorded in Closures and impairment (income) expenses.

Considerable management judgment is necessary to estimate future cash flows, including cash flows from continuing use, terminal value, sublease income and refranchising proceeds. Accordingly, actual results could vary significantly from our estimates.

Impairment of Investments in Unconsolidated Affiliates. We record impairment charges related to an investment in an unconsolidated affiliate whenever events or circumstances indicate that a decrease in the fair value of an investment has occurred which is other than temporary. In addition, we evaluate our investments in unconsolidated affiliates for impairment when they have experienced two consecutive years of operating losses.

Guarantees. We recognize, at inception of a guarantee, a liability for the fair value of certain obligations undertaken. The majority of our guarantees are issued as a result of assigning our interest in obligations under operating leases as a condition to the refranchising of certain Company restaurants. We recognize a liability for the fair value of such lease guarantees upon refranchising and upon subsequent renewals of such leases when we remain contingently liable. The related expense and any subsequent changes are included in Refranchising (gain) loss. Any expense and subsequent changes in the guarantees for other franchise support guarantees not associated with a refranchising transaction are included in Franchise and license expense.

Income Taxes. We record deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences or carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Additionally, in determining the need for recording a

valuation allowance against the carrying amount of deferred tax assets, we consider the amount of taxable income and periods over which it must be earned, actual levels of past taxable income and known trends and events or transactions that are expected to affect future levels of taxable income. Where we determine that it is more likely than not that all or a portion of an asset will not be realized, we record a valuation allowance.

In November, 2015 the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17) to simplify the presentation of deferred taxes on the balance sheet. ASU 2015-17 requires organizations that present a classified balance sheet to classify all deferred taxes as noncurrent assets or noncurrent liabilities. We have elected to early adopt this guidance as of December 26, 2015 and restate our 2014 comparable balances. This resulted in $93 million of current deferred tax assets and $2 million of current deferred tax liabilities being reclassified at December 27, 2014, resulting in an increase to Deferred income taxes – long term of $82 million and a corresponding decrease to Other liabilities and deferred credits of $9 million.

We recognize the benefit of positions taken or expected to be taken in our tax returns in our Income tax provision when it is more likely than not (i.e. a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. We evaluate these amounts on a quarterly basis to ensure that they have been appropriately adjusted for audit settlements and other events we believe may impact the outcome. Changes in judgment that result in subsequent recognition, derecognition or a change in measurement of a tax position taken in a prior annual period (including any related interest and penalties) are recognized as a discrete item in the interim period in which the change occurs. We recognize accrued interest and penalties related to unrecognized tax benefits as components of our Income tax provision.

We do not record a U.S. deferred tax liability for the excess of the book basis over the tax basis of our investments in foreign subsidiaries to the extent that the basis difference results from earnings that meet the indefinite reversal criteria. This criteria is met if the foreign subsidiary has invested, or will invest, the undistributed earnings indefinitely. The decision as to the amount of undistributed earnings that we intend to maintain in non-U.S. subsidiaries considers items including, but not limited to, forecasts and budgets of financial needs of cash for working capital, liquidity plans and expected cash requirements in the United States.

See Note 16 for a further discussion of our income taxes.

Fair Value Measurements. Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For those assets and liabilities we record or disclose at fair value, we determine fair value based upon the quoted market price, if available. If a quoted market price is not available for identical assets, we determine fair value based upon the quoted market price of similar assets or the present value of expected future cash flows considering the risks involved, including counterparty performance risk if appropriate, and using discount rates appropriate for the duration. The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation.

Level 1	Inputs based upon quoted prices in active markets for identical assets.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3	Inputs that are unobservable for the asset.

Cash and Cash Equivalents. Cash equivalents represent funds we have temporarily invested (with original maturities not exceeding three months), including short-term, highly liquid debt securities. Cash and overdraft balances that meet the criteria for right of setoff are presented net on our Consolidated Balance Sheet.

Receivables. The Company's receivables are primarily generated from ongoing business relationships with our franchisees and licensees as a result of franchise, license and lease agreements. Trade receivables consisting of royalties from franchisees and licensees are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts and notes receivable on our Consolidated Balance Sheet. Our provision for uncollectible franchisee and licensee receivable balances is based upon pre-defined aging criteria or upon the occurrence of other events that indicate that we may not collect the balance due. Additionally, we monitor the financial condition of our franchisees and licensees and record provisions for estimated losses on receivables when we believe it probable that our franchisees or licensees will be unable to make their required payments. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. We recorded $6 million, $3 million and $2 million in net provisions within Franchise and license expenses in 2015, 2014 and 2013, respectively, related to uncollectible franchise and license trade receivables. Trade receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts.

	2015	2014
Accounts and notes receivable	$ 393	$ 337
Allowance for doubtful accounts	(16)	(12)
Accounts and notes receivable, net	$ 377	$ 325

Our financing receivables primarily consist of notes receivables and direct financing leases with franchisees which we enter into from time to time. As these receivables primarily relate to our ongoing business agreements with franchisees and licensees, we consider such receivables to have similar risk characteristics and evaluate them as one collective portfolio segment and class for determining the allowance for doubtful accounts. We monitor the financial condition of our franchisees and licensees and record provisions for estimated losses on receivables when we believe it is probable that our franchisees or licensees will be unable to make their required payments. Balances of notes receivable and direct financing leases due within one year are included in Accounts and notes receivable while amounts due beyond one year are included in Other assets. Amounts included in Other assets totaled $23 million (net of an allowance of $4 million) and $21 million (net of an allowance of $1 million) at December 26, 2015 and December 27, 2014, respectively. Financing receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. Interest income recorded on financing receivables has historically been insignificant.

Inventories. We value our inventories at the lower of cost (computed on the first-in, first-out method) or market.

Property, Plant and Equipment. We state PP&E at cost less accumulated depreciation and amortization. We calculate depreciation and amortization on a straight-line basis over the estimated useful lives of the assets as follows: 5 to 25 years for buildings and leasehold improvements, 3 to 20 years for machinery and equipment and 3 to 7 years for capitalized software costs. We suspend depreciation and amortization on assets related to restaurants that are held for sale.

Leases and Leasehold Improvements. The Company leases land, buildings or both for certain of its restaurants worldwide. The length of our lease terms, which vary by country and often include renewal options, are an important factor in determining the appropriate accounting for leases including the initial classification of the lease as capital or operating and the timing of recognition of rent expense over the duration of the lease. We include renewal option periods in determining the term of our leases when failure to renew the lease would impose a penalty on the Company in such an amount that a renewal appears to be reasonably assured at the inception of the lease. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might be impaired if we choose not to continue the

use of the leased property. Leasehold improvements are amortized over the shorter of their estimated useful lives or the lease term. We generally do not receive leasehold improvement incentives upon opening a store that is subject to a lease.

We expense rent associated with leased land or buildings while a restaurant is being constructed whether rent is paid or we are subject to a rent holiday. Additionally, certain of the Company's operating leases contain predetermined fixed escalations of the minimum rent during the lease term. For leases with fixed escalating payments and/or rent holidays, we record rent expense on a straight-line basis over the lease term, including any option periods considered in the determination of that lease term. Contingent rentals are generally based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense when attainment of the contingency is considered probable (e.g. when Company sales occur).

Internal Development Costs and Abandoned Site Costs. We capitalize direct costs associated with the site acquisition and construction of a Company unit on that site, including direct internal payroll and payroll-related costs. Only those site-specific costs incurred subsequent to the time that the site acquisition is considered probable are capitalized. If we subsequently make a determination that it is probable a site for which internal development costs have been capitalized will not be acquired or developed, any previously capitalized internal development costs are expensed and included in G&A expenses.

Goodwill and Intangible Assets. From time to time, the Company acquires restaurants from one of our Concept's franchisees or acquires another business. Goodwill from these acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. Goodwill is not amortized and has been assigned to reporting units for purposes of impairment testing. Our reporting units are business units (which are aligned based on geography) in our KFC, Pizza Hut and Taco Bell Divisions and individual brands in our India and China Divisions.

We evaluate goodwill for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairment might exist. We have selected the beginning of our fourth quarter as the date on which to perform our ongoing annual impairment test for goodwill. We may elect to perform a qualitative assessment for our reporting units to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, then the reporting unit's fair value is compared to its carrying value. Fair value is the price a willing buyer would pay for a reporting unit, and is generally estimated using discounted expected future after-tax cash flows from Company-owned restaurant operations and franchise royalties. The discount rate is our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing a business from us that constitutes a reporting unit. We believe the discount rate is commensurate with the risks and uncertainty inherent in the forecasted cash flows. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value.

If we record goodwill upon acquisition of a restaurant(s) from a franchisee and such restaurant(s) is then sold within two years of acquisition, the goodwill associated with the acquired restaurant(s) is written off in its entirety. If the restaurant is refranchised two years or more subsequent to its acquisition, we include goodwill in the carrying amount of the restaurants disposed of based on the relative fair values of the portion of the reporting unit disposed of in the refranchising and the portion of the reporting unit that will be retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which includes a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transition. The fair value of the reporting unit retained is based on the price a willing buyer would pay for the reporting unit and includes the value of franchise agreements. Appropriate adjustments are made if a franchise agreement includes terms that are determined to not be at prevailing market rates. As such, the fair value of the reporting unit retained can include expected cash flows from future royalties from those restaurants currently being refranchised, future royalties from existing franchise businesses and company restaurant operations. As a result, the percentage of a reporting unit's goodwill that will be written off in a refranchising transaction will be less than the percentage of the reporting unit's Company-owned restaurants that are refranchised in that transaction and goodwill can be allocated to a reporting unit with only franchise restaurants.

We evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, we amortize the intangible asset prospectively over its estimated remaining useful life. Intangible assets that are deemed to have a definite life are amortized on a straight-line basis to their residual value.

We evaluate our indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairments might exist. We perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. We may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of an indefinite-lived intangible asset exceeds its carrying value, then the asset's fair value is compared to its carrying value. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future after-tax cash flows associated with the intangible asset.

Our definite-lived intangible assets that are not allocated to an individual restaurant are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. An intangible asset that is deemed not recoverable on an undiscounted basis is written down to its estimated fair value, which is our estimate of the price a willing buyer would pay for the intangible asset based on discounted expected future after-tax cash flows. For purposes of our impairment analysis, we update the cash flows that were initially used to value the definite-lived intangible asset to reflect our current estimates and assumptions over the asset's future remaining life.

Derivative Financial Instruments. We use derivative instruments primarily to hedge interest rate and foreign currency risks. These derivative contracts are entered into with financial institutions. We do not use derivative instruments for trading purposes and we have procedures in place to monitor and control their use.

We record all derivative instruments on our Consolidated Balance Sheet at fair value. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in the results of operations. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments that are designated and qualify as a net investment hedge, the effective portion of the gain or loss on the derivative instrument is reported in the foreign currency translation component of other comprehensive income (loss). Any ineffective portion of the gain or loss on the derivative instrument for a cash flow hedge or net investment hedge is recorded in the results of operations immediately. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the results of operations immediately.

As a result of the use of derivative instruments, the Company is exposed to risk that the counterparties will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we only enter into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and continually assess the creditworthiness of counterparties. At December 26, 2015 and December 27, 2014, all of the counterparties to our interest rate swaps, foreign currency swaps and foreign currency forwards had investment grade ratings according to the three major ratings agencies. To date, all counterparties have performed in accordance with their contractual obligations.

Common Stock Share Repurchases. From time to time, we repurchase shares of our Common Stock under share repurchase programs authorized by our Board of Directors. Shares repurchased constitute authorized, but unissued shares under the North Carolina laws under which we are incorporated. Additionally, our Common Stock has no par or stated value. Accordingly, we record the full value of share repurchases, upon the trade date, against Common Stock on our Consolidated Balance Sheet except when to do so would result in a negative balance in such Common Stock account. In such instances, on a period basis, we record the cost of any further share repurchases as a reduction in retained earnings. Due to the large number of share repurchases of our stock over the past several years, our Common Stock balance is frequently zero at the end of any period. Accordingly, $1,124 million, $725 million and $640 million in share repurchases were recorded as a reduction in Retained Earnings in 2015, 2014 and 2013, respectively. See Note 15 for additional information on our share repurchases.

Pension and Post-retirement Medical Benefits. We measure and recognize the overfunded or underfunded status of our pension and post-retirement plans as an asset or liability in our Consolidated Balance Sheet as of our fiscal year end. The funded status represents the difference between the projected benefit obligations and the fair value of plan assets, which is calculated on a plan-by-plan basis. The projected benefit obligation and related funded status are determined using assumptions as of the end of each year. The projected benefit obligation is the present value of benefits earned to date by plan participants, including the effect of future salary increases, as applicable. The difference between the projected benefit obligations and the fair value of plan assets that has not previously been recognized in our Consolidated Statement of Income is recorded as a component of Accumulated other comprehensive income (loss).

The net periodic benefit costs associated with the Company's defined benefit pension and post-retirement medical plans are determined using assumptions regarding the projected benefit obligation and, for funded plans, the market-related value of plan assets as of the beginning of each year. We have elected to use a market-related value of plan assets to calculate the expected return on assets in net periodic benefit costs. We recognize differences in the fair value versus the market-related value of plan assets evenly over five years. For each individual plan we amortize into pension expense the net amounts in Accumulated other comprehensive income (loss), as adjusted for the difference between the fair value and market-related value of plan assets, to the extent that such amounts exceed 10% of the greater of a plan's projected benefit obligation or market-related value of assets, over the remaining service period of active participants in the plan or, for plans with no active participants, over the expected average life expectancy of the inactive participants in the plan. We record a curtailment when an event occurs that significantly reduces the expected years of future service or eliminates the accrual of defined benefits for the future services of a significant number of employees. We record a curtailment gain when the employees who are entitled to the benefits terminate their employment; we record a curtailment loss when it becomes probable a loss will occur.

We recognize settlement gains or losses only when we have determined that the cost of all settlements in a year will exceed the sum of the service and interest costs within an individual plan.

NOTE 3 Earnings Per Common Share ("EPS")

	2015	2014	2013
Net Income – YUM! Brands, Inc.	$ 1,293	$ 1,051	$ 1,091
Weighted-average common shares outstanding (for basic calculation)	436	444	452
Effect of dilutive share-based employee compensation	7	9	9
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	443	453	461
Basic EPS	$ 2.97	$ 2.37	$ 2.41
Diluted EPS	$ 2.92	$ 2.32	$ 2.36
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS computation[(a)]	4.5	5.5	4.9

(a) These unexercised employee stock options and stock appreciation rights were not included in the computation of diluted EPS because to do so would have been antidilutive for the periods presented.

NOTE 4 Items Affecting Comparability of Net Income and Cash Flows

Little Sheep Impairment

On February 1, 2012 we acquired an additional 66% interest in Little Sheep Group Limited ("Little Sheep") for $540 million, net of cash acquired of $44 million, increasing our ownership to 93%. The primary assets recorded as a result of the acquisition and resulting consolidation of Little Sheep were the Little Sheep trademark and goodwill of approximately $400 million and $375 million, respectively.

Sustained declines in sales and profits in 2013 resulted in a determination that the Little Sheep trademark, goodwill and certain restaurant level PP&E were impaired during the quarter ended September 7, 2013. As a result, we recorded impairment charges to the trademark, goodwill and PP&E of $69 million, $222 million and $4 million, respectively, during the quarter ended September 7, 2013.

The Little Sheep business continued to underperform during 2014 with actual average-unit sales volumes and profit levels significantly below those assumed in our 2013 estimation of the Little Sheep trademark and reporting unit fair values. As a result, a significant number of Company-operated restaurants were closed or refranchised during 2014 with future plans calling for further focus on franchise-ownership for the Concept. We tested the Little Sheep trademark and goodwill for impairment in the fourth quarter of 2014 pursuant to our accounting policy. As a result of comparing the trademark's 2014 fair value estimate of $58 million to its carrying value of $342 million, we recorded a $284 million impairment charge. Additionally, after determining the 2014 fair value estimate of the Little Sheep reporting unit was less than its carrying value we wrote off Little Sheep's remaining goodwill balance of $160 million. The Company also evaluated other Little Sheep long-lived assets for impairment and recorded $14 million of restaurant-level PP&E impairment and a $5 million impairment of our equity method investment in a meat processing business that supplies lamb to Little Sheep.

The losses related to Little Sheep that have occurred concurrent with our trademark and goodwill impairments in 2014 and 2013, none of which have been allocated to any segment for performance reporting purposes, are summarized below:

	2014	2013	Income Statement Classification
Impairment of Goodwill	$ 160	$ 222	Closures and Impairment (income) expense
Impairment of Trademark	284	69	Closures and Impairment (income) expense
Impairment of PP&E	14	4	Closures and Impairment (income) expense
Impairment of Investment in Little Sheep Meat	5	—	Closures and Impairment (income) expense
Tax Benefit	(76)	(18)	Income tax provision
Loss Attributable to Non-Controlling Interest	(26)	(19)	Net Income (loss) noncontrolling interests
Net Loss	$ 361	$ 258	Net Income – YUM! Brands, Inc.

Losses Related to the Extinguishment of Debt

During the fourth quarter of 2013, we completed a cash tender offer to repurchase $550 million of our Senior Unsecured Notes due either March 2018 or November 2037. This transaction resulted in $120 million of losses as a result of premiums paid and other costs, $118 million of which was classified as Interest expense, net in our Consolidated Statement of Income. The repurchase of the Senior Unsecured Notes was funded primarily by proceeds of $599 million received from the issuance of new Senior Unsecured Notes.

Refranchising (Gain) Loss

The Refranchising (gain) loss by reportable segment is presented below. We do not allocate such gains and losses to our segments for performance reporting purposes.

	Refranchising (gain) loss		
	2015	2014	2013
China	$ (13)	$ (17)	$ (5)
KFC Division[(a)]	30	(18)	(8)
Pizza Hut Division[(a)(b)]	55	4	(3)
Taco Bell Division	(65)	(4)	(84)
India	3	2	—
Worldwide	$ 10	$ (33)	$ (100)

(a) *In 2010 we refranchised our then-remaining Company-operated restaurants in Mexico. To the extent we owned it, we did not sell the real estate related to certain of these restaurants, instead leasing it to the franchisee. During 2015, we sold the real estate for approximately $58 million. While these proceeds exceeded the book value of the real estate, the sale represented a substantial liquidation of our Mexican foreign entities under GAAP. As such, the accumulated translation losses associated with our Mexican business were included in our loss on the sale. We recorded charges of $80 million representing the excess of the sum of the book value of the real estate and other related assets and our accumulated translation losses over the sales price. Consistent with the classification of the original market refranchising transaction, these charges were classified as Refranchising (gain) loss. Refranchising losses of $40 million were associated with both the KFC and Pizza Hut Divisions.*

Our KFC and Pizza Hut Divisions earned approximately $2 million and $1 million, respectively, of rental income in 2015 and $3 million and $1 million, respectively, of rental income in 2014 related to this real estate that transferred to the buyer subsequent to the sale of the real estate. We continue to earn U.S. dollar-denominated franchise fees, most of which are sales-based royalties, under our existing franchise contracts with our Mexico franchisee.

(b) *During 2015 we recognized charges of $16 million within Refranchising (gain) loss associated with the refranchising of our company-owned Pizza Hut restaurants in Korea. While additional gains or losses may occur as the refranchising plans move forward, such amounts are not expected to be material at this time.*

KFC U.S. Acceleration Agreement

During 2015 we reached an agreement with our KFC U.S. franchisees that gave us brand marketing control as well as an accelerated path to expanded menu offerings, improved assets and enhanced customer experience. In connection with this agreement we anticipate investing a total of approximately $125 million through 2017 primarily to fund new back-of-house equipment for franchisees and to provide incentives to accelerate franchisee store remodels. We recorded expenses for the portion of these investments made in 2015 of $71 million and $1 million within Franchise and license expense and Occupancy and other operating expenses, respectively, with the remaining investments to occur in 2016 and 2017. These charges are not being allocated to the KFC Division for performance reporting purposes due to their unique and long-term brand-building nature.

In addition to the investments above we have agreed to fund incremental system advertising dollars of $60 million. We funded approximately $10 million of such advertising in 2015 with the remaining funding to occur in 2016 and 2017. These amounts are being recorded in the KFC Division segment operating results.

Store Closure and Impairment Activity

Store closure (income) costs and Store impairment charges by reportable segment are presented below. These tables exclude $463 million and $295 million of Little Sheep impairment losses in 2014 and 2013, respectively which were not allocated to any segment for performance reporting purposes.

	2015					
	China	**KFC**	**Pizza Hut**	**Taco Bell**	**India**	**Worldwide**
Store closure (income) costs[a]	$ (6)	$ 1	$ (2)	$ (1)	$ —	$ (8)
Store impairment charges	70	7	5	4	1	87
Closure and impairment (income) expenses	$ 64	$ 8	$ 3	$ 3	$ 1	$ 79

	2014					
	China	**KFC**	**Pizza Hut**	**Taco Bell**	**India**	**Worldwide**
Store closure (income) costs[a]	$ —	$ 2	$ 1	$ —	$ —	$ 3
Store impairment charges	54	7	4	3	1	69
Closure and impairment (income) expenses	$ 54	$ 9	$ 5	$ 3	$ 1	$ 72

	2013					
	China	**KFC**	**Pizza Hut**	**Taco Bell**	**India**	**Worldwide**
Store closure (income) costs[a]	$ (1)	$ (1)	$ (3)	$ —	$ —	$ (5)
Store impairment charges	31	4	3	1	2	41
Closure and impairment (income) expenses	$ 30	$ 3	$ —	$ 1	$ 2	$ 36

(a) *Store closure (income) costs include the net gain or loss on sales of real estate on which we formerly operated a Company-owned restaurant that was closed, lease reserves established when we cease using a property under an operating lease and subsequent adjustments to those reserves and other facility-related expenses from previously closed stores. Remaining lease obligations for closed stores were not material at December 26, 2015 or December 27, 2014.*

NOTE 5 Supplemental Cash Flow Data

	2015	**2014**	**2013**
Cash Paid For:			
Interest[a]	$ 154	$ 149	$ 269
Income taxes[b]	535	684	489
Significant Non-Cash Investing and Financing Activities:			
Capital lease obligations incurred	$ 28	$ 24	$ 15

(a) *2013 includes $109 million of cash premiums and fees paid related to the extinguishment of debt, which is the primary component of the $120 million loss on debt extinguishment. See Note 4.*

(b) *2014 includes $200 million of cash paid related to the resolution of a valuation issue with the Internal Revenue Service ("IRS") related to years 2004 through 2008. See Note 16.*

NOTE 6 Franchise and License Fees and Income

	2015	2014	2013
Initial fees, including renewal fees	$ 88	$ 83	$ 90
Initial franchise fees included in Refranchising (gain) loss	(10)	(5)	(13)
	78	78	77
Continuing fees and rental income	1,882	1,877	1,823
Franchise and license fees and income	$ 1,960	$ 1,955	$ 1,900

NOTE 7 Other (Income) Expense

	2015	2014	2013
Equity (income) loss from investments in unconsolidated affiliates	$ (41)	$ (30)	$ (26)
China poultry supply insurance recovery[a]	(5)	(25)	—
Loss associated with planned sale of aircraft[b]	15	—	—
Foreign exchange net (gain) loss and other	21	14	10
Other (income) expense	$ (10)	$ (41)	$ (16)

(a) *Recoveries related to lost profits associated with a 2012 poultry supply incident.*

(b) *During 2015, we made the decision to dispose of a corporate aircraft in China. The loss associated with this planned sale reflects the shortfall of the expected proceeds, less any selling costs, over the carrying value of the aircraft.*

NOTE 8 Supplemental Balance Sheet Information

Prepaid Expenses and Other Current Assets	2015	2014
Income tax receivable	$ 41	$ 55
Assets held for sale[a]	28	14
Other prepaid expenses and current assets	173	185
Prepaid expenses and other current assets	$ 242	$ 254

(a) *Reflects the carrying value of a corporate aircraft in China (See Note 7) as well as restaurants we have offered for sale to franchisees and excess properties that we do not intend to use for restaurant operations in the future.*

Property, Plant and Equipment	2015	2014
Land	$ 480	$ 506
Buildings and improvements	4,462	4,549
Capital leases, primarily buildings	203	210
Machinery and equipment	2,687	2,817
Property, plant and equipment, gross	7,832	8,082
Accumulated depreciation and amortization	(3,643)	(3,584)
Property, plant and equipment, net	$ 4,189	$ 4,498

Depreciation and amortization expense related to property, plant and equipment was $712 million, $702 million and $686 million in 2015, 2014 and 2013, respectively.

Accounts Payable and Other Current Liabilities	2015	2014
Accounts payable	$ 616	$ 694
Accrued capital expenditures	174	250
Accrued compensation and benefits	465	419
Dividends payable	197	178
Accrued taxes, other than income taxes	116	100
Other current liabilities	417	329
Accounts payable and other current liabilities	$ 1,985	$ 1,970

NOTE 9 Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	China	KFC	Pizza Hut	Taco Bell	India	Worldwide
Balance as of December 28, 2013						
Goodwill, gross	$ 478	$ 338	$ 204	$ 106	$ 2	$ 1,128
Accumulated impairment losses[(a)]	(222)	—	(17)	—	—	(239)
Goodwill, net	256	338	187	106	2	889
Acquisitions	—	2	—	8	—	10
Impairment Losses[(a)]	(160)	—	—	—	—	(160)
Disposals and other, net[(b)]	(7)	(28)	(4)	—	—	(39)
Balance as of December 27, 2014						
Goodwill, gross	471	312	200	114	2	1,099
Accumulated impairment losses[(a)]	(382)	—	(17)	—	—	(399)
Goodwill, net	89	312	183	114	2	700
Acquisitions	—	1	—	1	—	2
Disposals and other, net[(b)]	(4)	(32)	(7)	(2)	(1)	(46)
Balance as of December 26, 2015						
Goodwill, gross	467	281	193	113	1	1,055
Accumulated impairment losses[(a)]	(382)	—	(17)	—	—	(399)
Goodwill, net	$ 85	$ 281	$ 176	$ 113	$ 1	$ 656

(a) China Accumulated impairment losses represent Little Sheep impairment, of which $160 million was recorded in 2014. See Note 4.

(b) Disposals and other, net includes the impact of foreign currency translation on existing balances and goodwill write-offs associated with refranchising.

Intangible assets, net for the years ended 2015 and 2014 are as follows:

	2015		2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets				
Reacquired franchise rights	$ 168	$ (91)	$ 186	$ (81)
Franchise contract rights	123	(94)	126	(92)
Lease tenancy rights	57	(10)	67	(12)
Favorable operating leases	11	(7)	15	(9)
Other	54	(27)	52	(25)
	$ 413	$ (229)	$ 446	$ (219)
Indefinite-lived intangible assets				
KFC trademark	$ 31		$ 31	
Little Sheep trademark	56		60	
	$ 87		$ 91	

Amortization expense for all definite-lived intangible assets was $26 million in 2015, $27 million in 2014 and $28 million in 2013. Amortization expense for definite-lived intangible assets will approximate $21 million in 2016, $21 million in 2017, $19 million in 2018, $18 million in 2019 and $17 million in 2020.

NOTE 10 Short-term Borrowings and Long-term Debt

	2015	2014
Short-term Borrowings		
Current maturities of long-term debt	$ 313	$ 264
Current portion of fair value hedge accounting adjustment	1	3
Unsecured Short-Term Loan Credit Facility, expires June 2016	600	—
Other	9	—
	$ 923	$ 267
Long-term Debt		
Senior Unsecured Notes	$ 2,497	$ 2,746
Unsecured Revolving Credit Facility, expires March 2017	701	416
Capital lease obligations (See Note 11)	169	175
	3,367	3,337
Less current maturities of long-term debt	(313)	(264)
Long-term debt excluding long-term portion of hedge accounting adjustment	3,054	3,073
Long-term portion of fair value hedge accounting adjustment	—	4
Long-term debt including hedge accounting adjustment	$ 3,054	$ 3,077

Our primary bank credit agreement comprises a $1.3 billion syndicated senior unsecured revolving credit facility (the "Credit Facility") which matures in March 2017. The Credit Facility includes 24 participating banks with commitments ranging from $23 million to $115 million. Under the terms of the Credit Facility, we may borrow up to the maximum borrowing limit, less outstanding letters of credit or banker's acceptances, where applicable. At December 26, 2015, our unused Credit Facility totaled $594 million net of outstanding letters of credit of $5 million. There were borrowings of $701 million and $416 million outstanding under the Credit Facility at December 26, 2015 and December 27, 2014, respectively. The interest rate for most borrowings under the Credit Facility ranges from 1.00% to 1.75% over the London Interbank Offered Rate ("LIBOR"). The exact spread over LIBOR under the Short-Term Loan Credit Facility depends upon our performance against specified financial criteria. Interest on any outstanding borrowings under the Credit Facility is payable at least quarterly.

On December 8, 2015, we executed a credit agreement providing for an unsecured term loan facility (the "Short-Term Loan Credit Facility") in an amount up to $1.5 billion which matures in June 2016 with an option for us to extend maturity for an additional three months and includes three participating banks. Under the terms of the Short-Term Loan Credit Facility, we may borrow up to the full amount of the facility in up to three draws. At December 26, 2015, our unused Short-Term Loan Credit Facility totaled $900 million net of outstanding borrowings of $600 million. The interest rate for most borrowings under the Short-Term Loan Credit Facility ranges from 1.00% to 1.75% over LIBOR. The exact spread over LIBOR under the Short-Term Loan Credit Facility depends upon our performance against specified financial criteria. Interest on any outstanding borrowings under the Short-Term Loan Credit Facility is payable at least quarterly.

Both the Credit Facility and the Short-Term Loan Credit Facility are unconditionally guaranteed by our principal domestic subsidiaries and contain financial covenants relating to the maintenance of leverage and fixed charge coverage ratios. The agreements for both facilities also contain affirmative and negative covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. Given the Company's strong balance sheet and cash flows we were able to comply with all debt covenant requirements at December 26, 2015 with a considerable amount of cushion. Additionally, both facilities contain cross-default provisions whereby our failure to make any payment on our indebtedness in a principal amount in excess of $125 million, or the acceleration of the maturity of any such indebtedness, will constitute a default under such agreement.

The majority of our remaining long-term debt primarily comprises Senior Unsecured Notes with varying maturity dates from 2016 through 2043 and stated interest rates ranging from 3.75% to 6.88%. The Senior Unsecured Notes represent senior, unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated indebtedness. Our Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of any of our indebtedness in a principal amount in excess of $50 million will constitute a default under the Senior Unsecured Notes unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice.

During the fourth quarter of 2015, we repaid $250 million of Senior Unsecured Notes upon their maturity.

The following table summarizes all Senior Unsecured Notes issued that remain outstanding at December 26, 2015:

Issuance Date[(a)]	Maturity Date	Principal Amount *(in millions)*	Interest Rate Stated	Interest Rate Effective[(b)]
April 2006	April 2016	$ 300	6.25%	6.03%
October 2007	March 2018	$ 325	6.25%	6.36%
October 2007	November 2037	$ 325	6.88%	7.45%
August 2009	September 2019	$ 250	5.30%	5.59%
August 2010	November 2020	$ 350	3.88%	4.01%
August 2011	November 2021	$ 350	3.75%	3.88%
October 2013	November 2023	$ 325	3.88%	4.01%
October 2013	November 2043	$ 275	5.35%	5.42%

(a) *Interest payments commenced approximately six months after issuance date and are payable semi-annually thereafter.*

(b) *Includes the effects of the amortization of any (1) premium or discount; (2) debt issuance costs; and (3) gain or loss upon settlement of related treasury locks and forward-starting interest rate swaps utilized to hedge the interest rate risk prior to the debt issuance. Excludes the effect of any swaps that remain outstanding.*

The annual maturities of short-term borrowings and long-term debt as of December 26, 2015, excluding capital lease obligations of $169 million and fair value hedge accounting adjustments of $1 million, are as follows:

Year ended:	
2016	$ 909
2017	701
2018	325
2019	250
2020	350
Thereafter	1,275
Total	$ 3,810

Interest expense on short-term borrowings and long-term debt was $155 million, $152 million and $270 million in 2015, 2014 and 2013, respectively. 2013 included $118 million in losses recorded in Interest expense, net as a result of premiums paid and other costs related to the extinguishment of debt. See Losses Related to the Extinguishment of Debt section of Note 4 for further discussion.

NOTE 11 Leases

At December 26, 2015 we operated more than 8,900 restaurants, leasing the underlying land and/or building in approximately 8,025 of those restaurants with the vast majority of our commitments expiring within 20 years from the inception of the lease. In addition, the Company leases or subleases approximately 825 units to franchisees, principally in the U.S., UK and China.

We also lease office space for headquarters and support functions, as well as certain office and restaurant equipment. We do not consider any of these individual leases material to our operations. Most leases require us to pay related executory costs, which include property taxes, maintenance and insurance.

Future minimum commitments and amounts to be received as lessor or sublessor under non-cancelable leases are set forth below:

	Commitments		Lease Receivables	
	Capital	Operating	Direct Financing	Operating
2016	$ 20	$ 672	$ 2	$ 55
2017	20	620	2	50
2018	20	569	2	47
2019	20	516	2	40
2020	19	457	1	33
Thereafter	188	2,123	3	125
	$ 287	$ 4,957	$ 12	$ 350

At December 26, 2015 and December 27, 2014, the present value of minimum payments under capital leases was $169 million and $175 million, respectively. At December 26, 2015, unearned income associated with direct financing lease receivables was $3 million.

The details of rental expense and income are set forth below:

	2015	2014	2013
Rental expense			
Minimum	$ 737	$ 766	$ 759
Contingent	294	302	293
	$ 1,031	**$ 1,068**	**$ 1,052**
Rental income	**$ 97**	**$ 103**	**$ 94**

NOTE 12 Fair Value Disclosures

As of December 26, 2015 the carrying values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximated their fair values because of the short-term nature of these instruments. The fair value of notes receivable net of allowances and lease guarantees less subsequent amortization approximates their carrying value. The Company's debt obligations, excluding capital leases, were estimated to have a fair value of $3.7 billion (Level 2), compared to their carrying value of $3.8 billion. We estimated the fair value of debt using market quotes and calculations based on market rates.

Recurring Fair Value Measurements

The Company has interest rate swaps accounted for as fair value hedges, foreign currency forwards and swaps accounted for as cash flow hedges and other investments, all of which are required to be measured at fair value on a recurring basis. Interest rate swaps are used to reduce our exposure to interest rate risk and lower interest expense for a portion of our fixed-rate debt and our interest rate swaps meet the shortcut method requirements and thus no ineffectiveness has been recorded. Our foreign currency forwards and swaps are used to reduce our exposure to cash flow volatility arising from foreign currency fluctuations associated with certain foreign currency denominated intercompany short-term receivables and payables. The notional amount, maturity date and currency of these forwards and swaps match those of the underlying receivables or payables and we measure ineffectiveness by comparing the cumulative change in the fair value of the forward or swap contract with the cumulative change in the fair value of the hedged item. The following table presents fair values for those assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the measurements fall. No transfers among the levels within the fair value hierarchy occurred during the years ended December 26, 2015 or December 27, 2014.

		Fair Value	
	Level	**2015**	**2014**
Foreign Currency Forwards and Swaps, net	2	$ 19	$ 24
Interest Rate Swaps, net	2	2	10
Other Investments	1	21	21
Total		$ 42	$ 55

The fair value of the Company's foreign currency forwards and swaps and interest rate swaps were determined based on the present value of expected future cash flows considering the risks involved, including nonperformance risk, and using discount rates appropriate for the duration based upon observable inputs. The other investments include investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities that employees have chosen to invest in phantom shares of a Stock Index Fund or Bond Index Fund. The other investments are classified as trading securities in Other assets in our Consolidated Balance Sheet and their fair value is determined based on the closing market prices of the respective mutual funds as of December 26, 2015 and December 27, 2014.

Non-Recurring Fair Value Measurements

The following table presents expense recognized from all non-recurring fair value measurements during the years ended December 26, 2015 and December 27, 2014. Other than the Little Sheep impairments (See Note 4), these amounts relate to restaurants or groups of restaurants that were impaired either as a result of our semi-annual impairment review or when it was more likely than not a restaurant or restaurant group would be refranchised and exclude fair value measurements made for restaurants that were subsequently closed or refranchised prior to those respective year-end dates.

	2015	**2014**
Little Sheep impairments[(a)]	$ —	$ 463
Refranchising related impairment[(b)]	—	9
Restaurant-level impairment[(c)]	61	46
Total	$ 61	$ 518

(a) *Except for the Little Sheep trademark, which had a carrying value of $56 million at December 26, 2015, the remaining carrying value of assets measured at fair value due to the 2014 Little Sheep impairments (Level 3) is insignificant. See Note 4 for further discussion. Our 2014 fair value estimate of the Little Sheep trademark was determined using a relief-from-royalty valuation approach that included future revenues as a significant input and a discount rate of 13% as our estimate of the required rate-of-return that a third party buyer would expect to receive when purchasing the trademark. The primary drivers of the trademark's fair value are franchise revenue growth and revenues associated with a wholly-owned business that sells seasoning to retail customers. Franchise revenue growth reflected annual same store sales growth of 4% and approximately 35 new franchise units per year, partially offset by approximately 25 franchise closures per year. The retail seasoning business was forecasted to generate sales growth consistent with historical results. Our 2015 fair value estimate exceeded its carrying value using similar assumptions and methods as those used in 2014.*

(b) *Refranchising related impairment results from writing down the assets of restaurants or restaurant groups offered for refranchising. The fair value measurements used in our impairment evaluation are based on either actual bids received from potential buyers (Level 2), or on estimates of the sales prices we anticipated receiving from a buyer for the restaurant or restaurant groups (Level 3).*

(c) *Restaurant-level impairment charges are recorded in Closures and impairment (income) expenses and resulted primarily from our semi-annual impairment evaluation of long-lived assets of individual restaurants that were being operated at the time of impairment and had not been offered for refranchising. The fair value measurements used in these impairment evaluations were based on discounted cash flow estimates using unobservable inputs (Level 3). The remaining net book value of assets measured at fair value during the years ended December 26, 2015 and December 27, 2014 is insignificant.*

NOTE 13 Pension, Retiree Medical and Retiree Savings Plans

U.S. Pension Plans

We sponsor qualified and supplemental (non-qualified) noncontributory defined benefit plans covering certain full-time salaried and hourly U.S. employees. The qualified plan meets the requirements of certain sections of the Internal Revenue Code and provides benefits to a broad group of employees with restrictions on discriminating in favor of highly compensated employees with regard to coverage, benefits and contributions. The supplemental plans provide additional benefits to certain employees. We fund our supplemental plans as benefits are paid.

The most significant of our U.S. plans is the YUM Retirement Plan (the "Plan"), which is a qualified plan. Our funding policy with respect to the Plan is to contribute amounts necessary to satisfy minimum pension funding requirements, including requirements of the Pension Protection Act of 2006, plus additional amounts from time to time as are determined to be necessary to improve the Plan's funded status. We do not expect to make any significant contributions to the Plan in 2016. We currently expect to make $13 million in benefit payments from our primary unfunded U.S. non-qualified plan in 2016. Our two significant U.S. plans were previously amended such that any salaried employee hired or rehired by YUM after September 30, 2001 is not eligible to participate in those plans.

We do not anticipate any plan assets being returned to the Company during 2016 for any U.S. plans.

Obligation and Funded Status at Measurement Date:

The following chart summarizes the balance sheet impact, as well as benefit obligations, assets, and funded status associated with our two significant U.S. pension plans. The actuarial valuations for all plans reflect measurement dates coinciding with our fiscal year end.

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,301	$ 1,025
Service cost	18	17
Interest cost	55	54
Plan amendments	28	1
Curtailments	(2)	(2)
Special termination benefits	1	3
Benefits paid	(50)	(65)
Settlements[(a)]	(16)	(17)
Actuarial (gain) loss	(196)	290
Administrative expense	(5)	(5)
Benefit obligation at end of year	$ 1,134	$ 1,301
Change in plan assets		
Fair value of plan assets at beginning of year	$ 991	$ 933
Actual return on plan assets	(10)	124
Employer contributions	94	21
Settlement payments[(a)]	(16)	(17)
Benefits paid	(50)	(65)
Administrative expenses	(5)	(5)
Fair value of plan assets at end of year	$ 1,004	$ 991
Funded status at end of year	$ (130)	$ (310)

(a) For discussion of the settlement payments and settlement losses, see Components of net periodic benefit cost below.

Amounts recognized in the Consolidated Balance Sheet:

	2015	2014
Accrued benefit liability – current	$ (13)	$ (11)
Accrued benefit liability – non-current	(117)	(299)
	$ (130)	$ (310)

The accumulated benefit obligation was $1,088 million and $1,254 million at December 26, 2015 and December 27, 2014, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2015	2014
Projected benefit obligation	$ 101	$ 1,301
Accumulated benefit obligation	88	1,254
Fair value of plan assets	—	991

Information for pension plans with a projected benefit obligation in excess of plan assets:

	2015	2014
Projected benefit obligation	$ 1,134	$ 1,301
Accumulated benefit obligation	1,088	1,254
Fair value of plan assets	1,004	991

Components of net periodic benefit cost:

Net periodic benefit cost	2015	2014	2013
Service cost	$ 18	$ 17	$ 21
Interest cost	55	54	54
Amortization of prior service cost[(a)]	1	1	2
Expected return on plan assets	(62)	(56)	(59)
Amortization of net loss	45	17	48
Net periodic benefit cost	$ 57	$ 33	$ 66
Additional (gain) loss recognized due to:			
Settlements[(b)]	$ 5	$ 6	$ 30
Special termination benefits	$ 1	$ 3	$ 5

(a) Prior service costs are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits.

(b) Settlement losses result when benefit payments exceed the sum of the service cost and interest cost within a plan during the year. During 2013 the Company allowed certain former employees with deferred vested balances an opportunity to voluntarily elect an early payout of their pension benefits. The majority of these payouts were funded from existing pension plan assets.

Pension gains (losses) in Accumulated other comprehensive income (loss):

	2015	2014
Beginning of year	$ (319)	$ (124)
Net actuarial (gain) loss	124	(220)
Curtailments	2	2
Amortization of net loss	45	17
Amortization of prior service cost	1	1
Prior service cost	(28)	(1)
Settlement charges	5	6
End of year	$ (170)	$ (319)

Accumulated pre-tax losses recognized within Accumulated Other Comprehensive Income:

	2015	2014
Actuarial net loss	$ (138)	$ (314)
Prior service cost	(32)	(5)
	$ (170)	**$ (319)**

The estimated net loss that will be amortized from Accumulated other comprehensive income (loss) into net periodic pension cost in 2016 is $6 million. The estimated prior service cost that will be amortized from Accumulated other comprehensive income (loss) into net periodic pension cost in 2016 is $5 million.

Weighted-average assumptions used to determine benefit obligations at the measurement dates:

	2015	2014
Discount rate	4.90%	4.30%
Rate of compensation increase	3.75%	3.75%

Weighted-average assumptions used to determine the net periodic benefit cost for fiscal years:

	2015	2014	2013
Discount rate	4.30%	5.40%	4.40%
Long-term rate of return on plan assets	6.75%	6.90%	7.25%
Rate of compensation increase	3.75%	3.75%	3.75%

Our estimated long-term rate of return on plan assets represents the weighted-average of expected future returns on the asset categories included in our target investment allocation based primarily on the historical returns for each asset category.

Plan Assets

The fair values of our pension plan assets at December 26, 2015 and December 27, 2014 by asset category and level within the fair value hierarchy are as follows:

	2015	2014
Level 1:		
Cash	$ 3	$ —
Level 2:		
Cash Equivalents[a]	9	5
Equity Securities – U.S. Large cap[b]	310	298
Equity Securities – U.S. Mid cap[b]	50	50
Equity Securities – U.S. Small cap[b]	51	50
Equity Securities – Non-U.S.[b]	100	91
Fixed Income Securities – U.S. Corporate[d]	289	305
Fixed Income Securities – U.S. Government and Government Agencies[c]	195	178
Fixed Income Securities – Other[d]	17	11
Total fair value of plan assets[e]	$ 1,024	$ 988

(a) *Short-term investments in money market funds*

(b) *Securities held in common trusts*

(c) *Investments held directly by the Plan*

(d) *Includes securities held in common trusts and investments held directly by the Plan*

(e) *2015 and 2014 exclude net unsettled trades (payable) receivable of $(20) million and $3 million, respectively.*

Our primary objectives regarding the investment strategy for the Plan's assets are to reduce interest rate and market risk and to provide adequate liquidity to meet immediate and future payment requirements. To achieve these objectives, we are using a combination of active and passive investment strategies. Our equity securities, currently targeted to be 50% of our investment mix, consist primarily of low-cost index funds focused on achieving long-term capital appreciation. We diversify our equity risk by investing in several different U.S. and foreign market index funds. Investing in these index funds provides us with the adequate liquidity required to fund benefit payments and plan expenses. The fixed income asset allocation, currently targeted to be 50% of our mix, is actively managed and consists of long-duration fixed income securities that help to reduce exposure to interest rate variation and to better correlate asset maturities with obligations. The fair values of all pension plan assets are determined based on closing market prices or net asset values.

A mutual fund held as an investment by the Plan includes shares of YUM Common Stock valued at $0.5 million at both December 26, 2015 and December 27, 2014 (less than 1% of total plan assets in each instance).

Benefit Payments

The benefits expected to be paid in each of the next five years and in the aggregate for the five years thereafter are set forth below:

Year ended:	
2016	$ 61
2017	50
2018	55
2019	56
2020	56
2021 – 2025	331

Expected benefits are estimated based on the same assumptions used to measure our benefit obligation on the measurement date and include benefits attributable to estimated future employee service.

International Pension Plans

We also sponsor various defined benefit plans covering certain of our non-U.S. employees, the most significant of which are in the UK. During 2013, one of our UK plans was frozen such that existing participants can no longer earn future service credits. Our other UK plan was previously frozen to future service credits in 2011.

At the end of 2015 and 2014, the projected benefit obligations of these UK plans totaled $233 million and $231 million, respectively and plan assets totaled $291 million and $288 million, respectively. These plans were both in a net overfunded position at the end of 2015 and 2014 and related expense amounts recorded in each of 2015, 2014 and 2013 were not significant.

The funding rules for our pension plans outside of the U.S. vary from country to country and depend on many factors including discount rates, performance of plan assets, local laws and regulations. We do not plan to make significant contributions to either of our UK plans in 2016.

Retiree Medical Benefits

Our post-retirement plan provides health care benefits, principally to U.S. salaried retirees and their dependents, and includes retiree cost-sharing provisions. This plan was previously amended such that any salaried employee hired or rehired by YUM after September 30, 2001 is not eligible to participate in this plan. Employees hired prior to September 30, 2001 are eligible for benefits if they meet age and service requirements and qualify for retirement benefits. We fund our post-retirement plan as benefits are paid.

At the end of 2015 and 2014, the accumulated post-retirement benefit obligation was $59 million and $69 million, respectively. Actuarial gains of $8 million and $2 million were recognized in Accumulated other comprehensive (income) loss at the end of 2015 and 2014, respectively. The net periodic benefit cost recorded was $3 million in 2015 and $5 million in both 2014 and 2013, the majority of which is interest cost on the accumulated post-retirement benefit obligation. The weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the post-retirement medical plan are identical to those as shown for the U.S. pension plans. Our assumed heath care cost trend rates for the following year as of 2015 and 2014 are 6.8% and 7.1%, respectively, with expected ultimate trend rates of 4.5% reached in 2038.

There is a cap on our medical liability for certain retirees. The cap for Medicare-eligible retirees was reached in 2000 and the cap for non-Medicare eligible retirees was reached in 2014; with the cap, our annual cost per retiree will not increase. A one-percentage-point increase or decrease in assumed health care cost trend rates would have less than a $1 million impact on total service and interest cost and on the post-retirement benefit obligation. The benefits expected to be paid in each of the next five years are approximately $5 million and in aggregate for the five years thereafter are $22 million.

Retiree Savings Plan

We sponsor a contributory plan to provide retirement benefits under the provisions of Section 401(k) of the Internal Revenue Code (the "401(k) Plan") for eligible U.S. salaried and hourly employees. Participants are able to elect to contribute up to 75% of eligible compensation on a pre-tax basis. Participants may allocate their contributions to one or any combination of multiple investment options or a self-managed account within the 401(k) Plan. We match 100% of the participant's contribution to the 401(k) Plan up to 6% of eligible compensation. We recognized as compensation expense our total matching contribution of $13 million in 2015 and $12 million in both 2014 and 2013.

NOTE 14 Share-based and Deferred Compensation Plans

Overview

At year end 2015, we had four stock award plans in effect: the YUM! Brands, Inc. Long-Term Incentive Plan and the 1997 Long-Term Incentive Plan (collectively the "LTIPs"), the YUM! Brands, Inc. Restaurant General Manager Stock Option Plan ("RGM Plan") and the YUM! Brands, Inc. SharePower Plan ("SharePower"). Under all our plans, the exercise price of stock options and SARs granted must be equal to or greater than the average market price or the ending market price of the Company's stock on the date of grant.

Potential awards to employees and non-employee directors under the LTIPs include stock options, incentive stock options, SARs, restricted stock, stock units, restricted stock units ("RSUs"), performance restricted stock units, performance share units ("PSUs") and performance units. We have issued only stock options, SARs, RSUs and PSUs under the LTIPs. While awards under the LTIPs can have varying vesting provisions and exercise periods, outstanding awards under the LTIPs vest in periods ranging from immediate to five years. Stock options and SARs expire ten years after grant.

Potential awards to employees under the RGM Plan include stock options, SARs, restricted stock and RSUs. We have issued only stock options and SARs under this plan. RGM Plan awards granted have a four-year cliff vesting period and expire ten years after grant. Certain RGM Plan awards are granted upon attainment of performance conditions in the previous year. Expense for such awards is recognized over a period that includes the performance condition period.

Potential awards to employees under SharePower include stock options, SARs, restricted stock and RSUs. We have issued only stock options and SARs under this plan. These awards generally vest over a period of four years and expire ten years after grant.

At year end 2015, approximately 13 million shares were available for future share-based compensation grants under the above plans.

Our Executive Income Deferral ("EID") Plan allows participants to defer receipt of a portion of their annual salary and all or a portion of their incentive compensation. As defined by the EID Plan, we credit the amounts deferred with earnings based on the investment options selected by the participants. These investment options are limited to cash, phantom shares of our Common Stock, phantom shares of a Stock Index Fund and phantom shares of a Bond Index Fund. Investments in cash and phantom shares of both index funds will be distributed in cash at a date as elected by the employee and therefore are classified as a liability on our Consolidated Balance Sheets. We recognize compensation expense for the appreciation or the depreciation, if any, of investments in cash and both of the index funds. Deferrals into the phantom shares of our Common Stock will be distributed in shares of our Common Stock, under the LTIPs, at a date as elected by the employee and therefore are classified in Common Stock on our Consolidated Balance Sheets. We do not recognize compensation expense for the appreciation or the depreciation, if any, of investments in phantom shares of our Common Stock. Our EID plan also allows certain participants to defer incentive compensation to purchase phantom shares of our Common Stock and receive a 33% Company match on the amount deferred. Deferrals receiving a match are similar to a RSU award in that participants will generally forfeit both the match and incentive compensation amounts deferred if they voluntarily separate from employment during a vesting period that is two years from the date of deferral. We expense the intrinsic value of the match and the incentive compensation over the requisite service period which includes the vesting period.

Historically, the Company has repurchased shares on the open market in excess of the amount necessary to satisfy award exercises and expects to continue to do so in 2016.

Award Valuation

We estimated the fair value of each stock option and SAR award as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2015	2014	2013
Risk-free interest rate	1.3%	1.6%	0.8%
Expected term (years)	6.4	6.2	6.2
Expected volatility	26.9%	29.7%	29.9%
Expected dividend yield	2.2%	2.1%	2.1%

We believe it is appropriate to group our stock option and SAR awards into two homogeneous groups when estimating expected term. These groups consist of grants made primarily to restaurant-level employees under the RGM Plan, which cliff-vest after four years and expire ten years after grant, and grants made to executives under our other stock award plans, which typically have a graded vesting schedule of 25% per year over four years and expire ten years after grant. We use a single weighted-average term for our awards that have a graded vesting schedule. Based on analysis of our historical exercise and post-vesting termination behavior, we have determined that our restaurant-level employees and our executives exercised the awards on average after 4.75 years and 6.5 years, respectively.

When determining expected volatility, we consider both historical volatility of our stock as well as implied volatility associated with our publicly traded options. The expected dividend yield is based on the annual dividend yield at the time of grant.

The fair values of RSU awards are based on the closing price of our Common Stock on the date of grant. The fair values of PSU awards granted prior to 2013 are based on the closing price of our Common Stock on the date of grant. Beginning in 2013, the Company grants PSU awards with market-based conditions which have been valued based on the outcome of a Monte Carlo simulation.

Award Activity

Stock Options and SARs

	Shares *(in thousands)*	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term *(years)*	Aggregate Intrinsic Value *(in millions)*
Outstanding at the beginning of the year	27,172	$ 46.68		
Granted	3,811	74.32		
Exercised	(4,089)	35.25		
Forfeited or expired	(961)	65.86		
Outstanding at the end of the year	25,933[(a)]	$ 51.79	5.41	$ 577
Exercisable at the end of the year	17,084	$ 42.49	4.03	$ 538

(a) *Outstanding awards include 1,623 options and 24,310 SARs with weighted average exercise prices of $49.34 and $51.98, respectively.*

The weighted-average grant-date fair value of stock options and SARs granted during 2015, 2014 and 2013 was $15.95, $17.28 and $14.67, respectively. The total intrinsic value of stock options and SARs exercised during the years ended December 26, 2015, December 27, 2014 and December 28, 2013, was $186 million, $157 million and $176 million, respectively.

As of December 26, 2015, $89 million of unrecognized compensation cost related to unvested stock options and SARs, which will be reduced by any forfeitures that occur, is expected to be recognized over a remaining weighted-average period of approximately 1.8 years. The total fair value at grant date of awards that vested during 2015, 2014 and 2013 was $48 million, $41 million and $51 million, respectively.

RSUs and PSUs

As of December 26, 2015, there was $8 million of unrecognized compensation cost related to 0.5 million unvested RSUs and PSUs.

Impact on Net Income

The components of share-based compensation expense and the related income tax benefits are shown in the following table:

	2015	2014	2013
Options and SARs	$ 50	$ 48	$ 44
Restricted Stock Units	4	6	6
Performance Share Units	3	1	(1)
Total Share-based Compensation Expense	$ 57	$ 55	$ 49
Deferred Tax Benefit recognized	$ 18	$ 17	$ 15
EID compensation expense not share-based	$ 1	$ 8	$ 11

Cash received from stock option exercises for 2015, 2014 and 2013, was $12 million, $29 million and $37 million, respectively. Tax benefits realized on our tax returns from tax deductions associated with share-based compensation for 2015, 2014 and 2013 totaled $66 million, $61 million and $65 million, respectively.

NOTE 15 Shareholders' Equity

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during 2015, 2014 and 2013. All amounts exclude applicable transaction fees.

	Shares Repurchased (thousands)			Dollar Value of Shares Repurchased		
Authorization Date	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
December 2015	932	—	—	$ 67	$ —	$ —
November 2014	13,231	—	—	1,000	—	—
November 2013	1,779	8,488	—	133	617	—
November 2012	—	2,737	10,922	—	203	750
Total	15,942	11,225	10,922[(a)]	$ 1,200	$ 820	$ 750[(a)]

(a) *2013 amount excludes the effect of $20 million in share repurchases (0.3 million shares) with trade dates prior to the 2012 fiscal year end but with settlement dates subsequent to the 2012 fiscal year end.*

On December 8, 2015, our Board of Directors authorized share repurchases through December 2016 of up to $1 billion (excluding applicable transaction fees) of our outstanding Common Stock. As of December 26, 2015, we have $933 million available for future repurchases under this authorization.

Changes in accumulated other comprehensive income (loss) ("OCI") are presented below.

	Translation Adjustments and Gains (Losses) From Intra-Entity Transactions of a Long-Term Nature	Pension and Post-Retirement Benefits[(a)]	Derivative Instruments	Total
Balance at December 28, 2013, net of tax	$ 170	$ (97)	$ (9)	$ 64
Gains (losses) arising during the year classified into accumulated OCI, net of tax	(143)	(131)	15	(259)
(Gains) losses reclassified from accumulated OCI, net of tax	2	18	(15)	5
OCI, net of tax	(141)	(113)	—	(254)
Balance at December 27, 2014, net of tax	$ 29	$ (210)	$ (9)	$ (190)
Gains (losses) arising during the year classified into accumulated OCI, net of tax	(250)	63	28	(159)
(Gains) losses reclassified from accumulated OCI, net of tax	112	34	(36)	110
OCI, net of tax	(138)	97	(8)	(49)
Balance at December 26, 2015, net of tax	$ (109)	$ (113)	$ (17)	$ (239)

(a) *Amounts reclassified from accumulated OCI for pension and post-retirement benefit plan losses during 2015 include amortization of net losses of $46 million, settlement charges of $5 million, amortization of prior service cost of $2 million and related income tax benefit of $20 million. Amounts reclassified from accumulated OCI for pension and post-retirement benefit plan losses during 2014 include amortization of net losses of $20 million, settlement charges of $6 million, amortization of prior service cost of $1 million and the related income tax benefit of $9 million. See Note 13.*

NOTE 16 Income Taxes

U.S. and foreign income before taxes are set forth below:

	2015	2014	2013
U.S.	$ 471	$ 506	$ 464
Foreign	1,316	921	1,087
	$ 1,787	$ 1,427	$ 1,551

The details of our income tax provision (benefit) are set forth below:

		2015	2014	2013
Current:	Federal	$ 287	$ 255	$ 159
	Foreign	263	321	330
	State	28	2	22
		$ 578	$ 578	$ 511
Deferred:	Federal	$ (143)	$ (67)	$ 42
	Foreign	54	(106)	(53)
	State	—	1	(13)
		$ (89)	$ (172)	$ (24)
		$ 489	$ 406	$ 487

The reconciliation of income taxes calculated at the U.S. federal statutory rate to our effective tax rate is set forth below:

	2015		2014		2013	
U.S. federal statutory rate	$ 625	35.0%	$ 500	35.0%	$ 543	35.0%
State income tax, net of federal tax benefit	12	0.7	8	0.6	3	0.2
Statutory rate differential attributable to foreign operations	(210)	(11.8)	(168)	(11.7)	(177)	(11.4)
Adjustments to reserves and prior years	12	0.7	(5)	(0.3)	49	3.1
Change in valuation allowances	54	3.0	35	2.4	23	1.5
Other, net	(4)	(0.3)	36	2.5	46	3.0
Effective income tax rate	$ 489	27.3%	$ 406	28.5%	$ 487	31.4%

Statutory rate differential attributable to foreign operations. This item includes local taxes, withholding taxes, and shareholder-level taxes, net of foreign tax credits. The favorable impact is primarily attributable to a majority of our income being earned outside of the U.S. where tax rates are generally lower than the U.S. rate.

Adjustments to reserves and prior years. This item includes: (1) changes in tax reserves, including interest thereon, established for potential exposure we may incur if a taxing authority takes a position on a matter contrary to our position; and (2) the effects of reconciling income tax amounts recorded in our Consolidated Statements of Income to amounts reflected on our tax returns, including any adjustments to the Consolidated Balance Sheets. The impact of certain effects or changes may offset items reflected in the *'Statutory rate differential attributable to foreign operations'* line.

In 2014, this item was favorably impacted by the resolution of uncertain tax positions in certain foreign jurisdictions.

In 2013 the Company recorded incremental reserves related to an IRS-proposed adjustment to increase the taxable value of rights to intangibles used outside the U.S. that YUM transferred to certain of its foreign subsidiaries. The Company and the IRS reached a final agreement on this valuation issue, which impacted tax returns for fiscal years 2004–2013, during 2014. As a result of this agreement, we closed out our 2004–2006 and 2007-2008 audit cycles and made cash payments in 2014 to the IRS of $200 million, which were effectively fully reserved, to settle all issues for these audit cycles. The agreement also resolved the valuation issue for all later impacted years. While additional cash payments related to the valuation issue will be required upon the closure of the examinations of future impacted fiscal years, the amounts will not be significant and have been fully reserved.

Change in valuation allowances. This item relates to changes for deferred tax assets generated or utilized during the current year and changes in our judgment regarding the likelihood of using deferred tax assets that existed at the beginning of the year. The impact of certain changes may offset items reflected in the *'Statutory rate differential attributable to foreign operations'* line.

In 2015, $54 million of net tax expense was driven by $30 million for valuation allowances recorded against deferred tax assets generated in the current year and $24 million in net tax expense resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

In 2014, $35 million of net tax expense was driven by $41 million for valuation allowances recorded against deferred tax assets generated during the current year, partially offset by $6 million in net tax benefit resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

In 2013, $23 million of net tax expense was driven by $32 million for valuation allowances recorded against deferred tax assets generated during the current year, partially offset by a $9 million net tax benefit resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

Other. This item primarily includes the impact of permanent differences related to current year earnings as well as U.S. tax credits and deductions.

In years 2014 and 2013, this item was negatively impacted by the $160 million and $222 million, respectively, of non-cash impairments of Little Sheep goodwill, which resulted in no related tax benefit. See Note 4.

The details of 2015 and 2014 deferred tax assets (liabilities) are set forth below:

	2015	2014
Operating losses	$ 239	$ 271
Tax credit carryforwards	282	162
Employee benefits	154	238
Share-based compensation	126	119
Self-insured casualty claims	36	42
Lease-related liabilities	112	119
Various liabilities	82	73
Property, plant and equipment	33	39
Deferred income and other	86	102
Gross deferred tax assets	1,150	1,165
Deferred tax asset valuation allowances	(250)	(228)
Net deferred tax assets	$ 900	$ 937
Intangible assets, including goodwill	$ (130)	$ (148)
Property, plant and equipment	(56)	(63)
Other	(70)	(104)
Gross deferred tax liabilities	$ (256)	$ (315)
Net deferred tax assets (liabilities)	$ 644	$ 622
Reported in Consolidated Balance Sheets as:		
Deferred income taxes	$ 676	$ 653
Other liabilities and deferred credits	(32)	(31)
	$ 644	$ 622

We have investments in foreign subsidiaries where the carrying values for financial reporting exceed the tax basis. We have not provided deferred tax on the portion of the excess that we believe is indefinitely reinvested, as we have the ability and intent to indefinitely postpone these basis differences from reversing with a tax consequence. We estimate that our total temporary difference upon which we have not provided deferred tax is approximately $2.3 billion at December 26, 2015. A determination of the deferred tax liability on this amount is not practicable. A portion of the above temporary difference relates to carrying value for financial reporting in excess of tax basis for the investment in our China business.

In October, 2015 YUM announced its intent to separate its China business into an independent publicly-traded company by the end of 2016. This transaction is intended to qualify as a tax-free reorganization for U.S. income tax purposes. As such, any reversal of this temporary difference would not result in U.S. tax.

Additionally, the China State Administration of Taxation (SAT) recently issued Bulletin 7 on Income arising from Indirect Transfers of Assets by Non-resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of People's Republic of China (PRC) taxable assets, including equity interests in a PRC resident enterprise, by a non-resident enterprise, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of PRC enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to PRC enterprise income tax of 10%.

We have evaluated the potential applicability of Bulletin 7 to our plan to separate our China business in a tax-free restructuring and believe it is more likely than not that Bulletin 7 does not apply. We believe that the restructuring has reasonable commercial purpose.

If Bulletin 7 is deemed to apply, tax could be assessed on the difference between the fair market value and the tax basis of the separated China business. As our tax basis in the China business is minimal, the amount of such a tax could be significant and have a material adverse effect on our results of operations and our financial condition.

At December 26, 2015, the Company has foreign operating and capital loss carryforwards of $0.6 billion and U.S. state operating loss, capital loss and tax credit carryforwards of $1.0 billion and U.S. federal capital loss and tax credit carryforwards of $0.3 billion. These losses are being carried forward in jurisdictions where we are permitted to use tax losses from prior periods to reduce future taxable income and will expire as follows:

	Year of Expiration				
	2016	2017-2020	2021-2035	Indefinitely	Total
Foreign	$ 5	$ 211	$ 98	$ 305	$ 619
U.S. state	53	26	876	—	955
U.S. federal	64	—	277	—	341
	$ 122	$ 237	$ 1,251	$ 305	$ 1,915

We recognize the benefit of positions taken or expected to be taken in tax returns in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. A recognized tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

The Company had $98 million and $115 million of unrecognized tax benefits at December 26, 2015 and December 27, 2014, respectively, $89 million and $98 million of which are temporary in nature and if recognized, would not impact the effective income tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	2015	2014
Beginning of Year	$ 115	$ 243
Additions on tax positions – current year	—	19
Additions for tax positions – prior years	5	31
Reductions for tax positions – prior years	(13)	(20)
Reductions for settlements	(7)	(144)
Reductions due to statute expiration	(2)	(13)
Foreign currency translation adjustment	—	(1)
End of Year	$ 98	$ 115

In 2014, the reduction in unrecognized tax benefits was primarily attributable to the resolution of the dispute with the IRS regarding the valuation of rights to intangibles transferred to certain foreign subsidiaries.

The Company believes it is reasonably possible its unrecognized tax benefits may decrease by approximately $6 million in the next 12 months, including approximately $4 million which, if recognized upon audit settlement or statute expiration, would affect the 2016 effective tax rate. Each of these positions is individually insignificant.

The Company's income tax returns are subject to examination in the U.S. federal jurisdiction and numerous foreign jurisdictions.

The Company has settled audits with the IRS through fiscal year 2008. Our operations in certain foreign jurisdictions remain subject to examination for tax years as far back as 2005, some of which years are currently under audit by local tax authorities. In addition, the Company is subject to various U.S. state income tax examinations, for which, in the aggregate, we had significant unrecognized tax benefits at December 26, 2015, each of which is individually insignificant.

The accrued interest and penalties related to income taxes at December 26, 2015 and December 27, 2014 are set forth below:

	2015	2014
Accrued interest and penalties	$ 15	$ 5

During 2015, 2014 and 2013, a net expense of $5 million, $11 million and $18 million, respectively, for interest and penalties was recognized in our Consolidated Statements of Income as components of its income tax provision.

NOTE 17 Reportable Operating Segments

See Note 1 for a description of our operating segments.

	Revenues		
	2015	2014	2013
China	$ 6,909	$ 6,934	$ 6,905
KFC Division[a]	2,948	3,193	3,036
Pizza Hut Division[a]	1,145	1,148	1,147
Taco Bell Division[a]	1,988	1,863	1,869
India	115	141	127
	$13,105	$13,279	$13,084

	Operating Profit; Interest Expense, Net; and Income Before Income Taxes		
	2015	2014	2013
China[b]	$ 757	$ 713	$ 777
KFC Division	677	708	649
Pizza Hut Division	289	295	339
Taco Bell Division	539	480	456
India	(19)	(9)	(15)
Unallocated restaurant costs[c]	—	(1)	—
Unallocated Franchise and License expenses[c][j]	(71)	—	—
Unallocated and corporate expenses[c]	(204)	(189)	(207)
Unallocated Closures and impairment expense[c][d]	—	(463)	(295)
Unallocated Refranchising gain (loss)[c]	(10)	33	100
Unallocated Other income (expense)[c]	(37)	(10)	(6)
Operating Profit	1,921	1,557	1,798
Interest expense, net[c][e]	(134)	(130)	(247)
Income Before Income Taxes	$ 1,787	$ 1,427	$ 1,551

	Depreciation and Amortization		
	2015	2014	2013
China	$ 425	$ 411	$ 394
KFC Division	176	187	190
Pizza Hut Division	40	39	36
Taco Bell Division	88	83	84
India	10	10	9
Corporate	8	9	8
	$ 747	$ 739	$ 721

	Capital Spending		
	2015	2014	2013
China	$ 512	$ 525	$ 568
KFC Division	273	273	294
Pizza Hut Division	54	62	52
Taco Bell Division	116	143	100
India	7	21	31
Corporate	11	9	4
	$ 973	$ 1,033	$ 1,049

	Identifiable Assets	
	2015	2014
China[f]	$ 3,150	$ 3,202
KFC Division[i]	2,181	2,328
Pizza Hut Division[i]	707	710
Taco Bell Division[i]	1,127	1,084
India	84	118
Corporate[g][i]	826	892
	$ 8,075	$ 8,334

	Long-Lived Assets[h]	
	2015	2014
China	$ 2,033	$ 2,217
KFC Division	1,663	1,823
Pizza Hut Division	419	433
Taco Bell Division	911	920
India	35	72
Corporate	55	51
	$ 5,116	$ 5,516

(a) *U.S. revenues included in the combined KFC, Pizza Hut and Taco Bell Divisions totaled $3.1 billion in 2015 and $3.0 billion in both 2014 and 2013.*
(b) *Includes equity income from investments in unconsolidated affiliates of $41 million, $30 million and $26 million in 2015, 2014 and 2013, respectively.*
(c) *Amounts have not been allocated to any segment for performance reporting purposes.*
(d) *Represents 2014 and 2013 impairment losses related to Little Sheep. See Note 4.*
(e) *2013 includes $118 million of premiums and other costs related to the extinguishment of debt. See Note 4.*
(f) *China includes investments in 4 unconsolidated affiliates totaling $61 million and $52 million for 2015 and 2014, respectively.*
(g) *Primarily includes cash, deferred tax assets and property, plant and equipment, net, related to our office facilities.*
(h) *Includes property, plant and equipment, net, goodwill, and intangible assets, net.*
(i) *U.S. identifiable assets included in the combined Corporate and KFC, Pizza Hut and Taco Bell Divisions totaled $2.3 billion and $2.0 billion in 2015 and 2014, respectively.*
(j) *Represents 2015 costs associated with the KFC U.S. Acceleration Agreement. See Note 4.*

NOTE 18 Contingencies

Lease Guarantees

As a result of having (a) assigned our interest in obligations under real estate leases as a condition to the refranchising of certain Company restaurants; (b) contributed certain Company restaurants to unconsolidated affiliates; and (c) guaranteed certain other leases, we are frequently contingently liable on lease agreements. These leases have varying terms, the latest of which expires in 2065. As of December 26, 2015, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately $575 million. The present value of these potential payments discounted at our pre-tax cost of debt at December 26, 2015 was approximately $475 million. Our franchisees are the primary lessees under the vast majority of these leases. We generally have cross-default provisions with these franchisees that would put them in default of their franchise agreement in the event of non-payment under the lease. We believe these cross-default provisions significantly reduce the risk that we will be required to make payments under these leases. Accordingly, the liability recorded for our probable exposure under such leases at December 26, 2015 and December 27, 2014 was not material.

Franchise Loan Pool and Equipment Guarantees

We have agreed to provide financial support, if required, to a variable interest entity that operates a franchisee lending program used primarily to assist franchisees in the development of new restaurants or the upgrade of existing restaurants and, to a lesser extent, in connection with the Company's refranchising programs in the U.S. We have determined that we are not required to consolidate this entity as we share the power to direct this entity's lending activity with other parties. We have provided guarantees of 20% of the outstanding loans of the franchisee loan program. As such, at December 26, 2015 our guarantee exposure under this program is approximately $6 million based on total loans outstanding of $29 million.

In addition to the guarantees described above, YUM has agreed to provide guarantees of up to approximately $140 million on behalf of franchisees for several financing programs related to specific initiatives, primarily equipment purchases. At December 26, 2015 our guarantee exposure under these financing programs is approximately $14 million based on total loans outstanding of $38 million.

Unconsolidated Affiliates Guarantees

From time to time we have guaranteed certain lines of credit and loans of unconsolidated affiliates. At December 26, 2015 there are no guarantees outstanding for unconsolidated affiliates. Our unconsolidated affiliates had total revenues of approximately $1.1 billion for the year ended December 26, 2015 and assets and debt of approximately $350 million and $50 million, respectively, at December 26, 2015.

Insurance Programs

We are self-insured for a substantial portion of our current and prior years' coverage including property and casualty losses. To mitigate the cost of our exposures for certain property and casualty losses, we self-insure the risks of loss up to defined maximum per occurrence retentions on a line-by-line basis. The Company then purchases insurance coverage, up to a certain limit, for losses that exceed the self-insurance per occurrence retention. The insurers' maximum aggregate loss limits are significantly above our actuarially determined probable losses; therefore, we believe the likelihood of losses exceeding the insurers' maximum aggregate loss limits is remote.

The following table summarizes the 2015 and 2014 activity related to our net self-insured property and casualty reserves as of December 26, 2015.

	Beginning Balance	Expense	Payments	Ending Balance
2015 Activity	$ 116	39	(53)	$ 102
2014 Activity	$ 128	42	(54)	$ 116

Due to the inherent volatility of actuarially determined property and casualty loss estimates, it is reasonably possible that we could experience changes in estimated losses which could be material to our growth in quarterly and annual Net income. We believe that we have recorded reserves for property and casualty losses at a level which has substantially mitigated the potential negative impact of adverse developments and/or volatility.

In the U.S. and in certain other countries, we are also self-insured for healthcare claims and long-term disability for eligible participating employees subject to certain deductibles and limitations. We have accounted for our retained liabilities for property and casualty losses, healthcare and long-term disability claims, including reported and incurred but not reported claims, based on information provided by independent actuaries.

Legal Proceedings

We are subject to various claims and contingencies related to lawsuits, real estate, environmental and other matters arising in the normal course of business. An accrual is recorded with respect to claims or contingencies for which a loss is determined to be probable and reasonably estimable.

In early 2013, four putative class action complaints were filed in the U.S. District Court for the Central District of California against the Company and certain executive officers alleging claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934. Plaintiffs alleged that defendants made false and misleading statements concerning the Company's current and future business and financial condition. The four complaints were subsequently consolidated and transferred to the U.S. District Court for the Western District of Kentucky. On August 5, 2013, lead plaintiff, Frankfurt Trust Investment GmbH, filed a Consolidated Class Action Complaint ("Amended Complaint") on behalf of a putative class of all persons who purchased the Company's stock between February 6, 2012 and February 4, 2013 (the "Class Period"). The Amended Complaint no longer included allegations relating to misstatements regarding the Company's business or financial condition and instead alleged that, during the Class Period, defendants purportedly omitted information about the Company's supply chain in China, thereby inflating the prices at which the Company's securities traded. On October 4, 2013, the Company and individual defendants filed a motion to dismiss the Amended Complaint. On December 24, 2014, the District Court granted that motion to dismiss in its entirety and dismissed the Amended Complaint with prejudice. On January 16, 2015, lead plaintiff filed a notice of appeal to the United States Court of Appeal for the Sixth Circuit. Oral argument of plaintiff's appeal took place on August 4, 2015. On August 20, 2015, a three judge panel of the United States Court of Appeal for the Sixth Circuit unanimously affirmed dismissal of all claims against the Company and the individual defendants. Lead plaintiff did not file a petition for panel rehearing, a petition for hearing en banc, or a petition for certiorari to the U.S. Supreme Court before the applicable deadlines.

On January 24, 2013, Bert Bauman, a purported shareholder of the Company, submitted a letter demanding that the Board of Directors initiate an investigation of alleged breaches of fiduciary duties by directors, officers and employees of the Company. The breaches of fiduciary duties were alleged to have arisen primarily as a result of the failure to implement proper controls in connection with the Company's purchases of poultry from suppliers to the Company's China operations. Subsequently, similar demand letters by other purported shareholders were submitted. Those letters were referred to a special committee of the Board of Directors (the "Special Committee") for consideration. The Special Committee, upon conclusion of an independent inquiry of the matters described in the letters, unanimously determined that it is not in the best interests of the Company to pursue the claims described in the letters and, accordingly, rejected each shareholder's demand.

On May 9, 2013, Mr. Bauman filed a putative derivative action in Jefferson Circuit Court, Commonwealth of Kentucky against certain current and former officers and directors of the Company asserting breach of fiduciary duty, waste of corporate assets and unjust enrichment in connection with an alleged failure to implement proper controls in the Company's purchases of poultry from suppliers to the Company's China operations and with an alleged scheme to mislead investors about the Company's growth prospects in China. On November 11, 2015, the parties filed a joint motion to dismiss the action with prejudice. On November 24, 2015, the Circuit Court granted the parties' motion and dismissed the action with prejudice. The matter has been closed.

On February 14, 2013, Jennifer Zona, another purported shareholder of the Company, submitted a demand letter similar to the demand letters described above. On May 21, 2013, Ms. Zona filed a putative derivative action in the U.S. District Court for the Western District of Kentucky against certain officers and directors of the Company asserting claims similar to those asserted by Mr. Bauman. The case was subsequently reassigned to the same judge that the securities class action is before. On October 14, 2013, the Company filed a motion to dismiss on the basis of the Special Committee's findings. On October 14, 2015, the parties filed a joint stipulation to dismiss the action with prejudice. On October 22, 2015, the District Court granted the parties' stipulation and dismissed the action with prejudice. The matter has been closed.

On May 17, 2013, Sandra Wollman, another purported shareholder of the Company, submitted a demand letter similar to the demand letters described above. On December 9, 2013, Ms. Wollman filed a putative derivative action in the U.S. District Court for the Western District of Kentucky against certain current and former officers and directors of the Company asserting claims similar to those asserted by Mr. Bauman and Ms. Zona. This matter was consolidated with the Zona action, and on October 14, 2015 the parties filed a joint stipulation to dismiss the action with prejudice. On October 22, 2015, the District Court granted the parties' stipulation and dismissed the action with prejudice. The matter has been closed.

The Company and Taco Bell were named as defendants in a number of putative class action suits filed in 2007, 2008, 2009 and 2010 alleging violations of California labor laws including unpaid overtime, failure to timely pay wages on termination, failure to pay accrued vacation wages, failure to pay minimum wage, denial of meal and rest breaks, improper wage statements, unpaid business expenses, wrongful termination, discrimination, conversion and unfair or unlawful business practices in violation of California Business & Professions Code §17200. Some plaintiffs also seek penalties for alleged violations of California's Labor Code under California's Private Attorneys General Act as well as statutory "waiting time" penalties and allege violations of California's Unfair Business Practices Act. Plaintiffs seek to represent a California state-wide class of hourly employees.

These matters were consolidated, and the consolidated case is styled In Re Taco Bell Wage and Hour Actions. The In Re Taco Bell Wage and Hour Actions plaintiffs filed a consolidated complaint in June 2009, and in March 2010 the court approved the parties' stipulation to dismiss the Company from the action, leaving Taco Bell as the sole defendant. Plaintiffs filed their motion for class certification on the vacation and final pay claims in December 2010, and on September 26, 2011 the court issued its order denying the certification of the vacation and final pay claims. Plaintiffs then sought to certify four separate meal and rest break classes. On January 2, 2013, the court rejected three of the proposed classes but granted certification with respect to the late meal break class. The parties thereafter agreed on a list of putative class members, and the class notice and opt out forms were mailed on January 21, 2014.

Per order of the court, plaintiffs filed a second amended complaint to clarify the class claims. Plaintiffs also filed a motion for partial summary judgment. Taco Bell filed motions to strike and to dismiss, as well as a motion to alter or amend the second amended complaint. On August 29, 2014, the court denied plaintiffs' motion for partial summary judgment. On that same date, the court granted Taco Bell's motion to dismiss all but one of the California Private Attorney General Act claims. On October 29, 2014, plaintiffs filed a motion to amend the operative complaint and a motion to amend the class certification order. On December 16, 2014, the court partially granted both motions, rejecting plaintiffs' proposed on-duty meal period class but certifying a limited rest break class and certifying an underpaid meal premium class, and allowing the plaintiffs to amend the complaint to reflect those certifications. On December 30, 2014, plaintiffs filed the third amended complaint. On February 26, 2015, the court denied a motion by Taco Bell to dismiss or strike the underpaid meal premium class. Class notice was issued to the two recently-certified classes, and discovery and expert discovery commenced. On October 5, 2015, Taco Bell filed a motion to decertify the classes. The same day, Plaintiffs filed a motion for summary judgment. In December, 2015, the court denied both motions. All motion and discovery practice is complete and trial is set to begin on February 22, 2016.

Taco Bell denies liability and intends to vigorously defend against all claims in this lawsuit. We have provided for a reasonable estimate of the possible loss relating to this lawsuit. However, in view of the inherent uncertainties of litigation, there can be no assurance that this lawsuit will not result in losses in excess of those currently provided for in our Consolidated Financial Statements. A reasonable estimate of the amount of any possible loss or range of loss in excess of that currently provided for in our Consolidated Financial Statements cannot be made at this time.

On May 16, 2013, a putative class action styled Bernardina Rodriguez v. Taco Bell Corp. was filed in California Superior Court. The plaintiff seeks to represent a class of current and former California hourly restaurant employees alleging various violations of California labor laws including failure to provide meal and rest periods, failure to pay hourly wages, failure to provide accurate written wage statements, failure to timely pay all final wages, and unfair or unlawful business practices in violation of California Business & Professions Code §17200. This case appears to be duplicative of the In Re Taco Bell Wage and Hour Actions case described above. Taco Bell removed the case to federal court and, on June 25, 2013, plaintiff filed a first amended complaint to include a claim seeking penalties for alleged violations of California's Labor Code under California's Private Attorneys General Act. Taco Bell's motion to dismiss or stay the action in light of the In Re Taco Bell Wage and Hour Actions case was denied on October 30, 2013. In April 2014 the parties stipulated to address the sufficiency of plaintiff's legal theory as to her discount meal break claim before conducting full discovery. A hearing on the parties' cross-summary judgment motions was held on October 22, 2014, and on October 23, 2014, the court granted Taco Bell's motion for summary judgment on the discount meal break claim and denied plaintiff's motion. Plaintiff is no longer actively pursuing this matter, and Taco Bell expects the matter to be dismissed.

Taco Bell denies liability and intends to vigorously defend against all claims in this lawsuit. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

We are engaged in various other legal proceedings and have certain unresolved claims pending, the ultimate liability for which, if any, cannot be determined at this time. However, based upon consultation with legal counsel, we are of the opinion that such proceedings and claims are not expected to have a material adverse effect, individually or in the aggregate, on our Consolidated Financial Statements.

NOTE 19 Selected Quarterly Financial Data (Unaudited)

	2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 2,179	$ 2,659	$ 2,968	$ 3,339	$11,145
Franchise and license fees and income	443	446	459	612	1,960
Total revenues	2,622	3,105	3,427	3,951	13,105
Restaurant profit	382	411	539	454	1,786
Operating Profit[(a)]	506	371	603	441	1,921
Net Income – YUM! Brands, Inc.	362	235	421	275	1,293
Basic earnings per common share	0.83	0.54	0.97	0.64	2.97
Diluted earnings per common share	0.81	0.53	0.95	0.63	2.92
Dividends declared per common share	—	0.82	—	0.92	1.74

	2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 2,292	$ 2,758	$ 2,891	$ 3,383	$11,324
Franchise and license fees and income	432	446	463	614	1,955
Total revenues	2,724	3,204	3,354	3,997	13,279
Restaurant profit	441	428	429	344	1,642
Operating Profit[(b)]	571	479	550	(43)	1,557
Net Income – YUM! Brands, Inc.	399	334	404	(86)	1,051
Basic earnings per common share	0.89	0.75	0.91	(0.20)	2.37
Diluted earnings per common share	0.87	0.73	0.89	(0.20)	2.32
Dividends declared per common share	0.37	0.37	—	0.82	1.56

(a) *Includes losses associated with refranchising of equity markets outside of the U.S. of $73 million, $20 million and $3 million in the second, third and fourth quarters, respectively, costs associated with the KFC U.S. Acceleration Agreement of $2 million, $8 million, $21 million and $41 million in the first, second, third and fourth quarters, respectively, and net U.S. refranchising gains of $7 million, $1 million, $16 million and $51 million in the first, second, third and fourth quarters, respectively. See Note 4.*

(b) *Includes a non-cash charge of $463 million in the fourth quarter related primarily to the impairment of Little Sheep intangible assets. See Note 4.*

Form 10-K

ITEM 9 Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 26, 2015.

KPMG LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and the effectiveness of our internal control over financial reporting and has issued their report, included herein.

Changes in Internal Control

There were no changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended December 26, 2015.

ITEM 9B Other Information

None.

PART III

ITEM 10 Directors, Executive Officers and Corporate Governance

Information regarding Section 16(a) compliance, the Audit Committee and the Audit Committee financial expert, the Company's code of ethics and background of the directors appearing under the captions "Stock Ownership Information," "Governance of the Company," "Executive Compensation" and "Item 1: Election of Directors and Director biographies" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 26, 2015.

Information regarding executive officers of the Company is included in Part I.

ITEM 11 Executive Compensation

Information regarding executive and director compensation and the Compensation Committee appearing under the captions "Governance of the Company" and "Executive Compensation" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 26, 2015.

ITEM 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding equity compensation plans and security ownership of certain beneficial owners and management appearing under the captions "Executive Compensation" and "Stock Ownership Information" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 26, 2015.

ITEM 13 Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions and information regarding director independence appearing under the caption "Governance of the Company" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 26, 2015.

ITEM 14 Principal Accountant Fees and Services

Information regarding principal accountant fees and services and audit committee pre-approval policies and procedures appearing under the caption "Item 2: Ratification of Independent Auditors" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 26, 2015.

PART IV

ITEM 15 Exhibits and Financial Statement Schedules

(a)	(1)	Financial Statements: Consolidated Financial Statements filed as part of this report are listed under Part II, Item 8 of this Form 10-K.
	(2)	Financial Statement Schedules: No schedules are required because either the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements thereto filed as a part of this Form 10-K.
	(3)	Exhibits: The exhibits listed in the accompanying Exhibit Index are filed as part of this Form 10-K. The Index to Exhibits specifically identifies each management contract or compensatory plan required to be filed as an exhibit to this Form 10-K.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 16, 2016

YUM! BRANDS, INC.
By: /s/GREG CREED

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/DAVID C. NOVAK **David C. Novak**	*Executive Chairman*	February 16, 2016
/s/GREG CREED **Greg Creed**	*Chief Executive Officer (principal executive officer)*	February 16, 2016
/s/PATRICK J. GRISMER **Patrick J. Grismer**	*Chief Financial Officer (principal financial officer)*	February 16, 2016
/s/DAVID E. RUSSELL **David E. Russell**	*Vice President, Finance and Corporate Controller (principal accounting officer)*	February 16, 2016
/s/MICHAEL J. CAVANAGH **Michael J. Cavanagh**	*Director*	February 16, 2016
/s/BRIAN CORNELL **Brian Cornell**	*Director*	February 16, 2016
/s/DAVID W. DORMAN **David W. Dorman**	*Director*	February 16, 2016
/s/MASSIMO FERRAGAMO **Massimo Ferragamo**	*Director*	February 16, 2016
/s/MIRIAN GRADDICK-WEIR **Mirian Graddick-Weir**	*Director*	February 16, 2016
/s/JONATHAN S. LINEN **Jonathan S. Linen**	*Director*	February 16, 2016
/s/KEITH MEISTER **Keith Meister**	*Director*	February 16, 2016
/s/THOMAS C. NELSON **Thomas C. Nelson**	*Director*	February 16, 2016
/s/THOMAS M. RYAN **Thomas M. Ryan**	*Director*	February 16, 2016
/s/ELANE STOCK **Elane Stock**	*Director*	February 16, 2016
/s/JING-SHYH S. SU **Jing-Shyh S. Su**	*Director*	February 16, 2016
/s/ROBERT D. WALTER **Robert D. Walter**	*Director*	February 16, 2016

YUM! Brands Inc.
Exhibit Index (Item 15)

Exhibit Number	Description of Exhibits
3.1	Restated Articles of Incorporation of YUM, effective May 26, 2011, which is incorporated herein by reference from Exhibit 3.1 to YUM's Report on Form 8-K filed on May 31, 2011.
3.2	Amended and restated Bylaws of YUM, effective September 18, 2015, which are incorporated herein by reference from Exhibit 3.1 to YUM's Report on Form 8-K filed on September 23, 2015.
4.1	Indenture, dated as of May 1, 1998, between YUM and The Bank of New York Mellon Trust Company, N.A., successor in interest to The First National Bank of Chicago, which is incorporated herein by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on May 13, 1998.
	(i) 6.25% Senior Notes due April 15, 2016 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on April 17, 2006.
	(ii) 6.25% Senior Notes due March 15, 2018 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on October 22, 2007.
	(iii) 6.875% Senior Notes due November 15, 2037 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.3 to YUM's Report on Form 8-K filed on October 22, 2007.
	(iv) 5.30% Senior Notes due September 15, 2019 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on August 25, 2009.
	(v) 3.875% Senior Notes due November 1, 2020 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on August 31, 2010.
	(vi) 3.750% Senior Notes due November 1, 2021 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed August 29, 2011.
	(vii) 3.875% Senior Notes due November 1, 2023 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed October 31, 2013.
	(viii) 5.350% Senior Notes due November 1, 2043 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.3 to YUM's Report on Form 8-K filed October 31, 2013.
10.1 +	Master Distribution Agreement between Unified Foodservice Purchasing Co-op, LLC, for and on behalf of itself as well as the Participants, as defined therein (including certain subsidiaries of Yum! Brands, Inc.) and McLane Foodservice, Inc., effective as of January 1, 2011 and Participant Distribution Joinder Agreement between Unified Foodservice Purchasing Co-op, LLC, McLane Foodservice, Inc., and certain subsidiaries of Yum! Brands, Inc., which are incorporated herein by reference from Exhibit 10.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 4, 2010.
10.2	Credit Agreement, dated March 22, 2012 among YUM, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A. and Wells Fargo Bank, National Association, as Syndication Agents, J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as Lead Arrangers and Bookrunners and HSBC Bank USA, National Association, US Bank, National Association and Fifth Third Bank, as Documentation Agents, which is incorporated herein by reference from Exhibit 10.26 to YUM's Quarterly Report on Form 10-Q for quarter ended March 24, 2012.
10.2.1	Term Loan Credit Agreement, dated as of December 8, 2015, among the lenders party thereto, Goldman Sachs Bank USA as Administrative Agent, Citibank N.A. and JP Morgan Chase Bank, N.A. as Syndication Agents, and Goldman Sachs Bank USA, J.P. Morgan Securities LLC and Citigroup Global Markets Inc. as Lead Arrangers and Bookrunners, as filed herewith.
10.3†	YUM Director Deferred Compensation Plan, as effective October 7, 1997, which is incorporated herein by reference from Exhibit 10.7 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.3.1†	YUM Director Deferred Compensation Plan, Plan Document for the 409A Program, as effective January 1, 2005, and as Amended through November 14, 2008, which is incorporated by reference from Exhibit 10.7.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2009.
10.4†	YUM 1997 Long Term Incentive Plan, as effective October 7, 1997, which is incorporated herein by reference from Exhibit 10.8 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.5†	YUM Executive Incentive Compensation Plan, as effective May 20, 2004, and as Amended through the Second Amendment, as effective May 21, 2009, which is incorporated herein by reference from Exhibit A of YUM's Definitive Proxy Statement on Form DEF 14A for the Annual Meeting of Shareholders held on May 21, 2009.
10.6†	YUM Executive Income Deferral Program, as effective October 7, 1997, and as amended through May 16, 2002, which is incorporated herein by reference from Exhibit 10.10 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.6.1†	YUM! Brands Executive Income Deferral Program, Plan Document for the 409A Program, as effective January 1, 2005, and as Amended through June 30, 2009, which is incorporated by reference from Exhibit 10.10.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2009.
10.7†	YUM! Brands Pension Equalization Plan, Plan Document for the Pre-409A Program, as effective January 1, 2005, and as Amended through December 31, 2010, which is incorporated by reference from Exhibit 10.7 to Yum's Quarterly Report on Form 10-Q for the quarter ended March 19, 2011.

Exhibit Number	Description of Exhibits
10.7.1†	YUM! Brands, Inc. Pension Equalization Plan, Plan Document for the 409A Program, as effective January 1, 2005, and as Amended through December 30, 2008, which is incorporated by reference from Exhibit 10.13.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2009.
10.7.2†	YUM! Brands Pension Equalization Plan Amendment, as effective January 1, 2012, which is incorporated by reference from Exhibit 10.7.2 to Yum's Quarterly Report on Form 10-Q for the quarter ended March 23, 2013.
10.7.3†	YUM! Brands Pension Equalization Plan Amendment, as effective January 1, 2013, which is incorporated by reference from Exhibit 10.7.3 to Yum's Quarterly Report on Form 10-Q for the quarter ended March 23, 2013.
10.8†	Form of Directors' Indemnification Agreement, which is incorporated herein by reference from Exhibit 10.17 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.9†	Form of YUM! Brands, Inc. Change in Control Severance Agreement, which is incorporated herein by reference from Exhibit 10.1 to Yum's Report on Form 8-K filed on March 21, 2013.
10.10†	YUM Long Term Incentive Plan, as Amended through the Fourth Amendment, as effective November 21, 2008, which is incorporated by reference from Exhibit 10.18 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2009.
10.11	Second Amended and Restated YUM Purchasing Co-op Agreement, dated as of January 1, 2012, between YUM and the Unified Foodservice Purchasing Co-op, LLC, which is incorporated herein by reference from Exhibit 10.11 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
10.12†	YUM Restaurant General Manager Stock Option Plan, as effective April 1, 1999, and as amended through June 23, 2003, which is incorporated herein by reference from Exhibit 10.22 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.13†	YUM SharePower Plan, as effective October 7, 1997, and as amended through June 23, 2003, which is incorporated herein by reference from Exhibit 10.23 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.14†	Form of YUM Director Stock Option Award Agreement, which is incorporated herein by reference from Exhibit 10.25 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 4, 2004.
10.15†	Form of YUM 1999 Long Term Incentive Plan Award Agreement, which is incorporated herein by reference from Exhibit 10.26 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 4, 2004.
10.15.1†	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2013) (Stock Options), which is incorporated herein by reference from Exhibit 10.15.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended March 23, 2013.
10.15.2†	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2015) (Stock Options), which is incorporated herein by reference from Exhibit 10.15.2 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 2014.
10.16†	YUM! Brands, Inc. International Retirement Plan, as in effect January 1, 2005, which is incorporated herein by reference from Exhibit 10.27 to YUM's Annual Report on Form 10-K for the fiscal year ended December 25, 2004.
10.17†	Letter of Understanding, dated July 13, 2004, and as amended on May 18, 2011, by and between the Company and Samuel Su, which is incorporated herein by reference from Exhibit 10.28 to YUM's Annual Report on Form 10-K for the fiscal year ended December 25, 2004, and from Item 5.02 of Form 8-K on May 24, 2011.
10.18†	Form of 1999 Long Term Incentive Plan Award Agreement (Stock Appreciation Rights) which is incorporated by reference from Exhibit 99.1 to YUM's Report on Form 8-K as filed on January 30, 2006.
10.18.1†	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2013) (Stock Appreciation Rights), which is incorporated by reference from Exhibit 10.18.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended March 23, 2013.
10.18.2†	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2015) (Stock Appreciation Rights), which is incorporated herein by reference from Exhibit 10.18.2 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 2014.
10.20†	YUM! Brands Leadership Retirement Plan, as in effect January 1, 2005, which is incorporated herein by reference from Exhibit 10.32 to YUM's Quarterly Report on Form 10-Q for the quarter ended March 24, 2007.
10.20.1†	YUM! Brands Leadership Retirement Plan, Plan Document for the 409A Program, as effective January 1, 2005, and as Amended through December, 2009, which is incorporated by reference from Exhibit 10.21.1 to YUM's Annual Report on Form 10-K for the fiscal year ended December 26, 2009.
10.21†	1999 Long Term Incentive Plan Award (Restricted Stock Unit Agreement) by and between the Company and David C. Novak, dated as of January 24, 2008, which is incorporated herein by reference from Exhibit 10.33 to YUM's Annual Report on Form 10-K for the fiscal year ended December 29, 2007.
10.22†	YUM! Performance Share Plan, as amended and restated January 1, 2013, which is incorporated by reference from Exhibit 10.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2015.
10.23†	YUM! Brands Third Country National Retirement Plan, as effective January 1, 2009, which is incorporated by reference from Exhibit 10.25 to YUM's Annual Report on Form 10-K for the fiscal year ended December 26, 2009.
10.24†	2010 YUM! Brands Supplemental Long Term Disability Coverage Summary, as effective January 1, 2010, which is incorporated by reference from Exhibit 10.26 to YUM's Annual Report on Form 10-K for the fiscal year ended December 26, 2009.
10.25†	1999 Long Term Incentive Plan Award (Restricted Stock Unit Agreement) by and between the Company and Jing-Shyh S. Su, dated as of May 20, 2010, which is incorporated by reference from Exhibit 10.27 to YUM's Annual Report on Form 10-K for the fiscal year ended December 25, 2010.
10.27†	1999 Long Term Incentive Plan Award (Stock Appreciation Rights) by and between the Company and David C. Novak, dated as of February 6, 2015, which is incorporated herein by reference from Exhibit 10.27 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

Exhibit Number	Description of Exhibits
10.28†	YUM! Brands, Inc. Compensation Recovery Policy, Amended and Restated January 1, 2015, which is incorporated herein by reference from Exhibit 10.28 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 2014.
10.29†	Retirement Agreement and General Release, dated August 13, 2015, by and between the Company and Jing-Shyh S. Su, which is incorporated by reference from Exhibit 10.29 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 5, 2015.
10.30†	Letter of Understanding dated December 7, 2015 by and between the Company and Patrick J. Grismer as filed herewith.
12.1	Computation of ratio of earnings to fixed charges.
21.1	Active Subsidiaries of YUM.
23.1	Consent of KPMG LLP.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

+ *Confidential treatment has been granted for certain portions which are omitted in the copy of the exhibit electronically filed with the SEC. The omitted information has been filed separately with the SEC pursuant to our application for confidential treatment.*

† *Indicates a management contract or compensatory plan.*

Cautionary Language Regarding Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with those safe harbor provisions.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as "may," "will," "estimate," "intend," "seek," "expect," "expectation," "believe," "project," "anticipate," "plan," "could," "target," "predict," "likely," "should," "forecast," "outlook," "model," "ongoing" or other similar terminology. Forward-looking statements are based on our current expectations, estimates, assumptions or projections concerning future results or events, including, without limitation, statements regarding the intended capital return to shareholders as well as the related borrowing required to fund such capital return, the planned separation of the Yum! Brands and Yum! China businesses, the timing of any such separation, the future earnings and performance as well as capital structure of Yum! Brands, Inc. or any of its businesses, including the Yum! Brands and Yum! China businesses on a standalone basis if the separation is completed. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or projections will be achieved. The forward-looking statements included in this report are only made as of the date of this report and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances. Numerous factors could cause our actual results and events to differ materially from those expressed or implied by forward-looking statements, including, without limitation: whether we are able to return capital to shareholders at the times and in the amounts currently anticipated, if at all, as well as the corresponding costs of borrowing to fund such capital return as well as other costs; whether the separation of the Yum! Brands and Yum! China businesses is completed, as expected or at all, and the timing of any such separation; whether the operational and strategic benefits of the separation can be achieved; whether the costs and expenses of the separation can be controlled within expectations, including potential tax costs; as well as other risks. In addition, other risks and uncertainties not presently known to us or that we currently believe to be immaterial could affect the accuracy of any such forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions "Risk Factors" and "Forward-Looking Statements" in our Annual Report on Form 10-K) for additional detail about factors that could affect our financial and other results.

Trademarks and Brands. We use "Yum! Brands" and the Yum! logo as our trademarks. Product names and services appearing in this report are trademarks of Yum! Brands, Inc. or its subsidiaries. This report also may refer to brand names, trademarks, service marks and trade names of other companies and organizations, and these brand names, trademarks, service marks and trade names are the property of their respective owners.

Market and Industry Data. Unless we indicate otherwise, we base the information concerning our industry contained in this report on our general knowledge of and expectations concerning the industry. Our market position and market share is based on our estimates using data from various industry sources and assumptions that we believe to be reasonable based on our knowledge of the industry. We have not independently verified the data obtained from these sources and cannot assure you of the data's accuracy or completeness.

Non-GAAP Measures. This report includes certain non-GAAP financial measures. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures are included on our website at *http://www.yum.com/investors*. Investors are urged to consider carefully the comparable GAAP measures and reconciliations.

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Shareholder Information

Inquiries Regarding Your YUM Holdings

REGISTERED SHAREHOLDERS (those who hold YUM shares in their own names) should address communications concerning statements, address changes, lost certificates and other administrative matters to:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: (888) 439-4986
International: (718) 921-8124
www.amstock.com
or
Shareholder Coordinator
Yum! Brands, Inc.
1441 Gardiner Lane
Louisville, KY 40213
Phone: (888) 298-6986
E-mail: *yum.investor@yum.com*

In all correspondence or phone inquiries, please provide your name and your YUM account number if you know it.

REGISTERED SHAREHOLDERS can access their accounts and complete the following functions online at the website of American Stock Transfer & Trust Company ("AST"): www.amstock.com.

- Access account balance and other general account information
- Change an account's mailing address
- View a detailed list of holdings represented by certificates and the identifying certificate numbers
- Request a certificate for shares held at AST
- Replace a lost or stolen certificate
- Retrieve a duplicate Form 1099-B
- Purchase shares of YUM through the Company's Direct Stock Purchase Plan
- Sell shares held at AST

Access accounts online at the following URL:

https://secure.amstock.com/Shareholder/sh_login.asp. Your account number and social security number are required. If you do not know your account number, please call AST at (888) 439-4986 or YUM Shareholder Coordinator at (888) 298-6986.

BENEFICIAL SHAREHOLDERS (those who hold YUM shares in the name of a bank or broker) should direct communications about all administrative matters related to their accounts to their stockbroker.

LONG TERM INCENTIVE PLAN (LTIP) AND YUMBUCKS PARTICIPANTS (employees with rights to LTIP and YUMBUCKS stock options and stock appreciation rights) should address all questions regarding their accounts, outstanding stock options/stock appreciation rights or shares received through stock option/stock appreciation right exercises to:

Merrill Lynch
Equity Award Services
1400 Merrill Lynch Drive
Mail Stop # NJ2-140-03-40
Pennington, NJ 08534
Phone: (888) 986-4321 (U.S., Puerto Rico and Canada)
(609) 818-8156 (all other locations)

In all correspondence, please provide the last 4 digits of your account number, your address, your telephone number and indicate that your inquiry relates to YUM holdings. For telephone inquiries, please have a copy of your most recent statement available.

EMPLOYEE BENEFIT PLAN PARTICIPANTS
Capital Stock Purchase Program (888) 439-4986

YUM Savings Center (888) 875-4015
YUM Savings Center (904) 791-2005 (outside U.S.)
P.O. Box 5166
Boston, MA 02206-5166

Please have a copy of your most recent statement available when calling. Press 0#0# for a customer service representative and give the representative the name of the plan.

Shareholder Services

DIRECT STOCK PURCHASE PLAN

A prospectus and a brochure explaining this convenient plan are available from our transfer agent:

American Stock Transfer & Trust Company, LLC
P.O. Box 922
Wall Street Station
New York, NY 10269-0560
Attn: Plan Administration Dept.
Phone: (888) 439-4986

FINANCIAL AND OTHER INFORMATION

Securities analysts, portfolio managers, representatives of financial institutions and other individuals with questions regarding YUM's performance are invited to contact:

Steve Schmitt
Vice President, Investor Relations &
Corporate Strategy
Yum! Brands, Inc.
1441 Gardiner Lane
Louisville, KY 40213
Phone: (888) 298-6986

INDEPENDENT AUDITORS

KPMG, LLP
400 West Market Street, Suite 2600
Louisville, KY 40202
Phone: (502) 587-0535

STOCK TRADING SYMBOL-YUM

The New York Stock Exchange is the principal market for YUM Common Stock, which trades under the symbol YUM.

Franchise Inquiries

ONLINE FRANCHISE INFORMATION

Information about potential franchise opportunities is available at *www.yumfranchises.com*

YUM's Annual Report contains many of the valuable trademarks owned and used by YUM and its subsidiaries and affiliates in the United States and worldwide.

BOARD OF DIRECTORS

David C. Novak 63
Executive Chairman,
Yum! Brands, Inc.

Greg Creed 58
Chief Executive Officer,
Yum! Brands, Inc.

Jing-Shyh S. ("Sam") Su 63
Executive Advisor to the Chief Executive Officer,
Yum! Restaurants China

Michael J. Cavanagh 50
Senior Executive Vice President
and Chief Financial Officer, Comcast Corporation

Brian C. Cornell 57
Chairman and Chief Executive Officer
Target Corporation

David W. Dorman 62
Non-Executive Chairman,
CVS Health Corporation

Massimo Ferragamo 58
Chairman, Ferragamo USA, Inc.,
a subsidiary of Salvatore Ferragamo Italia

Mirian M. Graddick-Weir 61
Executive Vice President Human Resources,
Merck & Co., Inc.

Jonathan S. Linen 72
Advisor to Chairman, American Express Company

Keith Meister 42
Managing Partner, Corvex Management LP

Thomas C. Nelson 53
Chairman, Chief Executive Officer and President,
National Gypsum Company

Thomas M. Ryan 63
Former Chairman and CEO,
CVS Health Corporation

P. Justin Skala 56
President, North America and
Global Sustainability,
Colgate-Palmolive Company

Elane B. Stock 51
Group President,
Kimberly-Clark International

Robert D. Walter 70
Founder and Retired Chairman/CEO,
Cardinal Health, Inc.

SENIOR OFFICERS

David C. Novak 63
Executive Chairman,
Yum! Brands, Inc.

Greg Creed 58
Chief Executive Officer,
Yum! Brands, Inc.

Roger Eaton 55
Chief Executive Officer, KFC

Larry Gathof 54
Vice President and Treasurer, Yum! Brands, Inc.

David Gibbs 52
Chief Executive Officer, Pizza Hut

Marc L. Kesselman 44
Chief Legal Officer, General Counsel and Corporate Secretary,
Yum! Brands, Inc.

Brian Niccol 41
Chief Executive Officer, Taco Bell

Muktesh ("Micky") Pant 61
Chief Executive Officer, Yum! Restaurants China

David E. Russell 46
Interim Chief Financial Officer, Vice President, Finance and
Corporate Controller, Yum! Brands, Inc.

Tracy Skeans 43
Chief People Officer, Yum! Brands, Inc.