A WORLD with MORE

Yum!

YUM! BRANDS 2016 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

(In millions, except for per share amounts)

Year-end	2016	2015	% B/(W) change
Company sales	$ 4,200	$ 4,356	(4)
Franchise and license fees and income	2,166	2,084	4
Total revenues	$ 6,366	$ 6,440	(1)
Operating Profit	$ 1,625	$ 1,402	16
Income from Continuing Operations	$ 994	$ 936	6
Reported Diluted Earnings Per Common Share from Continuing Operations	$ 2.48	$ 2.11	18
Special Items Earnings Per Common Share [(a)]	0.03	(0.22)	NM
Diluted Earnings Per Common Share from Continuing Operations before Special Items [(a)]	$ 2.45	$ 2.33	5
Cash Flows Provided by Operating Activities from Continuing Operations	$ 1,204	$ 1,213	(1)

(a) See our 2016 Form 10-K for further discussion of Special Items.

ABOUT THE PAPER USED FOR THIS REPORT

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www.yum.com/annualreport

Greg Creed,
Chief Executive Officer
Yum! Brands Inc.

REVOLUTIONIZING OUR GROWTH MINDSET & PERFORMANCE

Dear Fellow Stakeholders:

2016 was truly a landmark year. On October 31st we **completed the spin-off of the China business into a powerful, independent, publicly-traded company** positioned for long-term growth. This marked the largest strategic initiative undertaken by Yum! since our spin-off from Pepsi 20 years ago. Yum China Holdings, Inc. (NYSE: YUMC) is now our largest franchisee and pays us a 3% license fee on system sales of our brands in mainland China. I'd like to recognize the work, effort and diligence across the organization that enabled us to complete the spin-off on time and with great success.

The China spin-off and **return of $6.2 billion of capital to shareholders through dividends and share repurchases in 2016** concluded step one of Yum!'s transformation. Step two, which we announced in October 2016, includes executing a multi-year strategy to accelerate growth, further reduce volatility in our results and increase capital returns. This transformation will result in a company that is *more focused, more franchised* and *more efficient*, all of which will ultimately enable us to deliver *more growth*.

The lynchpin in our transformation is the power of *more focus*, which will enable us to deliver sustainable, long-term results. With this in mind we defined four growth capabilities outlined below. These are the key drivers of same-store sales growth and net-new unit growth, and will govern every decision and action we undertake.

1. **Distinctive, relevant brands.** We will innovate and elevate iconic restaurant brands people trust and champion.
2. **Unmatched franchise operating capability.** We will recruit and equip the best restaurant operators in the world to deliver great customer experiences.
3. **Bold restaurant development.** We will drive market and franchise unit expansion with strong economics and value.
4. **Unrivaled culture & talent.** We will leverage culture and people capability to fuel brand performance and franchisee success.

As we announced in October we are on a path to become *more franchised*, **increasing our franchise mix to at least 98% by the end of 2018**. This will increase our franchise fees significantly as a percentage of operating profit, producing a more stable and predictable cash flow stream. We intend to own no more than 2% of our restaurants with an "Own to Learn" mindset. Our leaders will completely dedicate themselves to our four growth capabilities.

Finally, we will run a *more efficient* business model, whereby we intend to limit G&A to 1.7% of system sales and reduce annual capital expenditures to about $100 million by the end of 2019. This will allow us to simultaneously maximize the potential of our brands and to aggressively grow our global footprint but in a productive manner. In combination, our *more focused, more franchised* and *more efficient* business model will enable us to deliver *more growth* and consistent shareholder returns.

With all of this change underway at Yum! I was pleased we delivered a strong year in 2016, highlights of which are below:

- **Worldwide system sales* grew 5%**, excluding foreign currency translation. This was led by 7% growth at KFC, followed by 6% at Taco Bell and 2% at Pizza Hut.
- **GAAP operating profit increased 16%**, with growth across all three brands.
- **Net-new units grew 3%**, with 2,316 total new openings.
- **We completed $6.9 billion of debt financing at very attractive rates**, the proceeds of which were largely used to fund the shareholder returns mentioned above. We are now managing a capital structure which is levered in-line with our target of 5x EBITDA, and which we believe provides an attractive balance between optimized interest rates, duration and flexibility.
- We declared our **first quarterly dividend since we spun-off our China business** and announced we would continue with a target payout ratio of roughly 45-50% of annual net income.

Each one of our three brands is committed to delivering on our key enterprise priorities and is working together on our journey towards building a world with more Yum! Ultimately this is driven by each brand's individual True North, or positioning.

- **KFC with "Always Original"** has returned to the basics with clear value at memorable price points and innovation close to the core. Just look at Nashville Hot, which started in the U.S. and is now rolling out in international markets. We did not change the form of our product – only the flavor profile, and our customers love it. Going forward KFC will continue this focus on the basics, coupled with a big push on the digital front and delivery.
- **Pizza Hut's mantra of "Making it Easier to get a Better Pizza"** is relevant for both our U.S. and International businesses, which are in distinctly different business circumstances today. Our U.S. business is in turnaround mode, with a focus on improving the digital experience, delivery times, point-of-sale simplification and asset optimization, to name a few. Our international business is laying the groundwork for prolonged growth with a focus on repeatable models to spread best practices around the world, and driving expansion through development agreements.
- **Taco Bell through "Live Más"** succeeds with its value-driven, innovation-focused model. I'm pleased with the team's ability to deliver solid results despite difficult industry conditions in 2016 and am energized by the high-low value strategy and innovative marketing calendar the team has put in place for 2017. On the international front Taco Bell continues to build momentum and we are thrilled with the enthusiasm the brand receives on a global basis.

In conclusion, while there is always more work to do, we are on the right path. We are taking the necessary steps to establish the foundation for sustainable, long-term growth that will translate to strong returns for our shareholders. We are committed to building the world's most loved, trusted and fastest growing restaurant brands and I am confident this will result in value creation as we build on our momentum and move into the future.

Greg

Greg Creed, CEO

*System sales include the impact of the 53rd week.

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

April 7, 2017

Dear Fellow Shareholders:

On behalf of your Board of Directors, we are pleased to invite you to attend the 2017 Annual Meeting of Shareholders of YUM! Brands, Inc. The Annual Meeting will be held Friday, May 19, 2017, 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 21, 2017 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 19, 2017—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 19, 2017 9:00 a.m.

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

ITEMS OF BUSINESS:

(1) To elect ten (10) directors to serve until the 2018 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, 2017.

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

(4) To consider and hold an advisory vote on the frequency of votes on executive compensation.

(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 21, 2017.

ANNUAL REPORT:

A copy of our 2016 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.

DATE OF MAILING:

This Notice, the proxy statement and the form of proxy are first being mailed to shareholders on or about April 7, 2017.

By Order of the Board of Directors

Marc L. Kesselman
General Counsel, Corporate Secretary and Chief Government Affairs Officer

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 7, 2017, 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.

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Proxy Statement

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

PROXY STATEMENT

For Annual Meeting of Shareholders To Be Held On

May 19, 2017

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 19, 2017, 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 7, 2017, 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 21, 2017, 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 21, 2017. Each share of YUM common stock is entitled to one vote. As of March 21, 2017, YUM had 352,269,757 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 ten (10) 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, 2017;
- An advisory vote on executive compensation;
- An advisory vote on the frequency of votes on executive compensation; 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;
- **ONE YEAR** as the frequency for holding of advisory votes on executive compensation; 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 18, 2017. 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 17, 2017.

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 18, 2017.

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 18, 2017;
- 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 ten (10) 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 2017 (Item 2);
- **FOR** the proposal regarding an advisory vote on executive compensation (Item 3);
- **ONE YEAR** for the proposal regarding the frequency for holding of advisory votes on executive compensation (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 2017 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 21, 2017, 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/corporate-governance/governance-principals/ and at page 10 under "What other significant Board practices does the Company have? — Majority Voting Policy."

How many votes are needed to approve the other proposals?

The ratification of the selection of KPMG LLP as our independent auditor, the approval of the compensation of our named executive officers and the approval of the shareholder proposal 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. With respect to the advisory vote on the frequency of advisory votes on executive compensation, you may vote "ONE YEAR", "TWO YEARS" or "THREE YEARS", or you may abstain from voting. The frequency of the advisory vote on executive compensation receiving the greatest number of votes — "ONE YEAR", "TWO YEARS" OR "THREE YEARS" — will be considered the frequency recommended by shareholders. Abstentions and broker non-votes will therefore not affect the outcome of this proposal.

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".

Governance Highlights

Corporate Governance

- 10 Director Nominees
- 9 Independent Nominees
- Directors with experience, qualifications and skills across a wide range of public and private companies
- Board Access to Senior Management and Independent Advisors
- Independent Non-Executive Chairman
- Independent Board Committees
- Executive Sessions of Independent Directors at every regular Board and Committee meeting
- Risk Oversight by Board and its Committees
- Annual Board and Committee Self-Evaluations
- All Directors Attended at least 75% of Meetings Held
- YUM's Worldwide Code of Conduct
- Political Contributions and U.S. Government Advocacy Policy
- Audit Committee Complaint Procedures Policy regarding Accounting Matters
- No Hedging or Pledging of Company Stock

Shareholder Rights

- Annual Election of Directors
- Majority Voting of Directors
- Proxy Access
- Shareholder Communication Process for communicating with Board
- Active Shareholder Engagement Program

Compensation

- Independent Management Planning and Development Committee
- Independent Compensation Consultant
- Executive Compensation is Highly Performance Based to Align with Shareholder Interests and Promote Company Business Strategy
- At Risk Pay Tied to Performance
- Strong Stock Ownership Guidelines
- No Employment Agreements or Guaranteed Bonuses
- Compensation Recovery Policy (Clawback) applies to Equity and Bonus Awards
- Double trigger vesting upon Change in Control
- No excise tax gross ups

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

Our Board of Directors presently consists of 11 directors whose terms expire at this Annual Meeting. David W. Dorman and Thomas C. Ryan will be retiring and are not standing for re-election at the Annual Meeting. In addition, Keith Meister resigned from the Board on February 16, 2017. Also, Christopher M. Connor is being nominated to the Board of Directors. Mr. Connor does not currently serve as a director.

As discussed in more detail later in this section, the Board has determined that 9 of the 10 individuals standing for election are independent under the rules of the New York Stock Exchange (“NYSE”).

How often did the Board meet in fiscal 2016?

The Board of Directors met 8 times during fiscal 2016. Each of the directors who served in 2016 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 2016 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.

Paget L. Alves was appointed to the Board effective November 17, 2016. Christopher M. Connor is being nominated to the Board of Directors. Mr. Alves and Mr. Connor will stand for election to the Board by our shareholders for the first time. Mr. Alves was recommended to our Nomination and Governance Committee by our Chief Executive Officer, and Mr. Connor was recommended by our Non-Executive Chairman.

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 85.

How Can Shareholders Nominate for the Board?

Director nominations for inclusion in YUM's proxy materials (Proxy Access). Our 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 by us no earlier than November 8, 2017, and no later than December 8, 2017.

Director nominations to be brought before the 2018 Annual Meeting of Shareholders. Director nominations that a shareholder intends to present at the 2018 Annual Meeting of Shareholders, other than through the proxy access procedures described above, must be received no later than February 18, 2018. These nominations must be submitted by a shareholder in accordance with the requirements specified in YUM's bylaws.

Where to send director nominations for the 2018 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?

On May 20, 2016, Robert D. Walter assumed the position of Non-Executive Chairman of the Board. After applying our Corporate Governance Principles, the Board determined that based on Mr. Walter's independence, it would not appoint a Lead Director when Mr. Walter became 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 Chief Executive Officer ("CEO") may serve as Chairman of the Board. These Principles also provide for an independent Lead Director, when the CEO is serving as Chairman. During 2016, 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 and he was to serve as Executive Chairman until May 20, 2016. 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. Robert D. Walter was appointed Lead Director effective January 1, 2016, and served in that role until he became Non-Executive Chairman of the Board on May 20, 2016.

As Non-Executive Chairman, Mr. Walter is responsible for supporting the CEO on corporate strategy along with leadership development. Mr. Walter also works with the CEO in setting the agenda and schedule for meetings of the Board, in addition to the duties of the Lead Director described below. 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.

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. Up until May 20, 2016 (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.

To ensure 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 *http://www.yum.com/investors/corporate-governance/committee-composition-and-charters/.*
- **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 *http://www.yum.com/investors/corporate-governance/governance-principles/.*
- **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 http://www.yum.com/investors/corporate-governance/code-of-conduct/. 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.

Proxy Statement

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 or our Non-Executive Chairman, as applicable. 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 Board currently does not have a Lead Director, and the previous duties of the Lead Director are fulfilled by Mr. Walter as Non-Executive Chairman. Since Mr. Walter is independent, the Board determined that it would not appoint a separate Lead Director upon Mr. Walter's appointment as Non-Executive 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.

- **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 Vice President, Internal Audit and the General Counsel. Our Vice President, Internal Audit reports directly to the Chairman of the Audit Committee and our Chief Financial Officer ("CFO"). 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 Vice President, Internal Audit. 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 33, 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 2017, the Committee oversaw the risk assessment of our compensation programs for all employees to determine whether they encourage unnecessary 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 unreasonable 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 in place for approximately 160 senior employees are enforced
- The annual incentive and performance share plans both have caps on the level of performance over which no additional rewards are paid, thereby, mitigating unreasonable risk
- 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
- With more than 90% of our restaurants franchised, our franchisee performance overwhelmingly drives YUM performance — mitigating risk of the Company manipulating results
- 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 both apparent to shareholders and drivers of returns
- Capital allocation process is driven by strategic objectives, aligned with Division AOPs and requires capital expenditure approval, ensuring alignment with development and return requirements
- The performance which determines employee rewards is closely monitored by the Audit Committee and the full Board
- The Company has a recoupment policy (clawback)

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 (http://www.yum.com/investors/corporate-governance/governance-principles/).*

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 Greg Creed, who is not considered an independent director because of his employment by the Company.

In determining that the other directors did not have a material relationship with the Company, the Board determined that Messrs. Alves, Cavanagh, Connor, Dorman, Nelson, Ryan, Skala, and 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 Corporation, 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 Corporation and, therefore determined Mr. Cornell was independent. The Board also made the determination that our former directors, Messrs. Meister, Linen and Ferragamo did not have a material relationship with the Company, as they had no other relationship with the Company other than their relationship as a director.

Brian C. Cornell is the Chairman and Chief Executive Officer of Target Corporation. During 2016, the Company received approximately $11.6 million in license fees from Target Corporation in the normal course of business. Divisions of the Company paid Target Corporation approximately $2.3 million in rebates in 2016. The Board determined that these payments did not create a material relationship between the Company and Mr. Cornell or the Company and Target Corporation as the payments represent less than one-tenth of 1% of Target Corporation's revenues. The Board determined that this relationship was not material to Mr. Cornell or Target Corporation.

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 L. 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 *http://www.yum.com/investors/corporate-governance/complaint-procedures/*.

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 2016
Audit: Thomas C. Nelson, *Chair* Paget L. Alves* 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.	11

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.

* Paget L. Alves and Elane B. Stock were each appointed Audit Committee members effective January 27, 2017.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2016
Management Planning and Development: Brian C. Cornell, *Chair** Michael J. Cavanagh* David W. Dorman Mirian M. Graddick-Weir Thomas M. Ryan Elane B. Stock** Robert D. Walter	• 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	6

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.

* Brian C. Cornell and Michael J. Cavanagh were each appointed Management Planning and Development Committee members effective January 27, 2017.

**Elane B. Stock was Chair of the Management Planning and Development Committee prior to her leaving that committee effective January 27, 2017.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2016
Nominating and Governance: Robert D. Walter, *Chair** Michael J. Cavanagh* Brian C. Cornell* Mirian M. Graddick-Weir Thomas C. Nelson	• 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	5

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.

* Michael J. Cavanagh and Brian C. Cornell were each appointed Nominating and Governance Committee members effective January 27, 2017. Robert D. Walter was appointed Chair January 27, 2017.

Name of Committee and Members	Functions of the Committee
Executive/Finance: Robert D. Walter, *Chair* Greg Creed Brian C. Cornell* Thomas C. Nelson	• 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

* Brian C. Cornell was appointed an Executive Committee member effective January 27, 2017.

Proxy Statement

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 77.

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 32.

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 56.

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.

Why did the Board Adopt an Exclusive Forum Bylaw Amendment?

The Company's Board of Directors adopted an exclusive forum bylaw amendment by approving an amendment to the Bylaws of the Company that became effective July 15, 2016. The amendment provides that unless the Company consents in writing to the selection of an alternative legal forum, the courts of the State of North Carolina shall be the sole and exclusive venue and forum for claims or actions related to the internal affairs of the company including: (i) any derivative action or proceeding brought on behalf of the Company; and (ii) any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director, officer, shareholder, employee or agent of the Company to the Company or its shareholders.

In choosing to adopt the Bylaw amendment and determining that doing so is in the best interests of the Company and its shareholders, the Board considered various factors, the most important of which were the avoidance of duplicative, costly and wasteful multi-forum litigation and the supportive feedback the Company received from a significant percentage of its shareholders prior to the adoption of the provision. In recent years the Company has had to defend against derivative claims in multiple venues, which has resulted in the Company incurring significant additional legal fees in order to defend against such claims.

Other factors considered by the Board in adopting the amendment included, but were not limited to: exclusive forum provisions becoming increasingly more common as a market practice; that the Company is incorporated under the laws of the state of North Carolina; that adopting such an exclusive forum provision covering specified claims does not materially change the substantive legal claims available to shareholders; statutory provisions and case law developments upholding the authority of the board of directors to adopt such a provision and confirming its validity and enforceability; and the value of facilitating consistency and predictability in litigation outcomes for the benefit of the Company and its shareholders.

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 ten (10) nominees recommended by the Nominating and Governance Committee of the Board of Directors for election this year to hold office until the 2018 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.

Paget L. Alves

Age 62

Director since 2016

Former Chief Sales Officer of Sprint Corporation

Paget L. Alves has served on the Company's Board of Directors since November 2016. He served as Chief Sales Officer of Sprint Corporation, a wireless and wireline communications services provider, from January 2012 to September 2013 after serving as President of that company's Business Markets Group since 2009. Mr. Alves currently serves on the boards of directors of International Game Technology PLC, Synchrony Financial, and Ariel Investments LLC. He previously served on the board of directors of International Game Technology Inc. from 2010 to 2015.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating, finance and management experience, including as Chief Sales Officer of a wireless and wireline communications company
- Global sales experience
- Public company directorship and committee experience
- Independent of Company

Michael J. Cavanagh

Age 51

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.

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

Christopher M. Connor

Age 61

Director since 2017

Former Executive Chairman of The Sherwin-Williams Company

Christopher M. Connor served as Executive Chairman of The Sherwin-Williams Company, a global manufacturer of paint, architectural coatings, industrial finishes and associated supplies, until 2016. Mr. Connor held a number of executive positions at Sherwin-Williams beginning in 1983. He served as Chief Executive Officer from 1999 to 2015, Chairman from 2000 to 2015, and served as Executive Chairman during 2016. He currently serves on the boards of Eaton Corporation plc and the Federal Reserve Bank of Cleveland.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Operating and management experience, including as executive Chairman and CEO of a Fortune 500 company
- Expertise in marketing, human resources, talent development, public company executive compensation, planning and operational and financial processes.
- Public company directorship and committee experience
- Independent of Company

Brian C. Cornell

Age 58

Director since 2015

Chairman and Chief Executive Officer Target Corporation

Brian C. Cornell has served as Chairman and Chief Executive Officer of Target Corporation, 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 Corporation since 2014. He has previously 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 59

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 Whirlpool Corporation since February 20, 2017 and previously served as a director of International Games Technology from 2010 through 2014.

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

Mirian M. Graddick-Weir

Age 62

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

Thomas C. Nelson

Age 54

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. From 1995 to 1999, Mr. Nelson served as the Vice Chairman and Chief Financial Officer of National Gypsum. 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

P. Justin Skala

Age 57

Director since 2016

Chief Operating Officer of North America, Europe, Africa/Eurasia and Global Sustainability for 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 2016. From 2013 to 2016 he was President of Colgate-North America and Global Sustainability for Colgate-Palmolive Company. 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, finance, sales, strategic planning and international business development
- Independent of Company

Elane B. Stock

Age 52

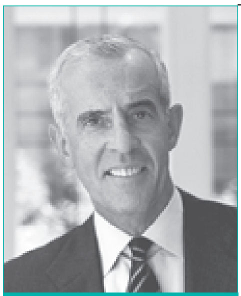
Director since 2014

Former Group President Kimberly-Clark International

Elane B. Stock has served on the Company's Board of Directors since 2014. She also served as Group President of Kimberly-Clark International, a division of Kimberly-Clark Corporation, a leading global consumer products company, from 2014 to 2016. 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. Ms. Stock serves on the Board of Equifax Inc.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

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



Robert D. Walter

Age 71

Director since 2008

Non-Executive Chairman, 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.

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 2018 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 10 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 2017. The Audit Committee of the Board of Directors has selected KPMG to audit our consolidated financial statements. During fiscal 2016, 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 2016 and 2015?

The following table presents fees for professional services rendered by KPMG for the audit of the Company's annual financial statements for 2016 and 2015, and fees billed for audit-related services, tax services and all other services rendered by KPMG for 2016 and 2015.

	2016	2015
Audit fees(1)	$ 9,305,000	$ 6,233,000
Audit-related fees(2)	2,899,000	558,000
Audit and audit-related fees	12,204,000	6,791,000
Tax fees(3)	285,000	304,000
All other fees(4)	326,000	—
TOTAL FEES	**$ 12,815,000**	**$ 7,095,000**

(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 including confort letters and consents.

(2) Audit-related fees include fees associated with the audit and reviews of carve-out financial statements of Yum China Holdings, Inc. ("Yum China") for inclusion in the stand-alone SEC filings in connection with the separation of Yum China, as well as audits of financial statements and certain employee benefit plans, agreed upon procedures and other attestations.

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

(4) Other fees consist of fees for due diligence assistance services related to the planned sale of Company restaurants.

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/corporate-governance/audit-committee-policy/.*

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 33, 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 2018 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 Advisory Vote on the Frequency of Votes on Executive Compensation (Item 4 on the Proxy Card)

What am I voting on?

In accordance with SEC rules, and in addition to the advisory approval of our executive compensation program, we are seeking a non-binding determination from our shareholders as to the frequency with which shareholders would have an opportunity to provide an advisory approval of our executive compensation program. Section 14A of the Securities Exchange Act requires us to submit a non-binding, advisory resolution to shareholders at least once every six years to determine whether advisory votes on executive compensation should be held every one, two or three years. Our shareholders have the option of selecting a frequency of one, two or three years, or abstaining.

What is the Company's position regarding this proposal?

The Board of Directors recommends that shareholders approve continuing to hold the advisory vote on executive compensation every year. A majority of public companies hold votes every year, and this has been the Company's practice for past six years. The Board of Directors believes the annual vote has worked well and gives shareholders the opportunity to react promptly to emerging trends in compensation, provides feedback before those trends become pronounced over time, and gives the Board and the Management Planning and Development Committee the opportunity to evaluate individual compensation decisions each year in light of the ongoing feedback from shareholders. In satisfaction of this requirement, shareholders are being asked to vote on the following advisory resolution:

> Resolved, that the shareholders of the Company advise that an advisory resolution with respect to executive compensation should be presented every one, two or three years as reflected by their votes for each of these alternatives in connection with this resolution.

In voting on this resolution, you should mark your proxy for ONE YEAR, TWO YEARS or THREE YEARS based on your preference as to the frequency with which an advisory vote on executive compensation should be held. If you have no preference you should abstain.

What vote is required to approve this proposal?

The frequency of the advisory vote on executive compensation receiving the greatest number of votes — "ONE YEAR", "TWO YEARS" or "THREE YEARS" — will be considered the frequency recommended by shareholders.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote for the holding of advisory votes on executive compensation every year, by marking ONE YEAR on your Proxy Card for Item 4.

ITEM 5 Shareholder Proposal Regarding Adoption of a Policy to Reduce Deforestation (Item 5 on the Proxy Card)

What am I voting on?

The Sisters of St. Francis of Assisi has advised us that they intend to present the following shareholder proposal at the Annual Meeting. We will furnish the address and share ownership of the proponent upon request. In accordance with federal securities regulations, we have included the text of the proposal and supporting statement exactly as submitted by the Sisters of St. Francis of Assisi, as the proponent. We are not responsible for the content of the proposal or any inaccuracies it may contain.

Yum! Brands' (YUM) utilizes beef, soy, palm oil, and pulp/paper in its business. These commodities are the leading drivers of deforestation globally. YUM's limited action on deforestation exposes the company to significant business risks including supply chain reliability, damage to the company's brand value, and failure to meet shifting consumer and market expectations.

Deforestation has attracted significant attention from civil society, business and governments. It accounts for over 10% of global greenhouse gas emissions and contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, community land conflicts and forced labor. Commercial agriculture accounted for over 70% of tropical deforestation between 2000 and 2012, half of which was illegal. Supply chain sources that are illegally engaged in deforestation are vulnerable to interruption as enforcement increases. Conserving forests by increasing agricultural productivity and use of already cleared land will stabilize soils and climate while regulating regional water flows.

"Consumers are increasingly demanding that businesses become more responsible and transparent", according to Technomic, a leading food industry consultancy. "In many cases, they are rewarding those they perceive to be good environmental stewards and corporate citizens."

YUM has begun to address deforestation in its palm oil and packaging supply chains; however, the company lacks an overall deforestation policy and has not made public commitments to source sustainable beef or soy, the leading drivers of deforestation. YUM scored 3 out of 5 in the Forest 500 company scorecard; 0 out of 100 on UCS's palm oil scorecard; and 0 out of 100 on UCS' beef scorecard. In contrast, peer companies such as McDonald's, Danone, Unilver and Nestlé committed to eliminate deforestation in their global supply chains. Many of these companies signed The New York Declaration on Forests to support and help meet the private-sector goal of eliminating deforestation from the production of agricultural commodities such as palm oil, soy, paper and beef products by no later than 2030. These companies also participate in the CDP Forests Program, a reporting framework supported by investors with over US$22 trillion in assets.

> RESOLVED: Shareholders request that YUM develop a comprehensive, cross-commodity policy and implementation plan to eliminate deforestation and related human rights issues from its supply chain.

Supporting Statement

Proponents believe a meaningful response could include:

- A commitment to buy exclusively from suppliers independently verified as not engaged in deforestation (including peatlands, high conservation value, or high carbon stock forests), or land and labor rights abuses;
- Evidence of proactive implementation efforts, such as a time-bound plan, verification processes, non-compliance protocols and regular reporting on a public platform such as the CDP Forests questionnaire; and
- A commitment to work towards strengthening third-party verification programs and multi-stakeholder initiatives to achieve compliance with the company's policy.

What is the Company's position regarding this proposal?

Management Statement in Opposition to Shareholder Proposal

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

Sustainable sourcing, including addressing deforestation in the Company's supply chain, has been a priority for the Company for the last several years as its sustainability strategy has evolved. Our approach to sustainability initiatives is guided by impact: we focus our efforts where we have the ability to influence meaningful outcomes. With that principle in mind, we have established policies and time-bound, measurable goals for sourcing sustainable palm oil and fiber for paper packaging, where our sourcing decisions have the most direct impact. Moreover, the Company currently has in place procedures designed to mitigate deforestation risk and ensure that issues are surfaced and addressed in a timely manner.

Implementation of a broader zero net deforestation policy is not feasible and would divert time, effort and resources to commodities (e.g., soy) where Yum can have a less direct or meaningful impact. For this reason, and other reasons outlined below, we believe that the request by the proponent is unnecessary, and has the potential for a diversion of resources with no corresponding benefit to the Company, our customers, or our shareholders.

Why does the Company oppose the proposal?

Specifically related to the identification and communication of potential sustainability issues in its supply chain, the Company has in place the following:

- **Public statements and policies on deforestation issues.** The Company maintains a public website with policy statements representing our informed views and opinions on industry-related issues. Notably, we have implemented policies for sourcing sustainable palm oil and fiber for paper packaging that seek to mitigate the impact of deforestation. Frying oil and packaging represent the Company's largest procurement spend out of the primary forest-related commodities, and thus they represent areas where our sourcing decisions may have real impact.
  - Regarding packaging, the Company has a firm target for sourcing sustainable fiber for paper-based packaging. The Company's goal is to purchase 100% of paper-based packaging with fiber sourced from responsibly managed forests and recycled sources by the end of 2020. We also give preference to suppliers that provide paper packaging certified by third parties such as the Forest Stewardship Council (FSC).
  - Regarding frying oil, the Company has committed to phasing out palm oil use in our restaurants wherever feasible. Today, nearly 70% of our global restaurants do not use palm oil as their cooking oil. Where not feasible, we are working towards a goal of sourcing 100% of our palm oil used for cooking from responsible and sustainable sources, giving priority to suppliers certified by the Roundtable on Sustainable Palm Oil (RSPO). We will be reporting our progress on our sustainable palm oil sourcing goal this year via CDP Forests.
- **Comprehensive voluntary disclosure on environmental sustainability issues.** On an annual basis, the Company publishes its Corporate Social Responsibility (CSR) Report at http://yumcsr.com/. Included in the CSR Report are the Company's commitments in the areas of food, people, the community and the environment. And, while the Company has previously disclosed water and climate practices through CDP's Water and Climate Change reporting, the Company will begin providing disclosure through CDP's Forests reporting in 2017.
- **Collaboration with industry groups.** The Company's palm oil and fiber policies and goals were developed in partnership with the World Wildlife Fund (WWF), which provides companies with practical counsel around sustainable food sourcing. In the area of sustainable palm oil sourcing specifically, the Company has been in discussions with RSPO and has begun the application process for membership.
- **Integrated, executive-level governance structure to oversee the Company's global sustainability initiatives.** The Company's Chief Sustainability Officer works with leaders across the organization to identify and manage environmental sustainability issues. The Chief Sustainability Officer regularly

updates the Audit Committee of the Board of Directors on our commitments and progress on sustainability initiatives. Each brand has a director- or senior director-level employee responsible for sustainability with respect to that brand and who engage the key functions across their business to build know-how and deliver on sustainability commitments.

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. Except as noted below for Corvex Management, L.P., this information is presented as of December 31, 2016, 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	24,449,829(1)	6.66%
Blackrock Inc. 55 East 52nd Street New York, NY 10055	20,185,974(2)	5.5%
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)	5.73%

(1) *The filing indicates sole voting power for 552,761 shares, shared voting power for 75,399 shares, sole dispositive power for 23,834,528 shares and shared dispositive power for 615,301 shares.*

(2) *The filing indicates sole voting power for 17,022,139 shares, shared voting power of 0 shares, sole dispositive power of 20,185,974 shares and shared dispositive power of 0 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, as of the last Schedule 13G filing with the SEC on February 16, 2016.*

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, 2016 by

- each of our directors and director nominee,
- each of the executive officers named in the Summary Compensation Table on page 60, 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. Please see table above setting forth information concerning beneficial ownership by holders of five percent or more of YUM's common stock. Directors and executive officers as a group, beneficially own approximately 0.65%.

The table shows the number of shares of common stock and common stock equivalents beneficially owned as of December 31, 2016. Included are shares that could have been acquired within 60 days of December 31, 2016 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	36,661	429,479	22,778	488,918	62,290	551,208
Paget L. Alves	—	—	—	—	411	411
Michael J. Cavanagh	10,000	1,911	—	11,911	10,245	22,156
Christopher M. Connor	—	—	—	—	—	—
Brian C. Cornell	—	691	—	691	3,354	4,045
David W. Dorman	62,644	11,221	—	73,865	5,254	79,119
Mirian M. Graddick-Weir	—	2,490	—	2,490	12,547	15,037
Thomas C. Nelson	8,288	8,702	—	16,990	39,203	56,193
Thomas M. Ryan	38,706[(5)]	11,221	1,712	51,639	25,554	77,193
P. Justin Skala	2,150	507	—	2,657	358	3,015
Elane B. Stock	—	969	—	969	5,360	6,329
Robert D. Walter	108,301	10,107	—	118,408	39,562	157,970
David W. Gibbs	32,971	146,143	—	179,114	22,623	201,737
Patrick J. Grismer	8,348[(5)]	—	—	8,348	904	9,252
David E. Russell	9,602	39,338	324	49,264	4,476	53,740
Brian R. Niccol	7,755	87,659	12,870	108,284	28,584	136,868
Marc L. Kesselman	—	5,295	4,871	10,166	9,743	19,909
Muktesh (“Micky”) Pant	15,850	384,437	5,256	405,543	92,189	497,732
Roger G. Eaton	110,418	203,626	4,130	318,174	62,910	381,084
All Directors and Executive Officers as a Group (20 persons)	456,354	1,363,457	51,941	1,871,752	432,732	2,304,484

(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. Russell, 990 shares*
- *Mr. Niccol, 6,076 shares*
- *Mr. Pant, 2,946 shares*
- *all executive officers as a group, 14,672 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.

(5) These shares are held in a trust.

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 2016.

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") for our named executive officers ("NEOs") and factors considered in making those decisions.

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Proxy Statement

I. Executive Summary

A. YUM 2016 Performance

2016 was an extraordinary year for the Company. YUM operating profit increased 16% during 2016, while the KFC, Pizza Hut and Taco Bell divisions either met or exceeded their operating profit growth targets for the year. In addition, prior to the separation of Yum China Holdings, Inc. ("Yum China") from Yum Brands, Inc. (the "Separation"), our China Division also generated strong operating profit growth. These results provide us with confidence that we are making meaningful progress towards our goal of building and strengthening our global KFC, Pizza Hut and Taco Bell brands. Strong brands are critical in our being able to deliver sustained growth and in our ability to create long-term shareholder value. The following performance highlights illustrate just how successful 2016 was:

2016 Performance Highlights[1]

3%	5%	16%	23%
Development Net-New Unit Growth **Total Openings: 2,316**	**System Sales Growth**	**Operating Profit Growth**	**Total Shareholder Return[2]** **70th percentile vs. S&P500** **Over $6.2 billion in capital returns[3]**

(1) *Note: All comparisons are versus the same period a year ago. System sales figures in this section exclude the impact of foreign currency translation.*

(2) *Total shareholder return is calculated as the growth in YUM share price from the beginning of 2016 until the year-end, and includes assumed reinvestment of dividends (including the Yum China dividend).*

(3) *Capital returns achieved through quarterly dividends and the repurchase of approximately 68 million common shares.*

On October 31, 2016, the Company completed the Separation, establishing two independent, focused growth companies with world-class leadership teams through a seamless transition process. The Separation and return of approximately $6.2 billion to shareholders in 2016 concluded step one in our transformation. In 2016 we also launched step two of our transformation, which centers on a new multi-year strategy to accelerate growth, reduce volatility and increase capital returns to shareholders. By being more focused, more franchised and more efficient, we intend to strengthen and grow our KFC, Pizza Hut and Taco Bell brands around the world, creating significant long-term value for all our stakeholders. Going forward, we will win consistently by concentrating on being the best in the world with distinctive relevant brands, unmatched franchise operating capability, bold restaurant development and unrivaled culture and talent. By the end of this transformation, we intend to own less than 1,000 stores (98% franchised), reduce annual capital expenditures to approximately $100 million and improve our efficiency by lowering general and administrative ("G&A") expenses as a percentage of system sales to 1.7% by 2019. Further information about the Separation and the Company's transformation plan can be found in the letter from our CEO, immediately preceding this Proxy Statement or available at www.yum.com/investors/investor_materials.asp.

B. Named Executive Officers

The Company's NEOs for 2016 are as follows:

Name	Title
Greg Creed	Chief Executive Officer
David W. Gibbs	President and Chief Financial Officer
Brian R. Niccol	Chief Executive Officer of Taco Bell Division
Marc L. Kesselman	General Counsel, Corporate Secretary and Chief Government Affairs Officer
Roger G. Eaton	Chief Executive Officer of KFC Division
David E. Russell	Former Interim Chief Financial Officer and current Senior Vice President, Finance and Corporate Controller
Patrick J. Grismer	Former Chief Financial Officer
Muktesh ("Micky") Pant	Former Chief Executive Officer of YUM Restaurants China

The Company is required to disclose Messrs. Grismer's and Russell's compensation because they served as CFO and Interim CFO, respectively, during portions of 2016, rather than because of the amount of compensation they each received during 2016. Mr. Grismer resigned from the Company effective February 19, 2016, following which Mr. Russell served as interim Chief Financial Officer until the appointment of Mr. Gibbs, on May 2, 2016. Although Mr. Pant left the Company to become the CEO of Yum China upon the Separation, the Company is required to disclose his compensation in this proxy statement because Mr. Pant's 2016 total compensation from YUM placed him among the three most highly-compensated executive officers other than the CEO and CFO.

C. Compensation Philosophy

The business performance of the Company is of the utmost importance in how our executives are compensated. This is due to our compensation program being designed to both support our long-term growth model and to hold 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
Attract and retain 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 goals that lead to 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.			✓
Drive ownership mentality—We require executives to invest in the Company's success by owning a substantial amount of Company stock.			✓

D. Compensation Overview

2016 Compensation Highlights

- In January of 2016, the Committee met and made the following decisions and took the following actions:
  - The Committee set our CEO target compensation levels below the median of our Executive Peer Group (defined at page 55) for the CEO role;
  - The Committee set the equity mix for our Global Leadership Team's long-term incentive awards at 75% stock appreciation rights ("SARs") and 25% performance share units ("PSUs"); and
  - The Committee certified that our 2013 PSU awards under our Performance Share Plan did not pay out in 2016 because the Company's Total Shareholder Return ("TSR") for the 2013-2015 performance cycle failed to meet the applicable threshold (see discussion of PSUs at page 43).
- At our May 2016 Annual Meeting of Shareholders, shareholders approved our "Say on Pay" proposal in support of our executive compensation program, with 91% of votes cast in favor of the proposal.
- We continued our shareholder outreach program to better understand our investors' opinions on our compensation practices and respond to their questions. Committee and management team members from compensation, investor relations and legal continued to be directly involved in engagement efforts during 2016 that served to reinforce our open door policy. The efforts included contacting our largest 25 shareholders, representing ownership of approximately 46% of our shares, and meeting with shareholders representing 19% of our shares (discussed further on page 53)
- The Committee approved one-time Launch Grant PSU awards for our CEO and his Global Leadership Team effective in November 2016 following the Separation (discussed at page 44), acknowledging the magnitude of the roles that these individuals are expected to play over the next several years in the significant transformation of the Company's business. These PSU awards are designed to pay out only if specified targets of G&A expenses as a percentage of system sales by year-end 2019 and reduced Company store ownership levels by year-end 2018 are achieved (discussed in more detail beginning at page 44).

2017 Changes to Compensation Program

- Long Term Incentive Equity Mix for 2017. As mentioned above, following the Company's 2016 Annual Meeting of Shareholders, significant shareholder engagement was undertaken by the Company in order to receive feedback on, among other things, the Company's equity mix for long-term incentive awards. In response to this shareholder feedback, and in alignment with our business strategy and compensation philosophy, the Committee has determined that beginning in 2017, the long-term award mix for members of the Company's Global Leadership Team will be split 50% SARs and 50% PSUs.
- Change in PSU Metrics. In response to shareholder feedback, and consistent with the Company's overall business strategy, beginning in 2017, PSU grants will be earned based on how the Company's TSR performs relative to the S&P 500 Consumer Discretionary Index and on compound annual growth of the Company's Earnings Per Share ("EPS").

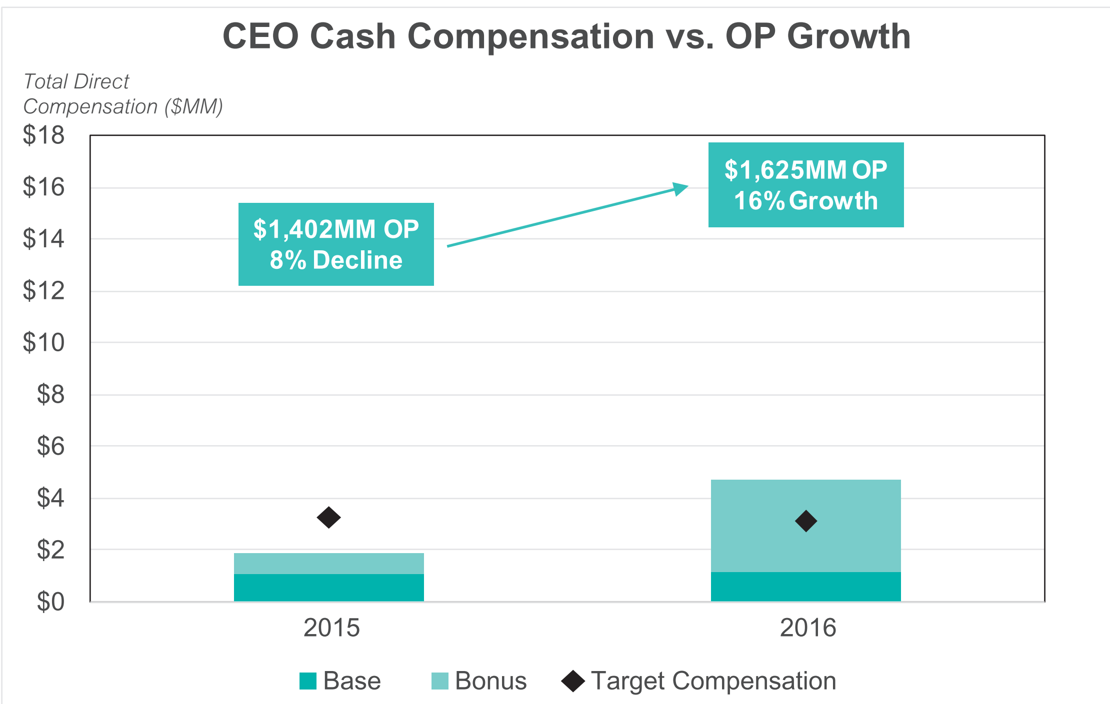
E. Relationship between Company Pay and Performance

To focus on both the short-term and long-term success of the Company, approximately 90% of our CEO's target compensation is "at-risk" pay, with the compensation paid 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 our CEO emphasizes our commitment to "at-risk" pay in order to tie pay to performance. For purposes of this section, our discussion is limited to our CEO, Mr. Creed. Our other NEOs' target compensation is subject to a substantially similar set of considerations, which are discussed in Section III, 2016 Named Executive Officer Total Direct Compensation and Performance Summary, found at pages 45 to 51 of this CD&A.

CEO TARGET PAY MIX—2016

CEO Cash Compensation

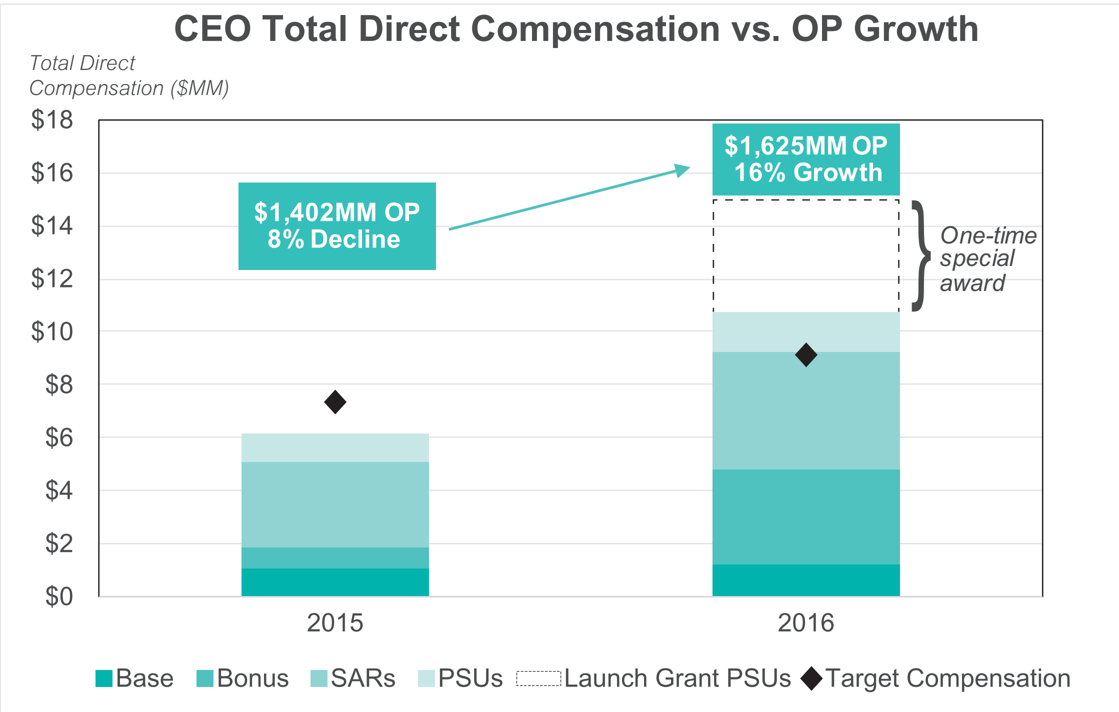
Our CEO's cash compensation tracks operating profit ("OP") growth, which is our primary business performance metric. As demonstrated below, our OP growth was markedly increased from the prior year in 2016 and was significantly above the target set by the Committee, resulting in our CEO's actual cash compensation being above target. OP growth was used as a metric in 2016, rather than EPS (which had been used in the prior year), as it was determined by the Committee to be the best metric to measure the ongoing performance of the Company, in light of the Separation, anticipated recapitalization and the overall transformation of the Company's business into one that is more heavily franchised. The Committee determined that OP growth was a closer measure to our core organic operations and performance, and its use as a metric was subjected to a rigorous target setting exercise prior to the decision to make the switch.



CEO Total Direct Compensation

Our CEO's actual total direct compensation (base salary, bonus and annual long-term incentive award value at grant date) reflects the performance of the Company. For 2015, the CEO's actual total direct compensation was below target, reflecting the below target performance of the Company. However, the CEO's actual total direct compensation for 2016 was above target, reflecting the Company's above target performance.

For 2016, 68% of our CEO's pay is in the form of long-term equity incentive compensation, including the special one-time Launch Grant Award which will only pay out if required performance targets are achieved (discussed on page 44).



II. 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 & PSUs
Retirement and Additional Benefits	Provide for long-term retirement income and basic health and welfare coverage.	Various

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 salary varies based on the role, level of responsibility, experience, individual performance, potential and market value. Specific salary increases take into account these factors. The Committee reviews each NEO's 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(1)	X	Target Bonus Percentage	X	Team Performance (0 – 200%)	X	Individual Performance (0 – 150%)	=	Bonus Payout (0 – 300%)

(1) Base Salary for annual bonus calculation purposes refers to the annual rate of base salary as approved by the Committee.

Team Performance

The Committee established team performance measures, targets and weights in January 2016 after receiving input and recommendations from management. The team performance targets were also reviewed by the Board to ensure that the goals support the Company's overall strategic objectives.

The performance targets 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 of each of KFC, Taco Bell and Pizza Hut (each, a "Division"). These projections included profit growth to achieve our long-term 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.

In October 2015, we announced our intention to separate our former China business into an independent publicly-traded company. Due to the uncertainty regarding the timing of the Separation, full year performance targets were initially set in January 2016 without consideration of the Separation occurring. Following the decision to complete the Separation on October 31, 2016, the Committee determined the methodology for adjusting targets upon the occurrence of the Separation. Due to how late in the performance period the Separation was to occur, the Committee determined that:

(1) All Division targets and performance against those targets would be determined as if the Separation did not occur;

(2) YUM performance targets should continue to reflect the results of the China business achieved prior to the Separation as a wholly-owned business due to the significant YUM efforts and oversight of those results;

(3) For the YUM performance target of overall Operating Profit it was determined that the target be adjusted to reflect ten months of the China business results as a wholly-owned subsidiary and two months as a licensee; and

(4) For the YUM measure of Weighted Average of the Divisions' Team Performance, it was determined that the China Division Team Performance component be based on progress towards the initial targets set by the Committee through the date of the Separation.

Detailed Breakdown of 2016 Team Performance

The team performance targets, actual results, weights and overall performance for each measure for our NEOs are outlined below. The long-term drivers of value for a retailing organization are profit growth, same store sales growth and new store development.

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

Accordingly, the Committee selected these performance measures for the Company's annual incentive plan and were included at both the corporate and divisional levels.

Team Performance

NEO	Measures	Target	Actual	Earned Award as % of Target	Weighting	Final Team Performance
Creed	Weighted Average Divisions' Team Performance			126	50%	63
Russell Kesselman	Adjusted Operating Profit Growth(3)	10%	18%	200	50%	100
Gibbs[1]	**FINAL YUM TEAM FACTOR**					**163**
Gibbs[2]	Adjusted Operating Profit Growth(3)	8%	11%	197	50%	99
	System Same-Store Sales Growth	3.0%	0.0%	0	20%	0
	System Net Builds(4)	300	301	103	20%	21
	System Customer Satisfaction	Weighted Average(5)		154	10%	15
	Total Weighted Team Performance — PIZZA HUT (75%)					134
	Total Weighted Team Performance — YUM (25%)					163
	FINAL PIZZA HUT TEAM FACTOR					**141**
Niccol	Adjusted Operating Profit Growth(3)	6%	9%	200	50%	100
	System Same-Store Sales Growth	3.0%	1.6%	32	20%	6
	System Net Builds(4)	225	226	104	20%	21
	System Customer Satisfaction	70.0%	72.2%	200	10%	20
	Total Weighted Team Performance — TACO BELL (75%)					147
	Total Weighted Team Performance — YUM (25%)					163
	FINAL TACO BELL TEAM FACTOR					**151**
Eaton	Adjusted Operating Profit Growth(3)	10%	10%	93	50%	47
	System Same-Store Sales Growth	4.0%	2.6%	31	20%	6
	System Net Builds(4)	500	534	168	20%	34
	System Customer Satisfaction	Weighted Average(6)		133	10%	13
	Total Weighted Team Performance — KFC (75%)					100
	Total Weighted Team Performance — YUM (25%)					163
	FINAL KFC TEAM FACTOR					**116**

(1) For Gibbs' time in YUM role.

(2) For Gibbs' time in Pizza Hut Division role.

(3) Refer to Appendix A for reconciliation of non-GAAP Adjusted Operating Profit Growth, as shown above, to GAAP Operating Profit Growth.

(4) System Net Builds target and actual totals for KFC and Pizza Hut exclude the U.S. and our former China Division. System Net Builds target and actual totals for Taco Bell exclude U.S. license units.

(5) Weighted Average of each business unit Team Factor based on number of restaurants.

(6) Average of the business unit Team Factors.

Individual Performance

Each NEO's Individual Performance Factor is determined by the Committee based upon their subjective determination of the NEOs individual performance for the year, including consideration of specific objective individual performance goals set at the beginning of the year.

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 (defined at page 55)
- Achievement of stock ownership guidelines

Equity Mix

Each year, the Committee reviews the mix of long-term incentives. For 2016, the Committee continued to choose SARs and PSU awards because these equity vehicles focus and reward management for enhancing long-term shareholder value, thereby aligning our NEOs with the interests of our shareholders.

At the beginning of 2016, the Committee determined a target grant value for each member of the Global Leadership Team and the split of that value between SARs and PSU grants. For Messrs. Creed, Gibbs, Niccol, Kesselman and Eaton, the target grant value was split 75% SARs and 25% PSUs. For Messrs. Russell and Pant the target grant value was 100% SARs. Mr. Pant was not awarded a PSU grant on account of the timing of the Separation. Mr. Russell received 100% SARs because PSUs are not granted to Company employees at his level. The Committee awarded predominantly SARs to the NEOs because it believed SARs best incentivize them to drive long-term growth in the business. For each NEO, the breakdown between SARs award values and PSU award values can be found under the Summary Compensation Table, page 60 at columns e and f.

Stock Appreciation Rights Awards

The Committee believes that SARs reward value creation generated from sustained results and the favorable expectations of our shareholders. In 2016, we granted to each of our NEOs SARs which have ten-year terms and vest over at least four years. The exercise price of each SAR award was based on the closing market price of the underlying YUM common stock on the date of grant. Therefore, SAR awards will only have value if our NEOs are successful in increasing share price above the awards' exercise price.

Performance Share Awards

PSU awards may be granted pursuant to the Company's Performance Share Plan under its Long Term Incentive Plan ("LTIP"). Annual grants of PSUs are made pursuant to the terms of the Performance Share Plan. Under the Performance Share Plan, we granted Messrs. Creed, Gibbs, Niccol, Kesselman and Eaton PSU awards in 2016. 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.

For the performance period covering the 2016-2018 calendar years, the Committee approved changes to the threshold and maximum share payouts to align with prevailing market practices. Consistent with prior year awards, if TSR is negative, payouts may not exceed the target irrespective of the actual TSR percentile ranking of the Company. The target, threshold and maximum number of shares that may be paid under these awards for each NEO are described at page 63.

For the performance period covering 2016 – 2018, 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	Maximum
TSR Percentile Ranking	<30%	30%	50%	75%
Payout as % of Target	0%	35%	100%	200%

We set target long-term incentive pay at the 50th percentile of our Executive Peer Group (defined at page 55). 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 additional shares but only in the same proportion and at the same time as the original awards are earned. If no shares are earned, no dividend equivalents will be paid. The awards are eligible for deferral under the Company's Executive Income Deferral ("EID") Program.

Conversion of Equity Awards Following the Separation

In connection with the Separation, we modified vested and unvested YUM awards by providing for approximately one YUM award and one Yum China award (subject only to limited exceptions), to maintain economic value. Similarly, at the date of Separation, NEOs who held common stock of YUM, acquired through past equity-based awards or otherwise, received one share of Yum China common stock for each share of YUM common stock held as of the record date of October 19, 2016. Further, NEOs' Performance Share Plan awards under the LTIP were retained as YUM awards, adjusted to reflect the effects of the Separation.

Launch Grant Awards-One-Time Performance-Based Awards to Drive Key Transformational Change

In September 2016, the Committee approved a special one-time Launch Grant Award of PSUs to our CEO, Mr. Creed, and his Global Leadership Team, including Messrs. Gibbs, Eaton, Kesselman, and Niccol. The Committee intends that these performance-based grants will provide significant incentive to Mr. Creed and his Global Leadership Team to accomplish the transformational changes necessary for the Company over the performance period and will ensure leadership stability and commitment during this time of significant change. The performance metrics of these PSUs are reflective of the key transformational metrics the Company has disclosed to shareholders. The PSU grants were made effective November 7, 2016 and the terms of such grants are set forth below.

The PSUs may be earned based on the Company's performance against two objectives:

1. "G&A expenses"(1) as a percentage of "system sales"(2) for the year ended 2019, and
2. "Company-owned units"(3) at fiscal year-end 2018.

Each award will be weighted equally against these two metrics. The key terms of the award follow:

Weight	Measure	Target	Measurement Period	Payment Date(4)
50%	G&A expenses as a % of System Sales	1.7% or less	Fiscal Year 2019	End of 2019
50%	Total # of Company-Owned Units	1,000 or less	End of 2018	End of 2019

(1) "G&A expenses" means total Company general administrative expenses for the fiscal year ended 2019 as reported in the Company's Form 10-K, adjusted as deemed appropriate for G&A expenses not contemplated at the time of this grant including, but not limited to, G&A expenses associated with any concept acquired by Yum! after November 7, 2016, G&A expenses resulting from any significant investments, G&A expenses associated with the divestiture of a brand and G&A expenses reported as a "Special Item" in our SEC filings . Appropriate adjustments to G&A expenses will also be made in the event of a financial accounting reporting change from the manner of reporting as of the date of the awards that serves to include or exclude amounts from G&A expenses.

(2) "System sales" are the sales results of all KFC, Pizza Hut and Taco Bell restaurants regardless of ownership.

(3) "Company-owned units" are KFC, Pizza Hut and Taco Bell restaurants as reported in the Company's Form 10-K at fiscal year-end 2018. Company-owned units resulting from the acquisition of other restaurant concept stores by Yum! or any affiliate will be disregarded. The 1,000 Company-owned unit threshold will be adjusted appropriately in case of the divestiture of a brand.

(4) *Payment will not be made until the Committee has certified that performance measures have been met. Further, the Committee has discretion over final payout, but no payout can exceed the number of shares that correspond to the achievement of 100% of the target. In addition, the Committee has set minimum achievement levels pursuant to which no payout may be made unless G&A expenses as a percentage of system sales are 2% or less or the total number of company-owned units is 1,250 or less. In the case of a change of control of the Company, if the award recipient is involuntarily terminated upon or following the Change in Control and during the performance period, then the award recipient will receive the number of shares that would have been received if the target level of performance had been achieved for the entire performance period, subject to a pro rata reduction to reflect the portion of the performance period following such recipient's post-change in control termination.*

III. 2016 Named Executive Officer Total Direct Compensation and Performance Summary

Below is a summary of each of our NEOs' total direct compensation – which includes base salary, annual cash bonus, PSUs and SARs – and an overview of their 2016 performance relative to our annual and long-term incentive performance goals. The process the Committee used to determine each officer's 2016 compensation is described more fully in "How Compensation Decisions Are Made" beginning on page 53.

CEO Compensation

Greg Creed
Chief Executive Officer

2016 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 2016 merited an individual factor of 125. This individual factor was combined with YUM's team factor of 163 (discussed at page 40) to calculate his annual cash bonus. This determination was based on the Committee's subjective assessment of Mr. Creed's performance against his goals which included the following items (without assigning a weight to any particular item):

- Leadership in completing the Separation of the Company's China Division into a stand-alone public company during 2016
- YUM operating profit growth of 16%
- Worldwide system sales growth of 5%, excluding the impact of foreign currency translation
- Returned $6.2 billion in capital through quarterly dividends and through repurchasing approximately 68 million shares
- Total restaurant openings of 2,316; net unit growth of 3%
- Pizza Hut's, Taco Bell's and China Division's above target performance for adjusted operating profit growth
- KFC's, Pizza Hut's and Taco Bell's above target performance for system net builds
- Below target system same-store sales growth at KFC, Pizza Hut, Taco Bell and China Division, and
- Development of leadership and leadership bench, and fostering customer-focused employee culture in the Company

2016 Committee Decisions

In January 2016, the Committee set Mr. Creed's 2016 compensation taking into account his 2015 promotion to CEO and considering that all elements of pay were at or below the 50th percentile of the Company's Executive Peer Group (defined at page 55), even after considering the Company's estimated post-Separation revenue size and peer group. Mr. Creed's annual cash bonus target was set at 150% of his base salary and was unchanged from 2015. His salary was increased

7% for 2016 and his total long-term incentive equity award grant value was increased 40%, to bring him closer to the 50th percentile of the Company's Executive Peer Group. These increases brought his total target compensation to $8,937,500 for 2016, which is below the 50th percentile of the Company's Executive Peer Group.

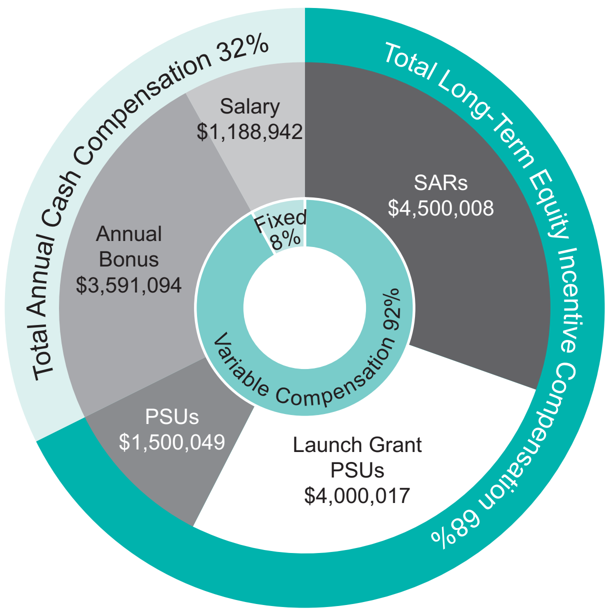
Later during 2016, the Committee approved a special one-time performance-based Launch Grant Award for Mr. Creed (described at page 44) with a grant value of $4,000,000. The purpose of this special award is described above at page 44.

The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 40 for Mr. Creed:

2016 BONUS AWARD

Base Salary		Target Bonus %		Team Performance Factor		Individual Performance Factor		2016 Bonus Award
$1,175,000	X	150%	X	163%	X	125%	=	$3,591,094

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



Other NEO 2016 Total Direct Compensation

David W. Gibbs

President and Chief Financial Officer

2016 Performance Summary

The Committee determined Mr. Gibbs' performance for the year merited a 140 individual performance factor. Mr. Gibbs' individual performance factor was combined with a team factor of 156 (discussed at page 40) to calculate his annual cash bonus. Mr. Gibbs' team factor for 2016 was based on the Pizza Hut team factor of 141 and Company team factor of 163 prorated based on his time as CEO of Pizza Hut and as the President and CFO of the Company. Mr. Gibbs was CEO of the Company's Pizza Hut Division prior to being named President and CFO of the Company on May 2, 2016. The Committee recognized Mr. Gibbs' leadership in assuming the position of President and CFO of the Company and his exceptional impact in ensuring the completion of the Separation of the China Division, recapitalization of the Company and providing strategic leadership in planning the transformation of the Company into one that is significantly more franchised. The Committee also recognized Mr. Gibbs for the operating profit performance of the Pizza Hut Division during 2016 under his leadership.

2016 Committee Decisions

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

- Base salary was increased 4%
- Annual cash bonus target remained unchanged at 90% of target
- Grant value of long-term incentive equity awards were increased by 20%

In connection with his mid-year promotion to President and CFO of the Company, Mr. Gibbs' compensation was further adjusted as follows:

- Base salary was increased 10%
- Annual cash bonus target was increased to 105% of base salary
- Grant value of long-term incentive equity awards was increased 40%

These increases brought Mr. Gibbs' total direct compensation to around the 50th percentile of the Executive Peer Group (defined at page 55) for the President and CFO role.

Later during 2016, the Committee approved a special one-time performance-based Launch Grant Award for Mr. Gibbs (described at page 44) with a grant value of $1,500,000.

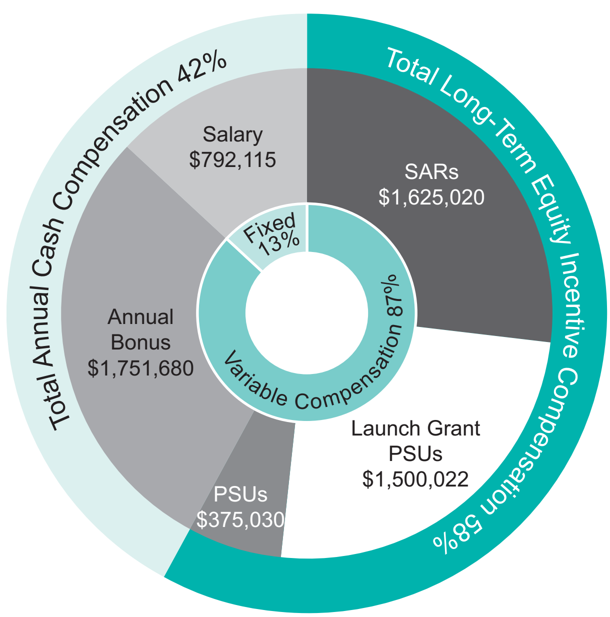
The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 40 for Mr. Gibbs[(1)]:

2016 BONUS AWARD

Base Salary		Target Bonus %		Team Performance Factor		Individual Performance Factor		2016 Bonus Award
$800,000	X	100%	X	156%	X	140%	=	$1,751,680

(1) Mr. Gibbs' Target Bonus is a blended target based on a target bonus of 90% during his time as CEO of the Pizza Hut Division and 105% during his time as the Company's CFO. Amounts will not recalculate due to rounding.

The graphic below illustrates Mr. Gibbs' 2016 direct compensation:



Brian R. Niccol

Chief Executive Officer of Taco Bell Division

2016 Performance Summary

The Committee determined Mr. Niccol's performance as the CEO, Taco Bell Division, merited a 140 individual performance factor. Under Mr. Niccol's leadership, Taco Bell Division's operating performance was very strong with significant adjusted operating profit growth, strong product innovation, continued success of the breakfast day-part, and net new unit

Proxy Statement

expansion. Mr. Niccol also oversaw the implementation of a $2.3 billion securitized financing facility designed to optimize the Company's capital structure. Mr. Niccol's individual performance factor was combined with a team factor of 151 (discussed at page 40) to calculate his annual cash bonus.

2016 Committee Decisions

- Base salary was increased 14% percent for 2016
- Annual cash bonus target was increased to 100% of base salary
- Grant value of long-term incentive equity awards was increased by 20%
- Received CEO award of SARs for his superlative leadership in driving Taco Bell's strong performance (grant date fair market value was $500,004)

These increases brought Mr. Niccol's total direct compensation to between the 50th and 75th percentile of the Executive Peer Group (defined at page 55) for his position.

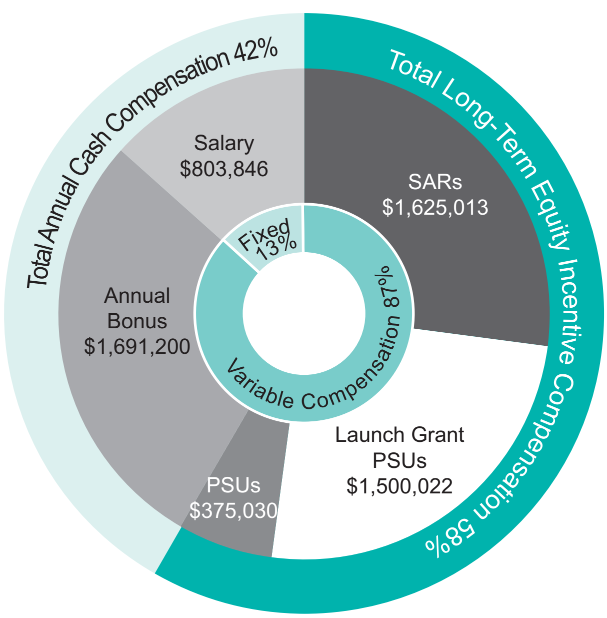
Later during 2016, the Committee approved a special one-time performance-based Launch Grant Award for Mr. Niccol (described at page 44) with a grant value of $1,500,000.

The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 40 for Mr. Niccol:

2016 BONUS AWARD

Base Salary		Target Bonus %		Team Performance Factor		Individual Performance Factor		2016 Bonus Award
$800,000	X	100%	X	151%	X	140%	=	$1,691,200

The graphic below illustrates Mr. Niccol's 2016 direct compensation:



Marc L. Kesselman

General Counsel, Corporate Secretary and Chief Government Affairs Officer

2016 Performance Summary

Mr. Kesselman joined the Company on February 1, 2016 as General Counsel and Corporate Secretary and, later in 2016, was also named the Chief Government Affairs Officer. The Committee determined that Mr. Kesselman's performance merited a 115 individual performance factor. The Committee recognized Mr. Kesselman's leadership in ensuring the completion of the Separation and in providing strategic leadership in planning the organizational transformation of the Company into one that is significantly more franchised. Mr. Kesselman's individual factor was combined with a team factor of 163 (discussed at page 40) to calculate his annual cash bonus.

2016 Committee Decisions

The Committee approved the following compensation for Mr. Kesselman as of February 1, 2016 when he joined the Company:

- Base salary of $575,000
- Annual cash bonus target of 85% of base salary
- Grant value of long-term incentive equity awards equivalent to $1,200,000

The Committee also awarded Mr. Kesselman a $500,000 cash payment, a SARs grant with a grant value of $500,000 (vesting 25% per year over four years), and a restricted stock unit ("RSU") grant with a grant value of $1,000,000 (vesting 33% per year over 3 years) in order to offset compensation earned by him and forfeited when he left his prior employer to join the Company.

Mr. Kesselman's total direct compensation is at the 50th percentile of the Executive Peer Group (defined at page 55) for his position.

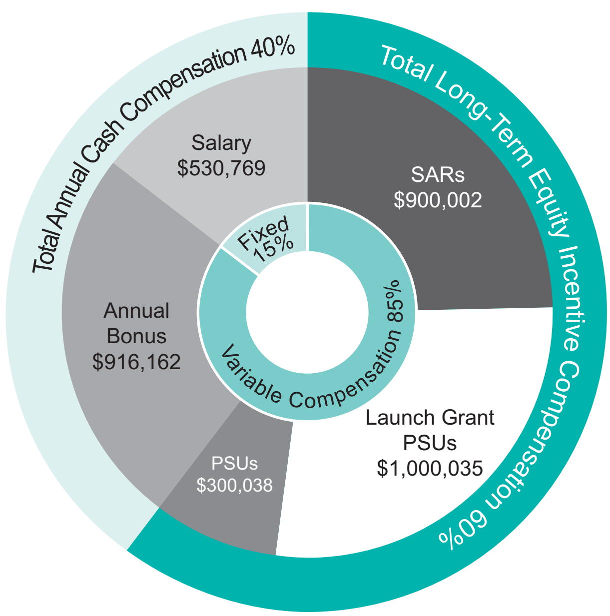
Later during 2016, the Committee approved a special one-time performance-based Launch Grant Award for Mr. Kesselman (described at page 44) with a grant value of $1,000,000.

The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 40 for Mr. Kesselman:

2016 BONUS AWARD

Base Salary		Target Bonus %		Team Performance Factor		Individual Performance Factor		2016 Bonus Award
$575,000	X	85%	X	163%	X	115%	=	$916,162

The graphic below illustrates Mr. Kesselman's 2016 direct compensation (excluding his sign-on cash bonus and sign-on equity awards, as described above):



Roger G. Eaton

Chief Executive Officer of KFC Division

2016 Performance Summary

The Committee determined Mr. Eaton's performance as the CEO, KFC Division, merited a 120 individual performance factor. Under Mr. Eaton's leadership, KFC achieved strong adjusted operating profit growth and positive same store sales growth. Mr. Eaton also oversaw the KFC Division's net new unit growth, which included record expansion in emerging markets.

Mr. Eaton's individual performance factor was combined with a team factor of 116 (discussed at page 40) to calculate his annual cash bonus.

2016 Committee Decisions

- Base salary was increased 3% percent for 2016
- Annual cash bonus target was increased to 100% of base salary
- Grant value of long-term incentive equity awards was increased by 10%

These increases positioned Mr. Eaton's total direct compensation at the 50th percentile of the Executive Peer Group (defined at page 55) for his position.

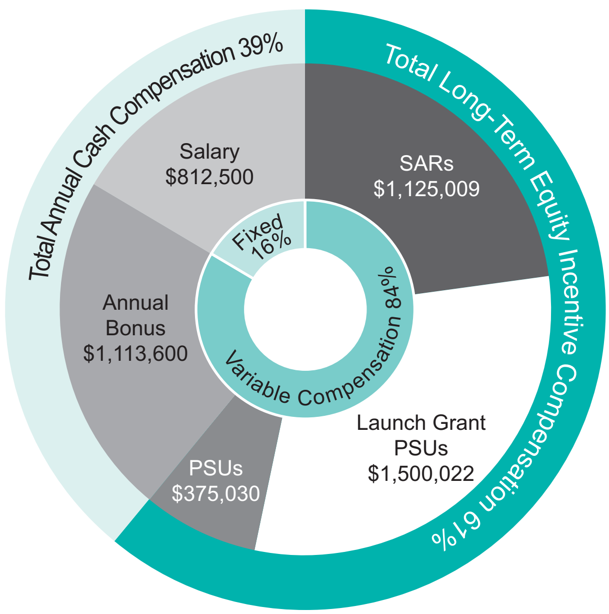
Later during 2016, the Committee approved a special one-time performance-based Launch Grant Award for Mr. Eaton (described at page 44) with a grant value of $1,500,000.

The table below summarizes how the annual performance-based incentive award was calculated based on the formula described above at page 40 for Mr. Eaton:

2016 BONUS AWARD

Base Salary		Target Bonus %		Team Performance Factor		Individual Performance Factor		2016 Bonus Award
$800,000	X	100%	X	116%	X	120%	=	$1,113,600

The graphic below illustrates Mr. Eaton's 2016 direct compensation:



David E. Russell

Former Interim Chief Financial Officer and current Senior Vice President of Finance and Corporate Controller

2016 Performance Summary

Mr. Russell served as Interim CFO of the Company from February 19, 2016 (Mr. Grismer's departure date) until May 2, 2016 (when Mr. Gibbs was appointed). The Committee reviewed Mr. Russell's performance for the entire year, including while he served as Interim CFO. The Committee determined that Mr. Russell's performance for the year merited a 150 individual performance factor. The Committee determined that Mr. Russell provided important contributions and leadership as Interim CFO as well as important leadership in helping ensure the successful Separation of the China Division.

2016 Committee Decisions

- Base salary was increased 6% percent
- Annual cash bonus target was increased to 65% of base salary
- Grant value of long-term incentive equity award remained unchanged
- A cash retention award of $180,000 tied to his role in the Separation

In connection with his service as interim Chief Financial Officer of the Company, the Committee approved the following one-time compensation items for Mr. Russell:

- One-time SARs award with an economic value of $275,000 and which vests 100% after 5 years
- Additional cash compensation of $35,000 per month while he served as Interim CFO

Base Salary		Target Bonus %		Team Performance Factor		Individual Performance Factor		2016 Bonus Award
$375,000	X	65%	X	163%	X	150%	=	$595,969

Patrick J. Grismer

Former Chief Financial Officer

2016 Performance Summary

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 acceleration of the unvested SARs was provided in exchange for Mr. Grismer's agreeing to remain as CFO until that date. As a result of Mr. Grismer's resignation, the Committee did not make a determination with respect to Mr. Grismer's performance as the CFO.

Micky Pant

Former Chief Executive Officer of Yum Restaurants China

2016 Performance Summary

Mr. Pant was the CEO of the Company's China Division. Upon the Separation of the China Division from the Company, Mr. Pant ceased to be an employee of the Company or any of its subsidiaries. He is included in the Summary Compensation Table as required by SEC rules because his compensation while an employee of YUM was at a level that would have required disclosure had he been an employee at the end of 2016.

For 2016, since Mr. Pant was not an employee at year end, the Committee did not evaluate his 2016 performance or provide a performance rating for determining a bonus. The compensation committee of Yum China evaluated Mr. Pant's performance for purposes of determining his bonus.

2016 Committee Decisions

- Base salary was increased 5%.
- Annual cash bonus target remained unchanged.
- Grant value of long-term incentive equity awards was increased 69%, in recognition of his performance and reflecting more closely what a CEO would receive in long-term incentives in a stand-alone public entity; exclusively awarded in the form of SARs in anticipation of the Separation. Mr. Pant did not receive a PSU grant because a significant part of the performance period for such a grant would have occurred after it was expected that he would no longer be a Company employee.

IV. 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. The plan is U.S.-based and was closed to new entrants in 2001. Messrs. Gibbs and Russell are active participants in the Retirement Plan and 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. For 2016, Messrs. Niccol, Kesselman, Grismer and Pant were 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 Messrs. Niccol and Grismer, 8% for Mr. Kesselman and 20% for Mr. Pant) and an annual earnings credit of 5% on the balance. Following the Separation, Mr. Pant is no longer a participant in the LRP.

The Company provides retirement benefits for certain international employees through the Third Country National Plan ("TCN"). The TCN is an unfunded, unsecured account-based retirement plan that provides an annual contribution between 7.5% and 15% of salary and target bonus and an annual earnings credit of 5% on the balance. The level of contribution is based on the participants' role and their home country retirement plan. Messrs. Creed and Eaton are the only NEOs who participate in the TCN. Under this plan, Messrs. Creed and Eaton each receive 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 69.

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 is 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. 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 with respect to his 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.

In addition, in 2016 our NEOs were provided with access to a paid annual physical examination valued at approximately $2,600. Messrs. Kesselman, Eaton and Russell were each reimbursed for physicals in 2016.

V. How Compensation Decisions Are Made

Shareholder Outreach, Engagement and 2016 Vote on NEO Compensation

At our 2016 Annual Meeting of Shareholders, 91% of votes cast on our annual advisory vote on NEO compensation were in favor of our NEOs' compensation program, as disclosed in our 2016 proxy statement. During 2016, 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 2016 that served to reinforce our open door policy. The efforts included:

- Contacting the top 25 shareholders, representing ownership of approximately 46% of our shares
- Meeting with shareholders representing 19% 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 2016 voting results on NEO compensation, has influenced and reinforced a number of compensation design changes over the years, including:

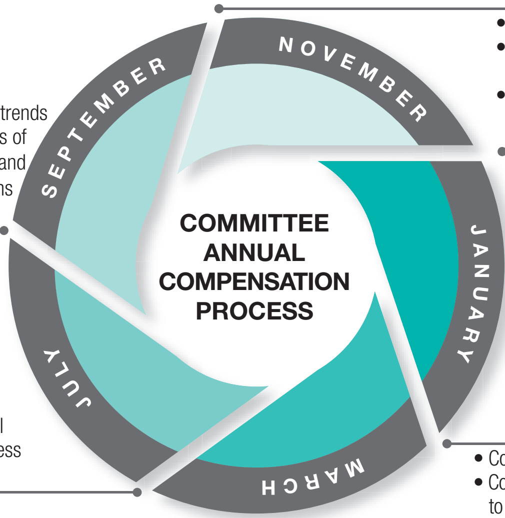
- Moving to benchmarking CEO compensation at market median
- Continued adjustment of CEO long-term equity incentive mix from 100% SARs to a mix comprised of 75% SARs and 25% PSUs in 2016, with further adjustment to 50% SARs and 50% PSUs in 2017.
- Moving to two performance metrics under our PSUs – TSR and EPS, beginning with PSU grants in 2017

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:

COMMITTEE ANNUAL COMPENSATION PROCESS



November
- Reviews competitive analysis/benchmarking for CEO and direct reports
- Reviews bonus and performance share plan metrics, targets, and leverage recommendations for the following year
- Evaluates feedback from shareholders and proxy advisors

January
- Evaluates and approves CEO and direct reports' performance against pre-established goals and compensation decisions
- Approves bonus plans and Performance Shares results for the prior year
- Approves bonus and performance share plan metrics, targets and leverage for the current year
- Reviews tally sheets
- Confirms CEO and CEO's direct reports meet ownership guidelines

March
- Completes compensation risk assessment
- Conducts independence analysis of compensation consultant retaining sole authority to continue or terminate its relationship with outside advisors, including consultant
- Reviews and approves inclusion of CD&A in proxy statement

July
- Mid-Year update to full Board on CEO's progress against goals

September
- Reviews compensation trends
- Reviews market analysis of Director compensation and makes recommendations to Board (bi-annually)

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 (defined below) 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 2015 for pay determinations in 2016. The Committee removed Office Depot, Kraft and Unilever from the Executive Peer Group due to acquisitions involving the two former companies and insufficient data availability for the latter company. The 2016 Executive Peer Group is comprised of the following companies:

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

At the time the benchmarking analysis was prepared, the Executive Peer Group's median annual revenues were $16.8 billion, while YUM annual revenues, prior to the Separation, were estimated at $19.5 billion (calculated as described below).

For companies with significant franchise operations, measuring size can be complex. Management responsibilities encompass more than just the revenues and operations directly owned and operated by the company. There are 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 the size of our organization and underlying operating divisions, 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 twofold:

(1) Market-competitive compensation opportunities are related to scope of responsibility, often measured by company size, *i.e.*, revenues; and

(2) Scope of responsibility for a franchising organization lies between corporate-reported revenues and system wide sales.

We believe this approach is measured and reasoned in its approach to calibrating market competitive compensation opportunities without using organizations unduly larger than the Company.

Competitive Positioning and Setting Compensation

At the beginning of 2016, 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 making compensation decisions, the Committee considers market data for comparable positions to each of our NEO roles. The Committee reviews market data and makes a decision for each NEO, most often in a range around market median for each element of compensation, including base salary, target bonus and long-term incentive target. In addition to the market data, the Committee takes into account the role, level of responsibility, experience, individual performance and potential of each NEO. The Committee reviews the NEOs' compensation and performance annually.

VI. Compensation Policies and Practices

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

	We Do		We Don't Do
✓	Have an 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
✓	Have executive ownership guidelines that are reviewed annually against Company guidelines	✗	Grants of SARs 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
✓	Have double-trigger vesting of equity awards upon a change in control	✗	Excise tax gross-ups upon change in control
✓	Utilize an independent Compensation Consultant	✗	Excessive executive perquisites, such as country club memberships
✓	Incorporate comprehensive risk mitigation into plan design		
✓	Periodically review our 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		

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 2016, 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	508,978	$32,233,577	27.4
Gibbs	30,000	178,429	$11,299,909	14.1
Niccol	30,000	124,642	$ 7,893,578	9.9
Kesselman(3)	15,000	0	0	0
Eaton	30,000	360,613	$22,837,621	28.5
Russell	5,000	50,527	$ 3,199,875	8.5

(1) *Calculated as of December 31, 2016 and represents shares owned outright, the number of shares underlying vested, in-the-money SARs that would be delivered to the executive upon exercise, and all RSUs awarded under the Company's EID Program.*

(2) *Based on YUM closing stock price of $63.33 as of December 30, 2016.*

(3) *Mr. Kesselman was not subject to the Ownership Guidelines in 2016 on account of it being his first year with the Company. In 2017, Mr. Kesselman will be subject to the guidelines.*

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 executives who are direct reports to our CEO and are 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 73.

The Company does not provide tax gross-ups for executives, including the NEOs, for any excise tax due under Section 4999 of the Internal Revenue Code and has 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, the Company has implemented "double trigger" vesting for equity awards, 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 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 SARs Granting Practices

Historically, we have made SARs 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 these awards 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. All equity awards are granted under our shareholder approved LTIP.

Grants may also be made on other dates the Board of Directors meets. These grants generally are CEO Awards, which are awards to individual employees (subject to Committee approval) 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 30,000 SARs annually. In the case of these grants, the Committee sets all the terms of each award, except the actual number of SARs, 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 and SARs, RSU and PSU awards satisfy the requirements for exemption under Internal Revenue Code Section 162(m).

For 2016, the annual salary paid to Mr. Creed exceeded $1 million. The other NEOs were in each case paid salaries of $1 million or less. The 2016, annual bonuses were all paid pursuant to our annual bonus program and, therefore, we expect will be deductible. For 2016, the Committee set the maximum individual award opportunity based on a bonus pool for the CEO and the next three highest paid executive officers, other than Messrs. Creed and Gibbs. (Mr. Gibbs is not included for purposes of our pool since under IRS rules the CFO is not subject to these limits.) The bonus pool for 2016 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 $1.6 billion, the bonus pool was set at approximately $24 million and the maximum 2016 award opportunity for each NEO was based on their applicable percentage of the pool (Mr. Creed=30%, Mr. Niccol=20%, Mr. Kesselman=10%, Mr. Eaton =10% and Mr. Pant=20%), (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.

Mr. Kesselman was hired during 2016. As a part of his recruitment package, he received a sign-on bonus and time vested RSUs that are not performance based and will not be deductible to the extent his non-performance based compensation exceeds $1 million for 2016 and in later years (if he is an NEO in those years). The Committee approved this package to compensate Mr. Kesselman for equity awards forfeited when he left his prior employer, which the Committee believed was necessary to secure his services. The Committee does not believe that Mr. Kesselman's non-performance based compensation will exceed $1 million in the years in which the RSUs vest.

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

Brian C. Cornell, Chair
Michael J. Cavanagh
David W. Dorman
Mirian M. Graddick-Weir
Thomas M. Ryan
Elane B. Stock
Robert D. Walter

The following tables provide information on the compensation of the Named Executive Officers ("NEOs") for our 2016 fiscal year. The Company's NEOs are our Chief Executive Officer, Chief Financial Officer(s), our three other most highly compensated executive officers for our 2016 fiscal year determined in accordance with SEC rules and two former executive officers who were no longer serving as executive officers as of the end of the year.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)[1]	Bonus ($)[2]	Stock Awards ($)[3]	Option/ SAR Awards ($)[4]	Non-Equity Incentive Plan Compensation ($)[5]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[6]	All Other Compensation ($)[7]	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Greg Creed	2016	1,188,942	—	5,500,066	4,500,008	3,591,094	56,100	544,472	15,380,682
Chief Executive	2015	1,104,615	—	1,075,016	3,108,013	787,050	25,294	1,393,388	7,493,376
Officer of YUM	2014	750,000	—	325,048	2,561,957	945,750	45,680	345,068	4,973,503
David W. Gibbs President and Chief Financial Officer of YUM[8][9]	2016	792,115	—	1,875,052	1,625,020	1,751,680	577,153	6,969	6,627,989
Brian R. Niccol	2016	803,846	—	1,875,052	1,625,013	1,691,200	13,144	166,060	6,174,315
Chief Executive Officer of Taco Bell Division[8]	2015	697,688		250,031	2,091,503	1,512,000	8,123	180,361	4,739,706
Marc L. Kesselman General Counsel, Corporate Secretary and Chief Government Affairs Officer of YUM[8][9]	2016	530,769	500,000	2,300,083	1,400,006	916,162	—	83,606	5,730,626
Roger G. Eaton Chief Executive Officer of KFC Division[8]	2016	812,500	—	1,875,052	1,125,009	1,113,600	30,853	288,290	5,245,304
David E. Russell Senior Vice President of Finance and Corporate Controller[8][9]	2016	476,867	180,000	397,313	496,870	297,984	162,407	33,236	2,044,677
Patrick J. Grismer	2016	132,308	—	—	930,587	—	19,860	610,420	1,693,175
Former Chief Financial	2015	790,192		420,070	1,680,012	445,200	12,861	162,132	3,510,467
Officer[9]	2014	707,500		350,019	1,475,973	267,410	9,087	142,114	2,952,103
Micky Pant	2016	844,231	—	—	3,000,010	2,036,650	53,312	497,300	6,431,503
Former Chief	2015	849,038		355,012	1,419,011	1,473,548	42,979	950,622	5,090,210
Executive Officer of YUM Restaurants China[9]	2014	750,000		350,019	1,475,973	799,500	32,735	313,356	3,721,583

(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: for Mr. Kesselman, a sign-on bonus ($500,000) and, for Mr. Russell, a retention payment ($180,000).

(3) Amounts shown in this column represent the grant date fair values for performance share units (PSUs) granted in 2016, 2015 and 2014. Further information regarding the 2016 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 February 2016 PSUs is 200% of target, (the maximum value of the November 2016 awards is 100% of target). For 2016, Mr. Creed's PSU maximum value at grant date fair value would be $7,000,116; Mr. Gibbs' PSU maximum value would be $2,250,082; Mr. Niccol's PSU maximum value would be $2,250,082;

Mr. Kesselman's PSU maximum value would be $1,600,111; and Mr. Eaton's PSU maximum value would be $2,250,082. For Mr. Kesselman, this column also includes a sign-on bonus RSU award with a grant date fair value of $1,000,010. Mr. Russell did not receive a PSU award for 2016 since he does not directly report to the CEO and therefore is not eligible. Mr. Russell was instead permitted to defer his annual incentive award into RSUs under the Company's EID Program. Under the EID Program (which is described in more detail beginning on page 71), an eligible executive may defer his or her annual incentive award and invest that deferral into stock units, RSUs, or other investment alternatives offered under the program. An executive who elects to defer his or her annual incentive award into RSUs receives additional RSUs equal to 33% of the RSUs acquired with the deferral of the annual incentive award ("matching contribution") subject to a two-year risk of forfeiture of the original deferral amount and the additional RSUs. For Mr. Russell, the amount in this column represents the deferral of 50% of his annual incentive award ($297,985) for 2016, plus his matching contribution ($99,328). The other NEOs are not eligible to participate in this program, as NEOs who receive PSUs are not eligible for the EID matching stock program.

(4) The amounts shown in this column represent the grant date fair values of the stock appreciation rights (SARs) awarded in 2016, 2015 and 2014, 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 2016 Annual Report in Notes to Consolidated Financial Statements at Note 16, "Share-based and Deferred Compensation Plans." For Mr. Kesselman, this column includes a sign-on SAR award with a grant date fair value of $500,004. For Mr. Grismer, this amount in 2016 includes the fair value of awards ($930,587) accelerated under his letter of understanding. For Mr. Gibbs, this amount includes his May 2016 award with a grant date fair value of $500,011. For Messrs. Niccol and Russell, this amount includes their February 2016 CEO SAR awards with grant date fair values of $500,004 and $248,435, respectively. See the Grants of Plan-Based Awards table for details.

(5) Amounts in this column reflect the annual incentive awards earned for the 2016, 2015 and 2014 fiscal year performance periods, which were awarded by our Management Planning and Development Committee ("Committee") in January 2017, January 2016 and January 2015, respectively, under the Yum Leaders' Bonus Program, which is described further in our Compensation Discussion and Analysis ("CD&A") beginning at page 33 under the heading "Annual Performance-Based Cash Bonuses". Pursuant to SEC rules, annual incentives deferred into RSUs under the EID Program and subject to a risk of forfeiture are reported in column (e). If the deferral or a portion of the deferral is not subject to a risk of forfeiture, it is reported in column (g). For 2016, Mr. Russell elected to defer 50% of his annual incentive ($297,985) into RSUs resulting in the remaining portion of his annual incentive ($297,984) reported in column (g). For Mr. Pant, this amount reflects a prorated bonus, based on the 10 months prior to the Separation, which was awarded to him and paid by Yum China based on the recommendation of its compensation committee.

(6) Amounts in this column represent the above market earnings as established pursuant to SEC rules which have accrued under each of their accounts under the LRP for Messrs. Niccol, Grismer and Pant and the Third Country National Plan ("TCN") for Messrs. Creed and Eaton which are described in more detail beginning at page 71 under the heading "Nonqualified Deferred Compensation".

Also listed in this column for Messrs. Creed, Gibbs and Russell are the amounts of aggregate change in actuarial present values of their accrued benefits under all actuarial pension plans during the 2016 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 2016 the increase in actuarial value was $17,493. For Mr. Gibbs and Mr. Russell, the actuarial present value of their benefits under the pension plan increased $134,337 and $81,798, respectively, during the 2016 fiscal year. In addition, for Mr. Gibbs and Mr. Russell the actuarial present value of their benefits under the Yum! Brands Pension Equalization Plan ("PEP") increased $442,816 and $80,609, respectively, during the 2016 fiscal year. Messrs. Niccol, Kesselman, Eaton, Grismer and Pant, were hired after September 30, 2001, and are ineligible for the Company's actuarial pension plans. See the Pension Benefits Table at page 68 for a detailed discussion of the Company's pension benefits.

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

(8) Messrs. Gibbs, Kesselman, Eaton and Russell became NEOs in 2016. No amounts are reported for them for 2014 and 2015 since they were not NEOs for those years. Mr. Niccol became an NEO in 2015. No amounts are reported for him for 2014 since he was not an NEO for that year.

(9) Mr. Gibbs was Chief Executive Officer of the Company's Pizza Hut Division prior to being named President and Chief Financial Officer of the Company on May 2, 2016. Mr. Grismer resigned from his position as Chief Financial Officer effective February 19, 2016. Mr. Russell served as Interim Chief Financial Officer of the Company from February 19, 2016 (Mr. Grismer's departure date) until May 2, 2016 (when Mr. Gibbs was appointed). Mr. Kesselman joined the Company February 1, 2016 as General Counsel and Corporate Secretary. Mr. Pant was the Chief Executive Officer of the Company's China Division until the Separation on October 31, 2016. See "Compensation Discussion and Analysis" at pages 33 to 59 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 2016.

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	84,379	—	18,383	440,625	1,085	544,472
Gibbs	2,394	—	4,167	—	408	6,969
Niccol	—	—	3,781	152,000	10,279	166,060
Kesselman	—	—	2,853	78,008	2,745	83,606
Eaton	—	14,912	9,692	240,000	23,686	288,290
Russell	29,000	—	1,775	—	2,461	33,236
Grismer	—	582,963	990	25,967	500	610,420
Pant	95,246	—	16,230	358,333	27,491	497,300

(1) *Amounts in this column include for Mr. Creed: incremental cost for the personal use of Company aircraft ($84,379) – 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. Gibbs: personal use of Company aircraft ($2,394); for Mr. Russell: car allowance ($24,000) and perquisite allowance ($5,000); for Mr. Pant: housing allowance ($95,246).*

(2) *Amounts in this column reflect payments to the executive of tax reimbursements. For Mr. Eaton, this amount represents Company-provided tax reimbursement for relocation expense. For Mr. Grismer, this amount represents the Company-provided tax reimbursement under the company's tax equalization program for United Kingdom income taxes incurred as a result of his exercise of SARs awarded and vested while he was assigned to the company's United Kingdom business unit.*

(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. Niccol, Kesselman, Grismer, and Pant this column represents the Company's annual allocations to the LRP, an unfunded, unsecured account based retirement plan. For Mr. Creed and Mr. Eaton, 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: personal use of Company aircraft, annual physicals, gift reimbursements, tax preparation assistance and relocation.*

Grants of Plan-Based Awards

The following table provides information on SARs, RSUs and PSUs granted in 2016 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 60.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[(1)]			Estimated Future Payouts Under Equity Incentive Plan Awards[(2)]						
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock Units (#)	All Other Option/ SAR Awards; Number of Securities Underlying Options (#)[(3)]	Exercise or Base Price of Option/ SAR Awards ($/Sh)[(4)]	Grant Date Fair Value ($)[(5)]
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Creed	2/5/2016	0	1,762,500	5,287,500							
	2/5/2016								315,790	69.76	4,500,008
	2/5/2016				—	21,503	43,006				1,500,049
	11/7/2016				—	64,506	64,506				4,000,017
Gibbs	2/5/2016	0	800,000	2,400,000							
	2/5/2016								78,948	69.76	1,125,009
	2/5/2016				—	5,376	10,752				375,030
	5/20/2016								32,238	79.60	500,011
	11/7/2016				—	24,190	24,190				1,500,022
Niccol	2/5/2016	0	800,000	2,400,000							
	2/5/2016								78,948	69.76	1,125,009
	2/5/2016								35,088	69.76	500,004
	2/5/2016				—	5,376	10,752				375,030
	11/7/2016				—	24,190	24,190				1,500,022
Kesselman	2/5/2016	0	488,750	1,466,250							
	2/5/2016								63,158	69.76	900,002
	2/5/2016								35,088	69.76	500,004
	2/5/2016							14,335[(6)]			1,000,010
	2/5/2016				—	4,301	8,602				300,038
	11/7/2016				—	16,127	16,127				1,000,035
Eaton	2/5/2016	0	800,000	2,400,000							
	2/5/2016								78,948	69.76	1,125,009
	2/5/2016				—	5,376	10,752				375,030
	11/7/2016				—	24,190	24,190				1,500,022
Russell	2/5/2016	0	243,750	731,250							
	2/5/2016								17,434	69.76	248,435
	2/5/2016								17,434	69.76	248,435
	2/5/2016				—	—	—				
Grismer	2/19/2016	—	—	—					45,462	62.93	388,951
	2/19/2016								18,943	62.93	162,063
	2/19/2016								42,292	70.54	168,983
	2/19/2016				—				79,047	73.93	210,590
Pant	2/5/2016	0	1,054,167	3,162,500							
	2/5/2016								210,527	69.76	3,000,010

(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 2016. The actual amount of annual incentive compensation awards are shown in column (g) (and columns (e) and (g) for Mr. Russell) of the Summary Compensation Table on page 60. The performance measurements, performance targets, and target bonus percentages are described in the CD&A beginning on page 33 under the discussion of annual incentive compensation.*

(2) *Reflects grants of PSU awards subject to performance-based vesting conditions in 2016. The PSU awards granted February 5, 2016 vest on December 31, 2018 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, 2018. The performance target for all the PSU awards granted to the NEOs on February 5, 2016 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 30% TSR percentile ranking is achieved, there will be no payout. If the Company's TSR percentile ranking is 75% or higher, PSU awards pay out at the maximum, which for the February 2016 awards, 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. The PSU awards granted on November 7, 2016 are Launch Grants (described in detail on page 44) that will pay out at the close of the performance period (December 31, 2019) if specified General and Administrative Expense reductions are made by year-end 2019 and/or Company store ownership levels are reduced to meet applicable targets by year-end 2018. The terms of the launch grant PSU awards provide that if a Change in Control occurs during the performance period and the award recipient is involuntarily terminated upon or following the Change in Control and during the performance period, then the award recipient will receive the number of shares that would have been received if the target level of performance had been achieved for the entire performance period, subject to a pro rata reduction to reflect the portion of the performance period following such recipient's post-change in control termination.

(3) Amounts in this column reflect the number of SARs and granted to executives during the Company's 2016 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, grants were made on February 5, 2016. Mr. Gibbs also received a CEO Award grant on May 20, 2016, following his appointment as CFO. The February 5, 2016 SAR grants made to executives and the May 20, 2016 grant made to Mr. Gibbs become exercisable in equal installments on the first, second, third and fourth anniversaries of the grant date. Messrs. Niccol and Russell also received CEO Award grants on February 5, 2016, which become exercisable after 5 years from the grant date. The terms of each SAR 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 that were vested on their date of termination through the expiration dates of the SARs (generally, the tenth anniversary following the SARs grant dates). Vested SARs of grantees who die may also be exercised by the grantee's beneficiary through the expiration dates of the vested SARs and the grantee's unvested SARs 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 as of the last day of employment must be exercised within 90 days following termination of employment.

(4) The exercise price of the SARs granted in 2016 equals the closing price of YUM common stock on their respective grant dates.

(5) Amounts in this column reflect the full grant date fair value of the PSU awards shown in column (g), the RSU awards shown in column (i), and the SARs shown in column (j). 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 granted February 5, 2016 and November 7, 2016, fair value is calculated by multiplying the per unit value of the award ($69.76 and $62.01, respectively) by the target number of units corresponding to the most probable outcome of performance conditions on the grant date. For SARs granted February 5, 2016, fair value of $14.25 was calculated using the Black-Scholes value on the February 5, 2016 grant date. For SARs granted to Mr. Gibbs on May 20, 2016, fair value of $15.51 was calculated using the Black-Scholes value on the May 20, 2016 grant date. For RSUs granted February 5, 2016, fair value is calculated by multiplying the per unit value of the award ($69.76) by the target number of units. For Mr. Grismer, this amount in 2016 includes the fair value of awards ($930,587) accelerated under his letter of understanding. For additional information regarding valuation assumptions of SARs, see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2016 Annual Report in Notes to Consolidated Financial Statements at Note 16, "Share-based and Deferred Compensation Plans."

(6) This amount reflects a sign-on RSU grant Mr. Kesselman received on February 5, 2016.

Outstanding Equity Awards at Year-End

The following table shows the number of shares covered by exercisable and unexercisable SARs, and unvested RSUs and PSUs held by the Company's NEOs on December 31, 2016.

		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
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Creed									
	1/24/2008*	105,653	—	$ 26.56	1/24/2018				
	2/5/2009*	166,849	—	$ 20.85	2/5/2019				
	2/5/2010*	169,793	—	$ 23.48	2/5/2020				
	2/4/2011*	120,564	—	$ 35.10	2/4/2021				
	2/8/2012*	81,670	—	$ 45.88	2/8/2022				
	2/6/2013*	67,316	22,439[i]	$ 44.81	2/6/2023				
	2/5/2014*	38,512	38,513[ii]	$ 50.22	2/5/2024				
	2/5/2014*	—	67,864[iii]	$ 50.22	2/5/2024				
	2/6/2015*	48,149	144,448[iv]	$ 52.64	2/6/2025				
	2/5/2016*	—	311,511[v]	$ 49.66	2/5/2026				
	1/24/2008**	105,665	—	$ 11.26	1/24/2018				
	2/5/2009**	166,880	—	$ 8.84	2/5/2019				
	2/5/2010**	169,875	—	$ 9.96	2/5/2020				
	2/4/2011**	120,562	—	$ 14.88	2/4/2021				
	2/8/2012**	81,771	—	$ 19.46	2/8/2022				
	2/6/2013**	67,334	22,445[i]	$ 19.00	2/6/2023				
	2/5/2014**	38,573	38,574[ii]	$ 21.30	2/5/2024				
	2/5/2014**	—	67,972[iii]	$ 21.30	2/5/2024				
	2/6/2015**	48,164	144,494[iv]	$ 22.32	2/6/2025				
	2/5/2016**	—	311,824[v]	$ 21.06	2/5/2026				
						—	—	167,798	10,626,647
Gibbs	9/20/2007*	18,381	—	$ 24.32	9/20/2017				
	1/24/2008*	26,414	—	$ 26.56	1/24/2018				
	2/5/2009*	33,370	—	$ 20.85	2/5/2019				
	2/5/2009*	8,343	—	$ 20.85	2/5/2019				
	2/5/2010*	31,128	—	$ 23.48	2/5/2020				
	5/20/2010*	24,161	—	$ 28.22	5/20/2020				
	2/4/2011*	30,141	—	$ 35.10	2/4/2021				
	2/8/2012*	24,501	—	$ 45.88	2/8/2022				
	2/6/2013*	28,048	9,350[i]	$ 44.81	2/6/2023				
	2/6/2013*	—	37,398[vi]	$ 44.81	2/6/2023				
	2/5/2014*	20,358	20,360[ii]	$ 50.22	2/5/2024				
	2/5/2014*	—	33,932[iii]	$ 50.22	2/5/2024				
	2/6/2015*	15,492	46,476[iv]	$ 52.64	2/6/2025				
	2/5/2016*	—	77,878[v]	$ 49.66	2/5/2026				
	5/20/2016*	—	31,838[vii]	$ 56.67	5/20/2026				
	9/20/2007**	18,382	—	$ 10.31	9/20/2017				
	1/24/2008**	26,417	—	$ 11.26	1/24/2018				
	2/5/2009**	33,376	—	$ 8.84	2/5/2019				
	2/5/2009**	8,344	—	$ 8.84	2/5/2019				
	2/5/2010**	31,143	—	$ 9.96	2/5/2020				
	5/20/2010**	24,174	—	$ 11.97	5/20/2020				
	2/4/2011**	30,140	—	$ 14.88	2/4/2021				
	2/8/2012**	24,531	—	$ 19.46	2/8/2022				
	2/6/2013**	28,056	9,352[i]	$ 19.00	2/6/2023				
	2/6/2013**	—	37,408[vi]	$ 19.00	2/6/2023				
	2/5/2014**	20,391	20,392[ii]	$ 21.30	2/5/2024				
	2/5/2014**	—	33,986[iii]	$ 21.30	2/5/2024				
	2/6/2015**	15,497	46,491[iv]	$ 22.32	2/6/2025				
	2/5/2016**	—	77,956[v]	$ 21.06	2/5/2026				
	5/20/2016**	—	31,871[vii]	$ 24.03	5/20/2026				
						4,328	274,092	49,278	3,120,776

Name	Grant Date	Option/SAR Awards[1] Number of Securities Underlying Unexercised Options/ SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/ SARs (#) Unexercisable	Option/ SAR Exercise Price ($)	Option/ SAR Expiration Date	Stock Awards Number of Shares or Units of Stock That Have Not Vested (#)[2]	Market Value of Shares or Units of Stock That Have Not Vested ($)[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
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Niccol	5/20/2010*	60,403	—	$ 28.22	5/20/2020				
	2/4/2011*	40,188	—	$ 35.10	2/4/2021				
	2/8/2012*	32,668	—	$ 45.88	2/8/2022				
	2/6/2013*	28,048	9,350[i]	$ 44.81	2/6/2023				
	5/15/2013*	—	36,084[viii]	$ 49.78	5/15/2023				
	2/5/2014*	20,358	20,360[ii]	$ 50.22	2/5/2024				
	2/6/2015*	15,492	46,476[iv]	$ 52.64	2/6/2025				
	2/6/2015*	—	67,637[ix]	$ 52.64	2/6/2025				
	2/5/2016*	—	77,878[v]	$ 49.66	2/5/2026				
	2/5/2016*	—	34,612[x]	$ 49.66	2/5/2026				
	5/20/2010**	60,436	—	$ 11.97	5/20/2020				
	2/4/2011**	40,188	—	$ 14.88	2/4/2021				
	2/8/2012**	32,708	—	$ 19.46	2/8/2022				
	2/6/2013**	28,056	9,352[i]	$ 19.00	2/6/2023				
	5/15/2013**	—	36,114[viii]	$ 21.11	5/15/2023				
	2/5/2014**	20,391	20,392[ii]	$ 21.30	2/5/2024				
	2/6/2015**	15,497	46,491[iv]	$ 22.32	2/6/2025				
	2/6/2015**	—	67,658[ix]	$ 22.32	2/6/2025				
	2/5/2016**	—	77,956[v]	$ 21.06	2/5/2026				
	2/5/2016**	—	34,647[x]	$ 21.06	2/5/2026				
						12,706	764,773	49,278	3,120,776
Kesselman	2/5/2016*	—	96,914[v]	$ 49.66	2/5/2026				
	2/5/2016**	—	97,011[v]	$ 21.06	2/5/2026				
						14,614*	925,505*	28,341	1,794,836
						14,491**	378,505**		
Eaton	2/5/2010*	141,493	—	$ 23.48	2/5/2020				
	2/4/2011*	120,564	—	$ 35.10	2/4/2021				
	2/8/2012*	73,503	—	$ 45.88	2/8/2022				
	2/6/2013*	50,487	16,830[i]	$ 44.81	2/6/2023				
	2/5/2014*	32,066	32,066[ii]	$ 50.22	2/5/2024				
	2/6/2015*	16,917	50,752[iv]	$ 52.64	2/6/2025				
	2/5/2016*	—	77,878[v]	$ 49.66	2/5/2026				
	2/5/2010**	141,562	—	$ 9.96	2/5/2020				
	2/4/2011**	120,562	—	$ 14.88	2/4/2021				
	2/8/2012**	73,593	—	$ 19.46	2/8/2022				
	2/6/2013**	50,501	16,834[i]	$ 19.00	2/6/2023				
	2/5/2014**	32,116	32,117[ii]	$ 21.30	2/5/2024				
	2/6/2015**	16,922	50,768[iv]	$ 22.32	2/6/2025				
	2/5/2016**	—	77,956[v]	$ 21.06	2/5/2026				
						—	—	50,180	3,177,899
Russell	2/5/2009*	15,183	—	$ 20.85	2/5/2019				
	2/5/2010*	12,876	—	$ 23.48	2/5/2020				
	2/4/2011*	12,961	—	$ 35.10	2/4/2021				
	2/4/2011*	10,047	—	$ 35.10	2/4/2021				
	2/8/2012*	11,434	—	$ 45.88	2/8/2022				
	2/6/2013*	8,415	2,805[i]	$ 44.81	2/6/2023				
	2/5/2014*	6,786	6,787[ii]	$ 50.22	2/5/2024				
	2/6/2015*	3,381	10,146[iv]	$ 52.64	2/6/2025				
	2/6/2015*	—	13,527[xi]	$ 52.64	2/6/2025				
	2/5/2016*	—	17,197[v]	$ 49.66	2/5/2026				
	2/5/2016*	—	17,197[x]	$ 49.66	2/5/2026				
	2/5/2009**	15,186	—	$ 8.84	2/5/2019				
	2/5/2010**	12,882	—	$ 9.96	2/5/2020				
	2/4/2011**	12,960	—	$ 14.88	2/4/2021				
	2/4/2011**	10,047	—	$ 14.88	2/4/2021				
	2/8/2012**	11,448	—	$ 19.46	2/8/2022				
	2/6/2013**	8,417	2,806[i]	$ 19.00	2/6/2023				
	2/5/2014**	6,797	6,798[ii]	$ 21.30	2/5/2024				
	2/6/2015**	3,382	10,149[iv]	$ 22.32	2/6/2025				
	2/6/2015**	—	13,531[xi]	$ 22.32	2/6/2025				
	2/5/2016**	—	17,215[v]	$ 21.06	2/5/2026				
	2/5/2016**	—	17,215[x]	$ 21.06	2/5/2026				
						2,990	189,357	—	—

Name	Grant Date	Option/SAR Awards(1) Number of Securities Underlying Unexercised Options/ SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/ SARs (#) Unexercisable	Option/ SAR Exercise Price ($)	Option/ SAR Expiration Date	Stock Awards Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(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
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Grismer		—	—			—	—	—	—
Pant	1/24/2008*	52,827	—	$ 26.56	1/24/2018				
	1/24/2008*	34,703	—	$ 26.56	1/24/2018				
	2/5/2009*	133,479	—	$ 20.85	2/5/2019				
	2/5/2010*	113,195	—	$ 23.48	2/5/2020				
	2/4/2011*	100,469	—	$ 35.10	2/4/2021				
	11/18/2011*	93,673	—	$ 38.33	11/18/2021				
	2/8/2012*	114,338	—	$ 45.88	2/8/2022				
	2/6/2013*	67,316	22,439(i)	$ 44.81	2/6/2023				
	2/5/2014*	41,736	41,736(ii)	$ 50.22	2/5/2024				
	2/6/2015*	21,983	65,950(iv)	$ 52.64	2/6/2025				
	2/5/2016*	—	207,674(v)	$ 49.66	2/5/2026				
	1/24/2008**	52,833	—	$ 11.26	1/24/2018				
	1/24/2008**	34,707	—	$ 11.26	1/24/2018				
	2/5/2009**	133,503	—	$ 8.84	2/5/2019				
	2/5/2010**	113,250	—	$ 9.96	2/5/2020				
	2/4/2011**	100,468	—	$ 14.88	2/4/2021				
	11/18/2011**	93,672	—	$ 16.25	11/18/2021				
	2/8/2012**	114,478	—	$ 19.46	2/8/2022				
	2/6/2013**	67,334	22,445(i)	$ 19.00	2/6/2023				
	2/5/2014**	41,802	41,803(ii)	$ 21.30	2/5/2024				
	2/6/2015**	21,990	65,970(iv)	$ 22.32	2/6/2025				
	2/5/2016**	—	207,883(v)	$ 21.06	2/5/2026				
						—	—	13,942	882,947

* YUM Awards

** YUM China Awards

(1) The actual vesting dates for unexercisable awards are as follows:
- (i) Remainder of unexercisable awards will vest on February 6, 2017.
- (ii) One-half of the unexercisable award will vest on each of February 5, 2017 and 2018.
- (iii) Unexercisable award will vest on February 5, 2019.
- (iv) One-third of the unexercisable award will vest on each of February 6, 2017, 2018, and 2019.
- (v) One-fourth of the unexercisable award will vest on each of February 5, 2017, 2018, 2019, and 2020.
- (vi) Unexercisable award will vest on February 6, 2017.
- (vii) One-fourth of the unexercisable award will vest on each of May 20, 2017, 2018, 2019, and 2020.
- (viii) Unexercisable award will vest on May 15, 2018.
- (ix) Unexercisable award will vest on February 6, 2020.
- (x) Unexercisable award will vest on February 5, 2021.
- (xi) Unexercisable award will vest on February 6, 2019.

(2) For Messrs. Gibbs, Niccol and Russell, this amount represents deferrals of bonuses into the EID Program's Matching Stock Fund. The amount represents the deferral of Mr. Gibbs' 2014 bonus; Mr. Niccol's 2014 bonus and Mr. Russell's 2014 and 2015 bonuses. For Mr. Kesselman, these amounts represent a 2016 sign-on bonus RSU award that vests one-third each year over three years.

(3) The market value of the YUM awards are calculated by multiplying the number of shares covered by the award by $63.33, the closing price of YUM stock on the NYSE on December 30, 2016. The market value of the Yum China awards are calculated by multiplying the number of shares covered by the award by $26.12, the closing price of Yum China stock on the NYSE on December 30, 2016.

(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, 2017 or December 31, 2018 if the performance targets are met. Also reflected in this column are the unvested performance-based Launch Grant PSU awards, which are scheduled to vest on December 31, 2019 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 2016 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 2013 PSU awards for the 2013-2015 performance cycle because the average EPS during the performance cycle did not reach the required minimum average growth threshold.

	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	—	—	4,881(1)	309,114
Gibbs	14,487	1,302,696	8,972(2)	625,887
Niccol	—	—	17,165(2)	1,197,430
Kesselman	—	—	—	—
Eaton	246,864	21,834,714	4,130(1)	261,553
Russell	8,605	774,515	1,617(2)	112,802
Grismer	168,779	13,181,216	—	—
Pant	91,228	8,210,621	5,256(1)	332,862

(1) For each of Messrs. Creed, Eaton and Pant this amount represents PSUs that vested on December 31, 2016 with respect to the 2014-2016 performance period and will payout in 2017.

(2) For each of Messrs. Gibbs, Niccol and Russell this amount represents the deferral of the 2013 cash incentive award, which was deferred into RSUs under the EID program in 2014 and vested in 2016.

Proxy Statement

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 Pension Equalization Plan ("PEP") determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements.

2016 FISCAL YEAR PENSION BENEFITS TABLE

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit(3) ($)	Payments During Last Fiscal Year ($)
(a)	(b)	(c)	(d)	(e)
Creed(i)	Qualified Retirement Plan(1)	2	174,526	—
	PEP(2)	—	—	—
Gibbs	Qualified Retirement Plan(1)	28	893,195	—
	PEP(2)	28	2,969,767	—
Niccol(ii)	—	—	—	—
Kesselman(ii)	—	—	—	—
Eaton(ii)	—	—	—	—
Russell	Qualified Retirement Plan(1)	17	447,570	—
	PEP(2)	17	505,859	—
Grismer(ii)	—	—	—	—
Pant(ii)	—	—	—	—

(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 52, Mr. Creed participates in the Third Country National plan, an unfunded, unsecured deferred account-based retirement plan.

(ii) Messrs. Niccol, Kesselman, Eaton, Grismer and Pant 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 52, 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 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, 2016 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 Sums
Gregg Creed	January 1, 2017	$ 207,731	—	$ 207,731
David W. Gibbs	April 1, 2018	$ 1,464,614	$ 4,860,965	$ 6,325,579
David E. Russell	September 1, 2024	$ 1,391,853	$ 1,444,874	$ 2,836,727

(1) The Retirement Plan

(2) PEP

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, 2017. 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) PEP

The PEP is an unfunded, non-qualified plan that complements the Retirement Plan by providing benefits that federal tax law bars providing under the Retirement Plan. Benefits are generally determined and payable under the same terms and conditions as the Retirement Plan (except as noted below) without regard to federal tax limitations on amounts of includible compensation and maximum benefits. Benefits paid are reduced by the value of benefits payable under the Retirement Plan.

Participants who earned at least $75,000 during calendar year 1989 are eligible to receive benefits calculated under the Retirement Plan's pre-1989 formula, if this calculation results in a larger benefit from the PEP. Mr. Gibbs qualifies for benefits under this formula. This formula is similar to the formula described above under the Retirement Plan except that part C of the formula is calculated as follows:

1-2/3% of an estimated primary Social Security amount multiplied by Projected Service up to 30 years

PEP retirement distributions are always paid in the form of a lump sum. In the case of a participant whose benefits are payable based on the pre-1989 formula, the lump sum value is calculated as the actuarial equivalent to the participant's 50% Joint and Survivor Annuity with no reduction for survivor coverage. In all other cases, lump sums are calculated as the actuarial equivalent of the participant's life only annuity. Participants who terminate employment prior to meeting eligibility for Early or Normal Retirement must take their benefits from this plan in the form of a monthly annuity

(3) Present Value of Accumulated Benefits

For all plans, the Present Value of Accumulated Benefits (determined as of December 31, 2016) 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 EID, LRP and TCN plans. 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 52, Messrs. Niccol, Kesselman, Pant and Grismer were or are eligible to participate in the LRP.

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, as of December 31, 2016, are shown in parentheses):

- YUM! Stock Fund (23.98%*)
- YUM! Matching Stock Fund (23.98%*)
- S&P 500 Index Fund (11.91%)
- Bond Market Index Fund (2.55%)
- Stable Value Fund (1.66%)

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 (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 2016). 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. In the case of a participant who has attained age 55 with 10 years of service, or age 65 with five 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 the second anniversary of the deferral date.

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.

* *Assumes dividends are not reinvested.*

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.

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, Messrs. Niccol, Kesselman, Pant and Grismer receive an annual earnings credit equal to 5%. The Company's contribution ("Employer Credit") for 2016 was equal to 9.5% of salary plus target bonus for Mr. Niccol and Mr. Grismer, 8% for Mr. Kesselman 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 and Mr. Eaton receive an annual earnings credit equal to 5%. For Mr. Creed and Mr. Eaton, the Employer Credit for 2016 was equal to 15% of their salaries plus target bonuses.

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	—	440,625	1,758,680	153,019	11,929,749
Gibbs	—	—	684,771	1,099,543	2,900,007
Niccol	—	152,000	832,526	172,112	4,673,271
Kesselman	124,399	78,008	3,531	—	205,939
Eaton	—	240,000	1,271,429	9,338	8,141,007
Russell	70,626	23,542	130,120	366,527	462,086
Grismer	445,200	25,967	649,140	2,679,581	1,776,776
Pant	—	358,333	1,884,922	13,942	13,737,731

(1) Amounts in column (b) reflect deferred 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 (except in Mr. Kesselman's case, it represents a deferral of his base salary into the EID Program).

(2) Amounts in column (c) reflect Company contributions for EID Program matching contribution, LRP and/or TCN allocation as follows: Mr. Creed, $440,625 TCN allocation, Mr. Niccol, $152,000 LRP allocation, Mr. Kesselman, $78,008 LRP allocation, Mr. Eaton, $240,000 TCN allocation, Mr. Russell, $23,542 EID matching contribution, Mr. Grismer, $25,967 LRP allocation and Mr. Pant, $358,333 LRP allocation. See footnote 7 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. Niccol, Grismer and Pant, of their earnings reflected in this column, $13,144, $19,860, $53,312 and, respectively, were deemed above market earnings accruing to each of their accounts under the LRP. Mr. Pant's earnings were prorated at ten months on account of the Separation. For Messrs. Creed and Eaton, of their earnings reflected in this column, $38,607 and $30,853, respectively, were deemed above market earnings accruing to their accounts under the TCN. 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 2016.*

Creed	17,144
Gibbs	27,290
Niccol	71,193
Kesselman	—
Eaton	9,338
Russell	13,045
Grismer	1,100
Pant	13,942

(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 2016 and prior years.*

Creed	5,324,649
Gibbs	—
Niccol	1,192,457
Kesselman	202,407
Eaton	270,853
Russell	94,168
Grismer	1,566,250
Pant	3,344,928

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, 2016, 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.

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, 2016, they could exercise the SARs that were exercisable on that date as shown at the Outstanding Equity Awards at Year-End table on page 65, otherwise all 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, 2016, exercisable SARs would remain exercisable through the term of the award. Except in the case of a change in control, no 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 71, 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 72 includes each NEO's aggregate balance at December 31, 2016. 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 72.

In the case of an involuntary termination of employment as of December 31, 2016, each NEO would receive the following: Mr. Creed $9,728,334, Mr. Gibbs $2,900,007, Mr. Niccol $3,923,057, Mr. Kesselman $127,930, Mr. Eaton $6,489,494, Mr. Russell $462,086, and Mr. Grismer $837,322. As discussed at page 71, these amounts reflect bonuses previously deferred by the executive and appreciation on these deferred amounts (see page 71 for discussion of investment alternatives available under the EID). The NEOs' EID balances are invested primarily in RSUs. Thus, the 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, 2016, Mr. Niccol would receive $750,214 when he attains age 55, Mr. Kesselman would receive $78,008 when he attains age 55 and Mr. Grismer would receive $939,454 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, 2016, Mr. Creed would have received $2,201,416 and Mr. Eaton would have received $1,651,513.

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, 2016, 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, 2016, Messrs. Creed, Gibbs, Niccol, Kesselman, and Eaton would have been entitled to $2,233,827, $558,661, $558,661, $178,559, and $588,393, respectively, assuming target performance.

Pension Benefits. The Pension Benefits Table on page 68 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, 2016. The table on page 70 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 62. If the NEOs had died on December 31, 2016, the survivors of Messrs. Creed, Gibbs, Niccol, Kesselman, Eaton and Russell would have received Company-paid life insurance of $2,938,000, $1,640,000, $1,600,000, $1,064,000, $1,600,000 and $619,000 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, Gibbs, Niccol, Kesselman and Eaton). 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 57 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 outstanding SARs held by the executive and not otherwise exercisable 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 33 for more detail.
- All RSUs under the Company's EID Program held by the executive will automatically vest.
- All PSU awards pursuant to the Company's Performance Share Plan under the LTIP, 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 33 for more detail.

If a change in control and each NEO's involuntary termination had occurred as of December 31, 2016, the following payments or other benefits would have been made or become available.

	Creed $	Gibbs $	Niccol $	Kesselman $	Eaton $	Russell[1] $
Severance Payment	5,875,000	3,200,000	4,624,000	2,127,500	3,349,616	—
Annual Incentive	1,762,500	800,000	1,512,000	488,750	874,808	—
Accelerated Vesting of SARs	10,412,944	4,583,770	5,035,970	1,815,690	3,201,246	1,181,101
Accelerated Vesting of RSUs	—	288,039	803,664	1,304,062	—	196,742
Acceleration of PSU Performance/Vesting	2,233,827	558,661	558,661	178,559	588,393	—
Outplacement	25,000	25,000	25,000	25,000	25,000	—
TOTAL	**20,309,271**	**9,455,470**	**12,559,295**	**5,939,561**	**8,039,063**	**1,377,843**

(1) A severance payment and annual incentive is not listed for Mr. Russell because he does not have a change in control agreement with the Company, as he is not a direct report to the CEO.

Mr. Pant did not receive any payment in connection with his departure from the Company in 2016. Mr. Grismer did not receive any payment in connection with his departure from the Company in 2016, except that 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.

DIRECTOR COMPENSATION

The table below summarizes compensation paid to each non-employee director during 2016.

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 September 2016, 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 55 as well as published survey data from the National Association of Corporate Directors for retailers in 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 approximately at the 50th percentile against both benchmarks, that the retainer paid to our Non-Executive Chairman is also at market, and that the retainers paid to the Chairpersons of the Audit Committee, the Management Planning and Development Committee, and the Nominating and Governance Committee were below market practice. Based on this data, the Committee did not recommend a change to the annual amount paid to the directors and to the Non-Executive Chairman. The Committee did recommend, and the Board approved, that the director's annual compensation of $240,000 be paid entirely as a stock retainer and that no portion would be paid in SARs, beginning in 2017. Also following its review, the Board elected to increase the retainers paid to the Chairperson of the Audit, Management Planning and Development, and Nominating and Governance Committees to $25,000, $20,000 and $15,000, respectively, effective beginning in 2017, to bring these retainers in line with market practice.

For 2016, the Board elected not to change retainers paid to the Chairpersons or Lead Director.

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($)[1] (c)	Option/SAR Awards ($)[2][3] (d)	All Other Compensation ($)[4] (e)	Total ($) (f)
Alves, Paget L.	—	25,000	—	—	25,000
Cavanagh, Michael J.	—	200,000	44,731	—	244,731
Cornell, Brian C.	—	200,000	44,731	—	244,731
Dorman, David W.	25,000	200,000	44,731	10,000	279,731
Ferragamo, Massimo	—	200,000	44,731	—	244,731
Graddick-Weir, Mirian M.	—	200,000	44,731	—	244,731
Linen, Jonathan S.	—	200,000	44,731	—	244,731
Meister, Keith	—	200,000	44,731	—	244,731
Nelson, Thomas C.	—	220,000	44,731	10,000	274,731
Ryan, Thomas M.	—	206,250	44,731	—	250,981
Skala, P. Justin	—	175,000	33,545	—	208,545
Stock, Elane B.	—	200,000	44,731	—	244,731
Walter, Robert D.	—	296,250	44,731	10,000	350,981

(1) Amounts in column (c) represent the grant date fair value for annual stock retainer awards granted to directors in 2016.

(2) Amounts in column (d) represent the grant date fair value for annual SARs granted in fiscal 2016. 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 2016 Annual Report in Notes to Consolidated Financial Statements at Note 16, "Share-based and Deferred Compensation Plans."

(3) *At December 31, 2016, the aggregate number of SARs awards outstanding for each non-management director was:*

Name	SARs
Alves, Paget L.	–
Cavanagh, Michael J.	18,531
Cornell, Brian C.	6,491
Dorman, David W.	52,803
Ferragamo, Massimo	52,803
Graddick-Weir, Mirian M.	22,752
Linen, Jonathan S.	52,803
Meister, Keith	–
Nelson, Thomas C.	45,134
Ryan, Thomas M.	52,803
Skala, P. Justin	4,646
Stock, Elane B.	10,003
Walter, Robert D.	49,047

(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 for 2016. Based on its review of non-employee director compensation during 2015, beginning in 2016 each director who was not an employee of YUM received an annual stock grant retainer with a fair market value of $200,000 and an annual grant of vested SARs having an economic value of approximately $40,000 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.

Chairman of the Board and Committee Chairperson Retainers. In recognition of their added duties, the Chairman of the Board (Mr. Walter in 2016) receives an additional $150,000 stock retainer annually (this retainer was paid in May 2016 when Mr. Walter was appointed Non-Executive Chairman and prorated for 2016), the Chair of the Audit Committee (Mr. Nelson in 2016) receives an additional $20,000 stock retainer annually and the Chair of the Management Planning and Development Committee (Mrs. Stock in 2016) receives an additional $15,000 stock retainer annually. These committee chairperson retainers were paid in February of 2016.

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.

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, 2016, the equity compensation plans under which we may issue shares of stock to our directors, officers and employees. Those plans include the Long Term Incentive Plan (the "LTIP") and the Restaurant General Manager Stock Option Plan ("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	12,312,934[1]	39.85[2]	26,677,680[3]
Equity compensation plans not approved by security holders	219,761[4]	49.17[2]	—
TOTAL	**12,532,695[1]**	**40.32[2]**	**26,677,680[3]**

(1) *Includes 5,119,889 shares issuable in respect of RSUs, performance units and deferred units.*

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

(3) *Includes 13,338,840 shares available for issuance of awards of stock units, restricted stock, restricted stock units and performance share unit awards under the LTIP.*

(4) *Awards are made under the RGM Plan.*

What are the key features of the LTIP?

The LTIP provides for the issuance of up to 92,600,000 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 LTIP. The purpose of the LTIP 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 LTIP 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 LTIP 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 LTIP generally vest over a one to four year period and expire ten years from the date of the grant. Our shareholders approved the LTIP in May 1999, and the plan as amended in 2003, 2008 and 2016. The performance measures of the LTIP were re-approved by our shareholders in May 2013 and in 2016.

What are the key features of the RGM Plan?

Effective May 20, 2016, we canceled the remaining shares available for issuance under the RGM Plan, except for the approximately 220,000 shares necessary to satisfy outstanding awards. No future awards will be made under the RGM Plan. The RGM Plan has provided for the issuance 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 allowed us to award non-qualified stock options, SARs, restricted stock and RSUs. Employees, other than executive officers, have been eligible to receive awards under the RGM Plan. The purpose of the RGM Plan was (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 have been 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 Paget L. Alves, P. Justin Skala, Elane B. Stock and Thomas C. Nelson, Chair.

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/corporate-governance/committee-composition-and-charters.

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 1997. Each year, the Committee evaluates the performance, qualifications and independence of the independent auditors. The Committee is also involved in the selection of the lead audit partner. In evaluating the Company's independent auditors, the Committee considers the quality of the services provided, as well as the independent auditors' and lead partner's capabilities and technical expertise and knowledge of the Company's operations and industry. Additionally, during 2016, the Committee selected and managed the relationship with KPMG Huazhen, LLP, who served as independent auditor for financial statements issued by YUM China Holdings, Inc. ("YUM China"), prior to the spin-off of Yum China into an independent, publicly-traded company.

The Committee met 11 times during 2016. 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 2016, 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. 1301 (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 2016?

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 31, 2016 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
Paget L. Alves
P. Justin Skala
Elane B. Stock

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 2018 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 8, 2017. 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 2018 Annual Meeting no later than the date specified in our bylaws. If the 2018 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 Friday of May. Assuming that our 2018 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 18, 2018.

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 8, 2017, and no later than December 8, 2017.

The Board is not aware of any matters that are expected to come before the 2017 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.

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APPENDIX A Reconciliation of Non-GAAP Adjusted Operating Profit Growth to GAAP Operating Profit Growth

We include non-GAAP Adjusted Operating Profit to provide meaningful supplemental information related to YUM and our Divisions' 2016 performance operating profits under the YUM Leaders' Bonus Program. The Company uses Adjusted Operating Profit as a key performance measure of results of operations for the purpose of evaluating performance internally. Adjusted Operating Profit excludes, among other things, Special Items, the impact of foreign currency translation, the 53rd week in 2016 and adjustments related to the separation of our China business.

Reconciliation of GAAP Operating profit to Adjusted Operating Profit.

	KFC		Pizza Hut		Taco Bell		YUM	
	2016	2015[a]	2016	2015[a]	2016	2015[a]	2016	2015[a]
GAAP Operating Profit	$ 874	$ 832	$370	$347	$593	$536	$1,625	$1,402
Special Items (Income) Expense — Operating Profit[b]	—	—	—	—	—	—	14	92
Foreign Currency Impact on Reported Operating Profit[c]	38	—	4	—	—	—	55	—
Impact of 53rd Week[d]	(11)	—	(5)	—	(12)	—	—	—
Impact of China Separation[e]	(171)	(171)	(56)	(56)	—	—	694	543
Impact of KFC U.S. Acceleration Adjustment[f]	10	10	—	—	—	—	—	—
Impact of Refranchising[g]	—	—	6	—	1	(19)	7	—
Other	(3)	—	1	(2)	(5)	—	—	—
Adjusted Operating Profit	$ 737	$ 671	$320	$289	$577	$527	$2,395	$2,037
Adjusted Operating Profit Growth	**10%**		**11%**		**9%**		**18%**	

a) *Fiscal 2015 included for purpose of computing 2016 growth rates.*

b) *In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), the Company provides non-GAAP measurements which present operating results from continuing operations on a basis excluding Special Items. The Company uses earnings from continuing operations excluding 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 Division 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 from continuing operations excluding Special Items provides additional information to investors related to our internal performance metrics and 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. Refer to page 28 of YUM's Form 10-K for further details related to these Special Items.*

c) *The Company excludes the impact of foreign currency translation from the calculation of Adjusted Operating Profit.*

d) *Fiscal 2016 included a 53rd week for all of our U.S. businesses and certain of our non-U.S. businesses that report 13 four-week periods versus 12 months. We exclude the 53rd week to further enhance the comparability of fiscal 2016 with our Divisions' prior year results. Refer to page 27 of YUM's Form 10-K for further details related to the 53rd week in 2016.*

e) *On October 31, 2016, the Company completed the separation of its China business (the "Separation"). Due to the how late in the 2016 performance period the Separation was actually targeted to occur, it was determined that all Division targets and performance against those targets would be determined as if the Separation did not occur. As a result, GAAP Operating Profit was adjusted to exclude net license fee income of $171 million and $56 million in both 2016 and 2015 for KFC and Pizza Hut performance reporting purposes (2016 includes an adjustment to reflect the impact of foreign currency translation). Additionally, the Committee determined that the YUM performance targets should continue to reflect the results of the China business achieved prior to the Separation as a wholly-owned business due to the significant YUM efforts and oversight of those results. As a result, YUM's Adjusted Operating Profit was modified to reflect ten months of the China business results as a wholly-owned subsidiary consistent with the YUM performance targets.*

f) *During 2015, the Company 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. We incurred $20 million and $10 million in incremental system advertising expense in 2016 and 2015, respectively, with the remaining funding to occur in 2017 and 2018. Adjusted Operating Profit was modified to exclude the $10 million of incremental system advertising expense over 2015 for KFC performance reporting purposes.*

g) *The Company excludes the impact of refranchising from our Divisions' beginning-of-the-year growth targets and Adjusted Operating Profit due to the difficulty in forecasting the timing related to refranchising transactions.*

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 31, 2016
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 11, 2016 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 $31.1 billion. 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 14, 2017 was 353,844,095 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 19, 2017 are incorporated by reference into Part III.

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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 and by the use of forward-looking words such as "expect," "expectation," "believe," "anticipate," "may," "could," "intend," "belief," "plan," "estimate," "target," "predict," "likely," "seek," "project," "model," "ongoing," "will," "should," "forecast," "outlook" or similar terminology. Forward-looking statements are based on our current expectations, estimates, assumptions and/or projections as well as our perception of historical trends and current conditions, as well as other factors that we believe are appropriate and reasonable under the circumstances. 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. There can be no assurance that our expectations, estimates, assumptions and/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 Form 10-K are only made as of the date of this Form 10-K 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 31, 2016, YUM consists of three operating segments:

- The KFC Division which includes the worldwide operations of the KFC concept
- The Pizza Hut Division which includes the worldwide operations of the Pizza Hut concept
- The Taco Bell Division which includes the worldwide operations of the Taco Bell concept

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 were not impacted, we have restated our historical segment information for consistent presentation.

On October 31, 2016 (the "Distribution Date"), we completed the spin-off of our China business (the "Separation") into an independent, publicly-traded company under the name of Yum China Holdings, Inc. ("Yum China"). On the Distribution Date, we distributed to each of our shareholders of record as of the close of business on October 19, 2016 (the "Record Date") one share of Yum China common stock for each share of our Common Stock held as of the Record Date. The distribution was structured to be a tax free distribution to our U.S. shareholders for federal income tax purposes in the United States. Yum China's common stock now trades on the New York Stock Exchange ("NYSE") under the symbol "YUMC." After the distribution, we do not beneficially own any shares of Yum China common stock.

Concurrent with the Separation, a subsidiary of the Company entered into a Master License Agreement with a subsidiary of Yum China for the exclusive right to use and sublicense the use of intellectual property owned by YUM and its affiliates for the development and operation of KFC, Pizza Hut and Taco Bell restaurants in China. Prior to the Separation, our operations in mainland China were reported in our former China Division segment results. As a result of the Separation, the results of operations, assets and liabilities, and cash flows of the separated business are presented as discontinued operations in our Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows for all periods presented. See additional information related to the impact of the Separation in Item 8, Note 4 to the Consolidated Financial Statements.

Operating segment information for the years ended December 31, 2016, December 26, 2015 and December 27, 2014 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.

Narrative Description of Business

General

YUM has over 43,500 restaurants in more than 135 countries and territories. Through the three concepts of KFC, Pizza Hut and Taco Bell (the "Concepts"), the Company develops, operates or franchises 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, which require payment of sales-based fees for use of our Concepts' brands. The terms "franchise" or "franchisee" within this Form 10-K are meant to describe third parties that operate units under either franchise or license agreements. Franchisees can range in size from individuals owning just one restaurant to large publicly-traded companies.

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. The Company utilizes both store-level franchise and master franchise programs to grow its businesses. Under store-level 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 (usually 4% - 6%). Under master franchise arrangements, the Company enters into agreements that allow master franchisees to operate restaurants as well as sub-franchise within certain geographic territories. Master franchisees are responsible for overseeing development within their territories and collect initial fees and royalties from sub-franchisees. Master franchisees often pay royalties at a reduced rate to the Company. Our largest master franchisee, Yum China, pays a 3% license fee on system sales of our Concepts in mainland China to the Company.

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 128 countries and territories throughout the world. As of year end 2016, KFC had 20,604 units. 93 percent of the KFC units are franchised.
- 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 103 countries and territories throughout the world. As of year end 2016, Pizza Hut had 16,409 units. 97 percent of the Pizza Hut units are franchised.
- 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 22 countries and territories throughout the world. As of year end 2016, there were 6,604 Taco Bell units, primarily in the U.S. 87 percent of the Taco Bell units are franchised.
- 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 and franchises 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 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, where sufficient scale allows. 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 and franchisees of the Concepts 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.

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 Foodservice, Inc. is the exclusive distributor for the majority of items used in Company-owned restaurants and for a substantial number of franchisee stores.

Outside the U.S., we and our franchisees primarily use decentralized sourcing and distribution systems involving many different global, regional and local suppliers and distributors. We and our franchisees have approximately 5,800 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 has been authorized in our franchise 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 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. Competition from delivery aggregators and other food delivery services has also increased in recent years, particularly in urbanized areas. 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 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 $24 million, $24 million and $25 million in 2016, 2015 and 2014, 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 2016, 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 anti-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 2016, the Company and its subsidiaries employed approximately 90,000 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

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 Concepts' restaurants, including restaurants operated by us or our Concepts' franchisees, or linking our competitors or our industry generally, 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 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 or the sales of our Concepts' franchisees. 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.

Health concerns arising from outbreaks of viruses or other diseases may have an adverse effect on our business.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic, including various strains of avian flu or swine flu, such as H1N1. The occurrence of such an outbreak of an epidemic illness or other adverse public health developments could materially disrupt our business and operations. Such events could also significantly impact our industry and cause a temporary closure of restaurants, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having the avian flu or swine flu, since this could require us or our business partners to quarantine some or all of such employees or disinfect our restaurant facilities. Outbreaks of avian flu occur from time to time around the world, and such outbreaks have resulted in confirmed human cases. It is possible that 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.

Furthermore, other viruses 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 our Concepts' restaurants operate 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 operating results and growth strategies are closely and increasingly tied to the success of our Concepts' franchisees.

A significant and growing portion of our restaurants are operated by our Concepts' franchisees. In October 2016, in connection with the spin-off of our China business, we announced our plan to become at least 98% franchised by the end of 2018. Our refranchising efforts will increase our dependence on the financial success and cooperation of our Concepts' franchisees. In addition, our long-term system sales growth targets depend on an acceleration of our historical net system unit growth rate. Nearly all of this unit growth is expected to result from new unit openings by our franchisees. If our franchisees do not meet our expectations for new unit development, we may fall short of our system sales growth targets.

We have limited control over how our Concepts' franchisees' businesses are run, and the inability of franchisees to operate successfully could adversely affect our operating results through decreased royalty payments. If our Concepts' franchisees 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 their financial distress, including insolvency or bankruptcy. If a significant franchisee or a significant number of our Concepts' franchisees become financially distressed, our operating results could be impacted through reduced or delayed royalty payments. In addition, we are contingently liable on certain of our Concepts' franchisees' lease agreements, including lease agreements that we have guaranteed or assigned to franchisees in connection with refranchising of certain Company restaurants, and our operating results could be impacted by any increased rent obligations for such leased properties.

Our success also depends on the willingness and ability of our Concepts' franchisees to implement major initiatives, which may include financial investment. Our Concepts may be unable to successfully implement strategies that we believe are necessary for further growth if their franchisees do not participate, which in turn may harm the growth prospects and financial condition of the Company. Additionally, the failure of our Concepts' franchisees to focus on the fundamentals of restaurant operations, such as quality service and cleanliness (even if such failures do not rise to the level of breaching the related franchise documents), could have a negative impact on our business.

We may not successfully implement our transformation initiatives or fully realize the anticipated benefits from the transformation.

On October 11, 2016, we announced our strategic transformation plans to drive global expansion of our KFC, Pizza Hut and Taco Bell brands following the spin-off of our China business. Among other things, this transformation includes a plan to become at least 98% franchised by the end of 2018 and to significantly reduce annual capital expenditures and our general and administrative costs, each by the end of 2019. We cannot assure you that we will be able to successfully implement our transformation initiatives. Further, our ability to achieve the anticipated benefits of this transformation, including the anticipated levels of cost savings and efficiency, within expected timeframes is subject to many estimates and assumptions, which are, in turn, subject to significant economic, competitive and other uncertainties, some of which are beyond our control. There is no assurance that we will successfully implement, or fully realize the anticipated positive impact of, our transformation initiatives or execute successfully on our transformation strategy, in the expected timeframes or at all. In addition, there can be no assurance that our efforts, if properly executed, will result in our desired outcome of improved financial performance.

We have significant exposure to the Chinese market through our largest franchisee, Yum China, which subjects us to risks that could negatively affect our business.

In connection with the spin-off of our China business in October 2016, we entered into a Master License Agreement with Yum China pursuant to which Yum China is the exclusive licensee of the KFC, Pizza Hut and Taco Bell Concepts and their related marks and other intellectual property rights for restaurant services in China. Following the spin-off, Yum China is now our largest franchisee, and our overall financial results are significantly affected by Yum China's results, and our business is exposed to risks in China. These risks include, among others, changes in economic conditions (including consumer spending, unemployment levels and wage and commodity inflation), consumer preferences, the regulatory environment, as well as increased media scrutiny of our business and industry, fluctuations in foreign exchange rates and increased competition. In addition, any significant or prolonged deterioration in U.S.-China relations could adversely affect our China operations if Chinese consumers reduce the frequency of their visits to Yum China's restaurants. Chinese law regulates the scope of our business conducted within China. Our business is therefore subject to numerous uncertainties based on the policies of the Chinese government, as they may change from time to time.

Our relationship with Yum China is governed by a Master License Agreement, which may be terminated upon the occurrence of certain events, such as the insolvency or bankruptcy of Yum China. In addition, if we are unable to enforce our intellectual property or contract rights in China, if Yum China is unable or unwilling to satisfy its obligations under the Master License Agreement, or if the Master License Agreement is otherwise terminated, it could result in an interruption in the operation of our brands that have been exclusively licensed to Yum China for use in China. Such interruption could result in a delay in or loss of royalty income to us, which would negatively impact our financial results.

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., including in emerging markets, 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 and social and ethnic unrest, as well as 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, consumer preferences and the laws and policies that govern foreign investment in countries where our restaurants are operated. In addition, our franchisees do business in jurisdictions that may be subject to trade or economic sanction regimes. Any failure to comply with such sanction regimes or other similar laws or regulations could result in the assessment of damages, the imposition of penalties, suspension of business licenses, or a cessation of operations at our franchisees' businesses, as well as damage to our and our Concepts' brands' images and reputations, all of which could harm our profitability.

Foreign currency risks and foreign exchange controls could adversely affect our financial results.

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 Chinese Renminbi ("RMB"), Australian Dollar, the British Pound and the Euro, as well as currencies in certain other markets, such as the Malaysian Ringgit and 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. In addition, the Chinese government restricts the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Yum China's income is almost exclusively derived from the earnings of its Chinese subsidiaries, with substantially all revenues of its Chinese subsidiaries denominated in RMB. Any significant fluctuation in the value of the RMB could materially impact the U.S. dollar value of royalty payments made to us by Yum China, which could result in lower revenues. In addition restrictions on the conversion of RMB to U.S. dollars or further restrictions on the remittance of currency out of China could result in delays in the remittance of Yum China's license fee, which could impact our liquidity.

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, employees and franchisees. The use and handling of this information is regulated by evolving and increasingly demanding laws and regulations in various jurisdictions, 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 if 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.

Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries where we, our Concepts and our Concepts' franchisees do business. Our failure to adhere to or successfully implement appropriate processes in this area could result in legal liability or impairment to our and our brands' reputations.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could adversely impact our business.

In recent years, there has been a marked increase in the use of social media platforms, including blogs, chat platforms, social media websites, and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. The rising popularity of social media and other consumer-oriented technologies has increased the speed and accessibility of information dissemination. 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 via social media could harm our business, reputation, financial condition, and results of operations, regardless of the information's accuracy. The damage may be immediate without affording us an opportunity for redress or correction.

In addition, social media is frequently used by our Concepts to communicate with their respective customers and the public in general. Failure by our Concepts to use social media effectively or appropriately, particularly as compared to our Concept's respective competitors, could lead to a decline in brand value, customer visits and revenue. Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about our Concepts' brands, exposure of personally identifiable information, fraud, hoaxes or malicious dissemination of false 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 of operations.

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, along with our Concepts' franchisees, 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, increased demand, problems in production or distribution, restrictions on imports or exports, the inability of 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, the cancellation of supply or distribution agreements or an inability to renew such arrangements or to find replacements on commercially reasonable terms, or other conditions beyond our control or the control of our Concepts' franchisees. In the U.S., the Company, along with 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. Any failure or inability of RSCS to perform its purchasing obligations could result in shortages or interruptions in the availability of food and other supplies.

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 key supplier or 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 supplier or distributor is engaged, and any disruption could have an adverse effect on our business.

We may not achieve our target development goals, aggressive development could cannibalize existing sales and new restaurants may not be profitable.

Our growth strategy depends on our and our franchisees' ability to increase our net restaurant count in markets around the world, especially in emerging markets. The successful development of new units depends in large part on 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, including Yum China, 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 that could impact our ability to increase the number of our restaurants 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 restaurant crews 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 Concepts' 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.

Labor shortages or difficulty finding qualified employees could slow our growth, harm our business and reduce our profitability.

Restaurant operations are highly service-oriented and our success depends in part upon our and our Concepts' franchisees' ability to attract, retain and motivate a sufficient number of qualified employees, including restaurant managers and other crew members. The market for qualified employees in our industry is very competitive. Any future inability to recruit and retain qualified individuals may delay the planned openings of new restaurants by us and our Concepts' franchisees and could adversely impact our Concepts' existing restaurants. Any such delays, material increases in employee turnover rate in existing restaurants or widespread employee dissatisfaction could have a material adverse effect on our and our Concepts' franchisees' business and results of operations.

In addition, strikes, work slowdowns or other job actions may become more common in the U.S. In the event of a strike, work slowdown or other labor unrest, the ability to adequately staff our Concept's restaurants could be impaired, which could result in reduced revenue and customer claims, and may distract our management from focusing on our business and strategic priorities.

Changes in labor and other operating costs could adversely affect our results of operations.

An increase in the costs of employee wages, benefits and insurance (including workers' compensation, general liability, property and health) as well as other operating costs such as rent and energy costs could adversely affect our operating results. Such increases could result from government imposition of higher minimum wages or from general economic or competitive conditions. Any increase in such operating expenses could adversely affect our and our Concepts' franchisees' profit margins. In addition, competition for qualified employees could also compel us or our Concepts' franchisees to pay higher wages to attract or retain key crew members, which could result in higher labor costs and decreased profitability.

A broader standard for determining joint employer status may adversely affect our business operations and increase our liabilities resulting from actions by our Concepts' franchisees.

In 2015, the National Labor Relations Board (the "NLRB") 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. In addition, the general counsel's office of the NLRB has issued complaints naming McDonald's Corporation as a joint employer of workers at its franchisees for alleged violations of the U.S. Fair Labor Standards Act. The NLRB's proposed and evolving joint employer liability standard could cause us or our Concepts to be liable or held responsible for unfair labor practices, violations of wage and hour laws, and other violations and could also require our Concepts to conduct collective bargaining negotiations, regarding employees of our Concepts' franchisees. Further, there is no assurance that we or our Concepts will not receive similar complaints as McDonald's Corporation in the future, which could result in legal proceedings based on the actions of our Concepts' franchisees. In such events, 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.

An increase in food prices may have an adverse impact on our and our franchisees' profit margins.

Our and our Concepts' franchisees' businesses depend on reliable sources of large quantities of raw materials such as protein (including poultry, pork, beef and seafood), cheese, oil, flour and vegetables (including potatoes and lettuce). Raw materials purchased for use in our Concepts' restaurants are subject to price volatility caused by any fluctuation in aggregate supply and demand, or other external conditions, such as weather conditions or natural events or disasters that affect expected harvests of such raw materials. As a result, the historical prices of raw materials used in the operation of our Concepts' restaurants have fluctuated. We cannot assure you that we or our Concepts' franchisees will continue to be able to purchase raw materials at reasonable prices, or that raw materials prices will remain stable in the future. In addition, a significant increase in gasoline prices could result in the imposition of fuel surcharges by our distributors.

Because we and our Concepts' franchisees provide competitively priced food, we may not have the ability to pass through to our customers the full amount of any commodity price increases. If we and our Concepts' franchisees are unable to manage the cost of raw materials or to increase the prices of products proportionately, it may have an adverse impact on our and our franchisees' profit margins.

Our Concepts' brands may be limited or diluted through franchisee and third-party activity.

Although we monitor and regulate franchisee activities through our franchise agreements, franchisees or other third parties may refer to or make statements about our Concepts' brands that do not make proper use of our trademarks or required designations, that improperly alter trademarks or branding, or that are critical of our Concepts' brands or place our Concepts' brands in a context that may tarnish their reputation. This may result in dilution of or harm to our intellectual property or the value of our Concept's brands.

Franchisee noncompliance with the terms and conditions of our franchise agreements may reduce the overall goodwill of our Concepts' brands, whether through the failure to meet health and safety standards, engage in quality control or maintain product consistency, or through the participation in improper or objectionable business practices. Moreover, unauthorized third parties may use our intellectual property to trade on the goodwill of our Concepts' brands, resulting in consumer confusion or dilution. Any reduction of our Concepts' brands' goodwill, consumer confusion, or dilution is likely to impact sales, and could materially and adversely impact our business and results of operations.

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 Concepts' franchisees' ability to maintain and enhance the value of our brands and our customers' loyalty 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, franchisees, competitors, suppliers or distributors, can significantly reduce brand value and consumer trust, particularly if the incidents receive considerable publicity or result in litigation. For example, our Concepts' brands could be damaged by claims or perceptions about the quality or safety of our products or the quality or reputation of our suppliers, distributors or franchisees, regardless of whether such claims or perceptions are true. Similarly, entities in our supply chain may engage in conduct, including alleged human rights abuses or environmental wrongdoing, and any such conduct could damage our or our Concepts' brands' reputations. Any such incidents (even if resulting from actions of a competitor or franchisee) could cause a decline directly or indirectly in consumer confidence in, or the perception of, our Concepts' brands and/or our products and reduce 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 an employee or representative of us or a franchisee.

We could be party to litigation that could adversely affect us by increasing our expenses, diverting management attention or subjecting us to significant monetary damages and other remedies.

We are regularly involved in legal proceedings, which include consumer, employment, real estate related, tort, intellectual property, breach of contract, securities, derivative and other litigation (see the discussion of Legal Proceedings in Note 20 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 such claims have merit, or whether we are ultimately held liable or settle, such litigation may be expensive to defend and may divert resources and management attention 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 of operations.

In addition, the restaurant industry around the world 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. These concerns could lead to an increase in the regulation of the content or marketing of our products. We may also be subject to such 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 business, financial condition and results of operations.

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, product marketing and menu labeling.
- Laws relating to state and local licensing.
- Laws relating to the relationship between franchisors and franchisees.
- 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.
- Laws relating to currency conversion or exchange.
- Laws relating to international trade and sanctions.
- Tax laws and regulations.
- Anti-bribery and anti-corruption laws.
- Environmental laws and 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 results or result in, among other things, litigation, revocation of required licenses, internal investigations, 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.

Failure to comply with anti-bribery or anti-corruption laws could adversely affect our business operations.

The U.S. Foreign Corrupt Practices Act, the UK Bribery Act and other similar applicable laws prohibiting bribery of government officials and other corrupt practices are the subject of increasing emphasis 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 and elsewhere. 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 growth prospects, business and operating results. Publicity relating to any noncompliance or alleged noncompliance could also harm our reputation and adversely affect our revenues and results of operations.

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 income is earned outside the U.S. and currently taxed at lower rates than the U.S. statutory rates. 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 U.S. 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. If the IRS or another taxing authority disagrees with our tax positions, we could face additional tax liabilities, 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 legislation, regulation or interpretation of existing laws and regulations in the U.S. and other jurisdictions where we are subject to taxation could increase our taxes and have an adverse effect on our operating results and financial condition.

The Yum China spin-off and certain related transactions could result in substantial U.S. tax liability.

We received opinions of outside counsel substantially to the effect that, for U.S. federal income tax purposes, the Yum China spin-off and certain related transactions qualify as generally tax-free under Sections 355 and 361 of the U.S. Internal Revenue Code. The opinions relied on various facts and assumptions, as well as certain representations as to factual matters and undertakings (including with respect to future conduct) made by Yum China and us. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, we may not be able to rely on these opinions of outside counsel. Accordingly, notwithstanding receipt of the opinions of outside counsel, the conclusions reached in the tax opinions may be challenged by the IRS. Because the opinions are not binding on the IRS or the courts, there can be no assurance that the IRS or the courts will not prevail in any such challenge.

If, notwithstanding receipt of any opinion, the IRS were to conclude that the Yum China spin-off was taxable, in general, we would recognize taxable gain as if we had sold the Yum China common stock in a taxable sale for its fair market value. In addition, each U.S. holder of our Common Stock who received shares of Yum China common stock in the spin-off transaction would generally be treated as having received a taxable distribution of property in an amount equal to the fair market value of the shares of Yum China common stock received. That distribution would be taxable to each such U.S. stockholder as a dividend to the extent of our current and accumulated earnings and profits. For each such U.S. 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.

The Yum China spin-off may be subject to China indirect transfer tax.

In February 2015, the Chinese State Administration of Taxation ("SAT") issued the Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises ("Bulletin 7"). Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a China resident enterprise ("Chinese interests"), by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. Using general anti-tax avoidance provisions, the SAT may treat an indirect transfer as a direct transfer of Chinese interests if the transfer has avoided Chinese tax by way of an arrangement without reasonable commercial purpose. As a result, gains derived from such indirect transfer may be subject to Chinese enterprise income tax, and the transferee or other person who is obligated to pay for the transfer would be obligated to withhold the applicable taxes, currently at a rate of up to 10% of the capital gain in the case of an indirect transfer of equity interests in a China resident enterprise.

We evaluated the potential applicability of Bulletin 7 in connection with the Separation in the form of 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 Chinese tax authorities will ultimately view the spin-off. As a result, our position could be challenged by the Chinese tax authorities resulting in a tax at a rate of 10% assessed on the difference between the fair market value and the tax basis of Yum China. As our tax basis in Yum China was 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.

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 U.S. 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. We may also face claims of infringement that could interfere with the use of the proprietary know-how, concepts, recipes, or trade secrets used in our business. Defending against such claims may be costly, and we may be prohibited from using such proprietary information in the future or forced to pay damages, royalties, or other fees for using such proprietary information, any of which could negatively affect our business, reputation, financial condition, and results of operations.

Our business may be adversely impacted by changes in consumer discretionary spending and general economic conditions.

Purchases at our restaurants are discretionary for consumers and, therefore, our results of operations are susceptible to economic slowdowns and recessions. 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 rates, fluctuations in the level of disposable income, the price of gasoline, stock market performance and changes in the level of 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, if our marketing efforts are unsuccessful, or if our Concepts' 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.

Our substantial indebtedness makes us more sensitive to adverse economic conditions, may limit our ability to plan for or respond to significant changes in our business, and requires a significant amount of cash to service our debt payment obligations that we may be unable to generate or obtain.

In 2016, we increased our indebtedness from approximately $4 billion to approximately $9 billion. The proceeds from the debt were primarily used to return capital to shareholders through share repurchases and dividends. Subject to the limits contained in the agreements governing our indebtedness, we may be able to incur additional debt from time to time, which would intensify the risks related to our high level of indebtedness.

Specifically, our high level of indebtedness could have important potential consequences, including, but not limited to:

- increasing our vulnerability to, and reducing our flexibility to plan for and respond to, 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 further 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;
- placing us at a disadvantage compared to other less leveraged competitors or competitors with comparable debt at more favorable interest rates;
- 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 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 liquidity needs. If our business does not generate sufficient cash flow from operation in the amounts projected or at all, or if future borrowings are not available to us in amounts sufficient to pay our indebtedness or to fund other liquidity needs, our financial condition and results of operations may be adversely affected. 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 business and financial condition.

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 2016 fiscal year and that remain unresolved.

ITEM 2 Properties

As of year end 2016, the Company's Concepts owned approximately 860 units and leased land, building or both for approximately 2,000 units worldwide. These units are further detailed as follows:

- The KFC Division owned approximately 260 units and leased land, building or both in approximately 1,165 units.
- The Pizza Hut Division owned approximately 70 units and leased land, building or both in approximately 480 units.
- The Taco Bell Division owned approximately 530 units and leased land, building or both in approximately 355 units.

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 the U.S. with leases have initial lease terms and renewal options that vary by country. The Company currently has land, buildings or both related to approximately 700 units, not included in the property counts above, that it leases or subleases to franchisees, principally in the U.S., United Kingdom, Germany and France.

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 KFC. 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 20, Contingencies, to the Consolidated Financial Statements included in Part II, Item 8, which 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 21, 2017, and their ages and current positions as of that date are as follows:

Greg Creed, 59, 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.

Roger Eaton, 56, 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, 53, is President and Chief Financial Officer of YUM. He has served in this position since May 2016. Prior to this position, he served as Chief Executive Officer of Pizza Hut Division from January 2015 to April 2016. 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.

Marc Kesselman, 45, is General Counsel, Corporate Secretary and Chief Government Affairs Officer of YUM. He has served as General Counsel and Corporate Secretary of YUM since February 2016 and as Chief Government Affairs Officer since November 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 January 2015, 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, 42, 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.

David Russell, 47, is Senior 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, 44, is Chief Transformation and People Officer of YUM. She has served as Chief People Officer since January 2016 and Chief Transformation Officer since November 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 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 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. On October 31, 2016 (the "Distribution Date"), we completed the spin-off of our China business (the "Separation") into an independent, publicly-traded company under the name Yum China Holdings, Inc. ("Yum China"). On the Distribution Date we distributed to each of our shareholders of record as of the close of business on October 19, 2016 (the "Record Date"), one share of Yum China common stock for each share of our Common Stock held as of the Record Date. Stock prices prior to November 1, 2016, do not reflect any adjustment for the impact of the Separation.

2016

Quarter	High	Low	Dividends Declared
First	$ 78.79	$ 65.24	$ 0.46
Second	84.19	78.98	0.46
Third	91.26	79.33	—
Fourth (to October 31)	91.25	85.36	0.51
Fourth (from November 1)	64.74	59.70	0.30

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

Form 10-K

On December 21, 2016, the Company declared its first dividend since the separation of its China business of $0.30 per share of Common Stock. The quarterly dividend was distributed February 3, 2017, to shareholders of record at the close of business on January 13, 2017. The Company currently targets an annual dividend payout ratio of approximately 45% to 50% of net income.

As of February 14, 2017, there were 52,541 registered holders of record of the Company's Common Stock.

Issuer Purchases of Equity Securities

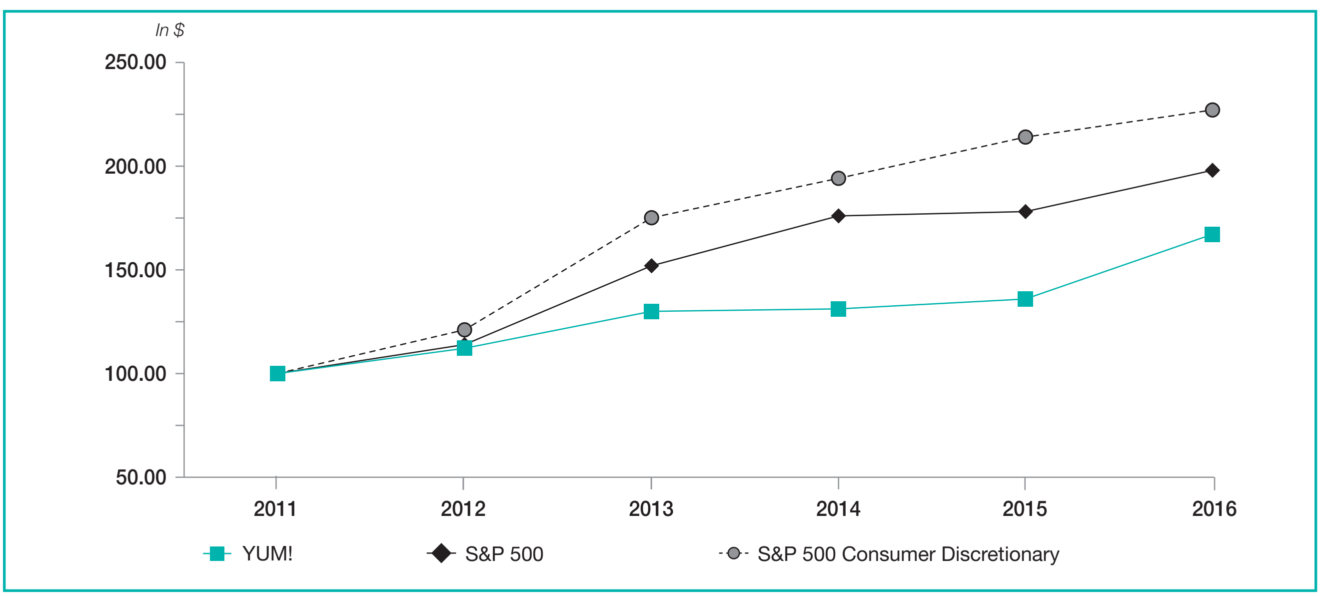
The following table provides information as of December 31, 2016, with respect to shares of Common Stock repurchased by the Company during the quarter then ended. Share prices for shares repurchased prior to November 1, 2016, do not reflect any adjustment for the impact of the Separation.

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	7,458	$ 89.15	7,458	$ 940
9/4/16 – 10/1/16				
Period 11	5,047	$ 89.15	5,047	$ 490
10/2/16 – 10/29/16				
Period 12	3,511	$ 61.38	3,511	$ 2,275
10/30/16 – 11/26/16				
Period 13	5,638	$ 63.84	5,638	$ 1,915
11/27/16 – 12/31/16				
Total	21,654	$ 78.06	21,654	$ 1,915

On March 4, 2016, our Board of Directors authorized share repurchases through December 2016 of up to $500 million (excluding applicable transaction fees) of our outstanding Common Stock. On May 20, 2016, our Board of Directors authorized share repurchases through December 2016 of up to $4.2 billion (excluding applicable transaction fees) of our outstanding Common Stock. This authorization superseded all previous unutilized authorizations. On November 17, 2016, our Board of Directors authorized additional share repurchases through December 2017 of up to $2.0 billion (excluding applicable transaction fees) of our outstanding Common Stock. As of December 31, 2016, we have remaining capacity to repurchase up to $1.9 billion of Common Stock under the November 2016 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 30, 2011 to December 30, 2016, the last trading day of our 2016 fiscal year. The graph assumes that the value of the investment in our Common Stock and each index was $100 at December 30, 2011, and that all dividends were reinvested. For the purpose of this graph, the distribution of 100% of the outstanding common stock of Yum China Holdings, Inc. ("Yum China") to our stockholders, pursuant to which Yum China became an independent company, is treated as a non-taxable cash dividend of $24.51 per share, an amount equal to the opening price of Yum China common stock when it began trading on November 1, 2016, that was deemed reinvested in YUM Common Stock at the closing price on November 1, 2016.



	12/30/2011	12/28/2012	12/27/2013	12/26/2014	12/24/2015	12/30/2016
YUM	$ 100	$ 112	$ 130	$ 131	$ 136	$ 167
S&P 500	$ 100	$ 114	$ 152	$ 176	$ 178	$ 198
S&P Consumer Discretionary	$ 100	$ 121	$ 175	$ 194	$ 214	$ 227

ITEM 6 Selected Financial Data

SELECTED FINANCIAL DATA

YUM! BRANDS, INC. AND SUBSIDIARIES

	Fiscal Year				
(in millions, except per share and unit amounts)	2016[(a)(f)]	2015[(a)]	2014[(a)]	2013[(a)]	2012[(a)(f)]
Income Statement Data					
Revenues					
Company sales	$ 4,200	$ 4,356	$ 4,503	$ 4,384	$ 5,036
Franchise and license fees and income	2,166	2,084	2,084	2,033	1,940
Total	6,366	6,440	6,587	6,417	6,976
Closures and impairment income (expenses)	(14)	(15)	(18)	(6)	(28)
Refranchising gain (loss)[(b)]	141	(23)	16	95	61
Operating Profit[(c)]	1,625	1,402	1,517	1,530	1,408
Interest expense, net[(c)]	307	141	143	251	157
Income before income taxes	1,318	1,261	1,374	1,279	1,251
Income from continuing operations	994	936	1,006	922	884
Income from discontinued operations, net of tax	625	357	45	169	713
Net Income	1,619	1,293	1,051	1,091	1,597
Basic earnings per common share from continuing operations	2.52	2.15	2.27	2.04	1.91
Basic earnings per common share from discontinued operations	1.59	0.82	0.10	0.37	1.55
Basic earnings per common share	4.11	2.97	2.37	2.41	3.46
Diluted earnings per common share from continuing operations	2.48	2.11	2.22	2.00	1.87
Diluted earnings per common share from discontinued operations	1.56	0.81	0.10	0.36	1.51
Diluted earnings per common share	4.04	2.92	2.32	2.36	3.38
Diluted earnings per common share from continuing operations excluding Special Items[(c)]	2.45	2.33	2.20	2.04	1.90
Cash Flow Data					
Provided by operating activities	$ 1,204	$ 1,213	$ 1,217	$ 1,289	$ 1,373
Capital spending	422	461	508	481	444
Proceeds from refranchising of restaurants	346	219	83	250	337
Repurchase shares of Common Stock	5,402	1,200	820	770	965
Dividends paid on Common Stock	744	730	669	615	544
Balance Sheet Data					
Total assets	$ 5,478	$ 4,916	$ 5,132	$ 4,975	$ 5,262
Long-term debt	9,061	3,007	3,042	2,888	2,905
Total debt	9,127	3,928	3,308	2,958	2,914
Other Data					
Number of stores at year end					
Company	2,859	3,159	3,247	3,071	2,997
Franchise	40,758	39,263	37,984	36,746	35,461
System	43,617	42,422	41,231	39,817	38,458
KFC Division system sales growth[(d)]					
Reported	2%	(3)%	1%	(2)%	6%
Local currency[(e)]	7%	5%	4%	—%	8%
Pizza Hut Division system sales growth[(d)]					
Reported	—%	(1)%	1%	3%	5%
Local currency[(e)]	2%	3%	2%	4%	7%
Taco Bell Division system sales growth[(d)]					
Reported	6%	8%	4%	4%	7%
Local currency[(e)]	6%	8%	4%	4%	9%
Shares outstanding at year end	355	420	434	443	451
Cash dividends declared per Common Share	$ 1.73	$ 1.74	$ 1.56	$ 1.41	$ 1.24
Market price per share at year end[(g)]	$ 63.33	$ 74.00	$ 73.14	$ 73.87	$ 64.72

(a) *Financial data for prior years has been recast to present the results of the Separation as discontinued operations and reflects amounts related to continuing operations unless otherwise noted. Store count data for prior years has been recast to exclude the Little Sheep and East Dawning stores operated by our former China Division and reflect all other former China Division Company operated stores as franchise units within the KFC and Pizza Hut Divisions. KFC Division, Pizza Hut Division and Taco Bell Division system sales growth has been recast to reflect the integration of the former India and China Divisions. See Note 4 regarding details of the Separation.*

(b) *See Note 5 for discussion of Refranchising gain (loss) for fiscal years 2016, 2015 and 2014. Fiscal year 2013 primarily reflects net gains from refranchising Taco Bell restaurants in the U.S. 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 then 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"), the Company provides non-GAAP measurements which present operating results from continuing operations on a basis excluding Special Items. The Company uses earnings from continuing operations excluding 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 from continuing operations excluding 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.*

2016, 2015 and 2014 Special Items are described in further detail within our Management's Discussion and Analysis of Financial Condition and Results of Operations. Special Items in 2013 positively impacted Operating Profit by $73 million, primarily due to refranchising gains on the sale of restaurants in the U.S. (primarily Taco Bells), partially offset by $10 million in pension settlement charges and $5 million of expense related to U.S. productivity initiatives and realignment of resources. Additionally, in 2013, we incurred $118 million of premiums paid and other costs related to the extinguishment of debt that were considered Special Items and were recorded in Interest expense, net. Special Items in 2012 negatively impacted Operating Profit by $16 million, primarily due to $84 million in pension settlement charges and $70 million of losses associated with the refranchising of the Pizza Hut UK dine-in business, partially offset by $122 million in U.S. refranchising net gains. Special Items resulted in cumulative net tax benefits of $23 million and $1 million in 2013 and 2012, respectively.

(d) *System sales growth includes the results of all restaurants regardless of ownership, including company-owned and franchise restaurants that operate our Concepts. Sales of franchise restaurants typically generate ongoing franchise fees for the Company at a rate of 3% to 6% of sales. Franchise restaurant sales are not included in Company sales on the Consolidated Statements of Income; however, the franchise 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) *Fiscal years 2015, 2014, 2013 and 2012 include 52 weeks and fiscal year 2016 includes 53 weeks. The estimated impacts of the 53rd week on Company sales, Franchise and license fees and income and Operating Profit in 2016 were increases of $55 million, $21 million and $27 million, respectively. The 53rd week positively impacted Division system sales growth by 1%, 1% and 2% for KFC, Pizza Hut and Taco Bell, respectively. Refer to Note 2 for additional details related to our fiscal calendar.*

(g) *Historical stock prices prior to November 1, 2016, do not reflect any adjustment for the impact of the Separation.*

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

Form 10-K

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 or franchises a worldwide system of over 43,500 restaurants in more than 135 countries and territories operating 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 43,500 restaurants, 7% are operated by the Company and its subsidiaries and 93% are operated by franchisees.

As of December 31, 2016, YUM consists of three operating segments:

- The KFC Division which includes the worldwide operations of the KFC concept
- The Pizza Hut Division which includes the worldwide operations of the Pizza Hut concept
- The Taco Bell Division which includes the worldwide operations of the Taco Bell concept

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 were not impacted, we have restated our historical segment information for consistent presentation.

On October 31, 2016 (the "Distribution Date"), we completed the spin-off of our China business (the "Separation") into an independent, publicly-traded company under the name of Yum China Holdings, Inc. ("Yum China"). On the Distribution Date, we distributed to each of our shareholders of record as of the close of business on October 19, 2016 (the "Record Date"), one share of Yum China common stock for each share of our Common Stock held as of the Record Date. The distribution was structured to be a tax free distribution to our U.S. shareholders for federal income tax purposes in the United States. Yum China's common stock now trades on the New York Stock Exchange under the symbol "YUMC." After the distribution, we do not beneficially own any shares of Yum China common stock.

Concurrent with the Separation, a subsidiary of the Company entered into a Master License Agreement with a subsidiary of Yum China for the exclusive right to use and sublicense the use of intellectual property owned by YUM and its affiliates for the development and operation of KFC, Pizza Hut and Taco Bell restaurants in China. Prior to the Separation, our operations in mainland China were reported in our former China Division segment results. As a result of the Separation, the results of operations, assets and liabilities, and cash flows of the separated business are presented as discontinued operations in our Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows for all periods presented. See additional information related to the impact of the Separation in Item 8, Note 4 to the Consolidated Financial Statements.

On October 11, 2016, we announced our strategic transformation plans to drive global expansion of our KFC, Pizza Hut and Taco Bell brands ("YUM's Strategic Transformation Initiatives") following the Separation. Major features of the Company's transformation and growth strategy involve being more focused, franchised and efficient. YUM's Strategic Transformation Initiatives below represent the continuation of YUM's transformation of its operating model and capital structure.

- More Focused. Four growth drivers will form the basis of YUM's strategic plans and repeatable business model to accelerate same-store sales growth and net-new restaurant development at KFC, Pizza Hut and Taco Bell around the world over the long term. The Company will focus on becoming best-in-class in:
  - Building Distinctive, Relevant Brands
  - Developing Unmatched Franchise Operating Capability
  - Driving Bold Restaurant Development
  - Growing Unrivaled Culture and Talent
- More Franchised. YUM intends to increase franchise restaurant ownership to at least 98% by the end of 2018.
- More Efficient. The Company intends to revamp its financial profile, improving the efficiency of its organization and cost structure globally, by:
  - Reducing annual capital expenditures to approximately $100 million in 2019;
  - Reducing General and administrative ("G&A") expenses by a cumulative ~$300 million over the next three years; and
  - Maintaining an optimized capital structure of ~5.0x Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") leverage.

Since the fourth quarter of 2015, we have returned approximately $7.2 billion of capital to shareholders through share repurchases and cash dividends, funding the repurchases through a recapitalization and issuance of $5.2 billion of incremental borrowings in 2016. Over the next 3 years, we intend to return an additional $6.5 – $7.0 billion to shareholders through share repurchases and cash dividends. We intend to fund these shareholder returns through a combination of refranchising proceeds, free cash flow generation and maintenance of our five times EBITDA leverage. We anticipate generating proceeds in excess of $2 billion, net of tax, through our refranchising initiatives. Refer to the Liquidity and Capital Resources section of this MD&A for additional details.

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 and franchise restaurants that operate our Concepts. Sales of franchise restaurants typically generate ongoing franchise and license fees for the Company at a rate of 3% to 6% of sales. Franchise 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 sections of this MD&A, 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.
- Operating margin is Operating Profit divided by Total revenues.
- In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), the Company has provided non-GAAP measurements which present Diluted Earnings Per Share from Continuing Operations excluding Special Items, our Effective Tax Rate excluding Special Items, Core Operating Profit and Core Operating Profit excluding 53rd week. Core Operating Profit excludes Special Items and foreign currency translation and we use Core Operating Profit for the purposes of evaluating performance internally. Special Items are not included in any of our externally reported segment results, and we believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations. We provide Core Operating Profit excluding 53rd week to further enhance the comparability of fiscal 2016, which had a 53rd week, with prior year results. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of Diluted Earnings Per Share from Continuing Operations excluding Special Items, our Effective Tax Rate excluding Special Items, Core Operating Profit and Core Operating Profit excluding 53rd week, provide additional information to investors to facilitate the comparison of past and present operations, excluding 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. Unless otherwise stated, financial results herein reflect continuing operations of the Company. Percentages may not recompute due to rounding.

Results of Operations

Summary

All comparisons within this summary are versus the same period a year ago, exclude the impact of Special Items and include the impact of a 53rd week in 2016, unless otherwise noted.

2016 diluted EPS from Continuing Operations increased 18% to $2.48 per share. 2016 diluted EPS from Continuing Operations excluding Special Items increased 5% to $2.45 per share.

Foreign currency translation from our international operations negatively impacted GAAP Operating Profit by $55 million.

2016 financial highlights are below:

	2016 % Change				
	System Sales, ex FX	**Same Store Sales**	**Net New Units**	**GAAP Operating Profit**	**Core Operating Profit**
KFC Division	7%	3%	3%	5%	11%
Pizza Hut Division	2%	(1)%	2%	7%	9%
Taco Bell Division	6%	2%	3%	11%	10%
Worldwide	5%	1%	3%	16%	13%

	Results Excluding 53rd Week (2016 % Change)	
	System Sales, ex FX	**Core Operating Profit**
KFC Division	6%	10%
Pizza Hut Division	1%	7%
Taco Bell Division	4%	8%
Worldwide	4%	11%

Worldwide

GAAP Results

	Amount			% B/(W)	
	2016	**2015**	**2014**	**2016**	**2015**
Company sales	$ 4,200	$ 4,356	$ 4,503	(4)	(3)
Franchise and license fees and income	2,166	2,084	2,084	4	—
Total revenues	$ 6,366	$ 6,440	$ 6,587	(1)	(2)
Restaurant profit	$ 702	$ 709	$ 633	(1)	12
Restaurant Margin %	16.7%	16.3%	14.1%	0.4 ppts.	2.2 ppts.
Operating Profit	$ 1,625	$ 1,402	$ 1,517	16	(8)
Interest expense, net	307	141	143	NM	1
Income tax provision	324	325	368	—	11
Income from continuing operations	994	936	1,006	6	(7)
Income from discontinued operations, net of tax	625	357	45	75	NM
Net Income	$ 1,619	$ 1,293	$ 1,051	25	23
Diluted EPS(a) from continuing operations	$ 2.48	$ 2.11	$ 2.22	18	(5)
Diluted EPS(a) from discontinued operations	$ 1.56	$ 0.81	$ 0.10	94	NM
Diluted EPS(a)	$ 4.04	$ 2.92	$ 2.32	39	26
Effective tax rate – continuing operations	24.6%	25.8%	26.7%	1.2 ppts.	0.9 ppts.

(a) See Note 3 for the number of shares used in these calculations.

Performance Metrics

Unit Count	2016	2015	2014	% Increase (Decrease) 2016	% Increase (Decrease) 2015
Franchise	40,758	39,263	37,984	4	3
Company-owned	2,859	3,159	3,247	(9)	(3)
	43,617	42,422	41,231	3	3

	% B/(W) 2016	% B/(W) 2015
System Sales Growth, reported	2	—
Same-Store Sales Growth	1	2
System Sales Growth, excluding FX	5	5
System Sales Growth, excluding FX and 53rd week	4	N/A

Non-GAAP Items

Core Operating Profit Growth	13	6
Core Operating Profit Growth excluding 53rd week	11	N/A
Diluted EPS from Continuing Operations excluding Special Items	5	6

Extra Week in 2016

Fiscal 2016 included a 53rd week for all of our U.S. businesses and certain of our non-U.S. businesses that report 13 four-week periods versus 12 months. See Note 2 for additional details related to our fiscal calendar. The following table summarizes the estimated impact of the 53rd week on Revenues and Operating Profit:

	KFC Division	Pizza Hut Division	Taco Bell Division	Unallocated	Total
Revenues					
Company sales	$ 26	$ 5	$ 24	$ —	$ 55
Franchise and license fees and income	8	6	7	—	21
Total revenues	$ 34	$ 11	$ 31	$ —	$ 76
Operating Profit					
Franchise and license fees and income	$ 8	$ 6	$ 7	$ —	$ 21
Restaurant profit	6	1	7	—	14
G&A expenses	(3)	(2)	(2)	(1)	(8)
Operating Profit	$ 11	$ 5	$ 12	$ (1)	$ 27

Non-GAAP Items

Non-GAAP Items, along with the reconciliation to the most comparable GAAP financial measure, are presented below.

	Year		
Detail of Special Items	**2016**	**2015**	**2014**
Refranchising initiatives[a]	$ 141	$ (20)	$ 13
YUM's Strategic Transformation Initiatives (See Note 5)	(71)	—	—
Non-cash charges associated with share-based compensation (See Note 5)	(30)	—	—
Costs associated with KFC U.S. Acceleration Agreement (See Note 5)	(26)	(72)	—
Settlement charges associated with pension deferred vested project (See Note 5)	(25)	—	—
Other Special Items Income (Expense)	(3)	—	3
Special Items Income (Expense) – Operating Profit	(14)	(92)	16
Tax Benefit (Expense) on Special Items[b]	27	(4)	(4)
Special Items Income (Expense), net of tax – Continuing Operations	$ 13	$ (96)	$ 12
Average diluted shares outstanding	400	443	453
Special Items diluted EPS	$ 0.03	$ (0.22)	$ 0.02
Reconciliation of GAAP Operating Profit to Core Operating Profit and Core Operating Profit, excluding 53rd Week			
Consolidated			
GAAP Operating Profit	$ 1,625	$ 1,402	$ 1,517
Special Items Income (Expense) – Operating Profit	(14)	(92)	16
Foreign Currency Impact on Reported Operating Profit[b]	(55)	(92)	N/A
Core Operating Profit	$ 1,694	$ 1,586	$ 1,501
Impact of 53rd Week	27	N/A	N/A
Core Operating Profit, excluding 53rd Week	$ 1,667	$ 1,586	$ 1,501
KFC Division			
GAAP Operating Profit	$ 874	$ 832	$ 876
Foreign Currency Impact on Reported Operating Profit[b]	(48)	(84)	N/A
Core Operating Profit	922	916	876
Impact of 53rd Week	11	N/A	N/A
Core Operating Profit, excluding 53rd Week	$ 911	$ 916	$ 876
Pizza Hut Division			
GAAP Operating Profit	$ 370	$ 347	$ 347
Foreign Currency Impact on Reported Operating Profit[b]	(7)	(8)	N/A
Core Operating Profit	377	355	347
Impact of 53rd Week	5	N/A	N/A
Core Operating Profit, excluding 53rd Week	$ 372	$ 355	$ 347
Taco Bell Division			
GAAP Operating Profit	$ 593	$ 536	$ 478
Foreign Currency Impact on Reported Operating Profit[b]	—	—	N/A
Core Operating Profit	593	536	478
Impact of 53rd Week	12	N/A	N/A
Core Operating Profit, excluding 53rd Week	$ 581	$ 536	$ 478
Reconciliation of Diluted EPS from Continuing Operations to Diluted EPS from Continuing Operations excluding Special Items			
Diluted EPS from Continuing Operations	$ 2.48	$ 2.11	$ 2.22
Special Items EPS	0.03	(0.22)	0.02
Diluted EPS from Continuing Operations excluding Special Items	$ 2.45	$ 2.33	$ 2.20
Reconciliation of GAAP Effective Tax Rate to Effective Tax Rate excluding Special Items			
GAAP Effective Tax Rate	24.6%	25.8%	26.7%
Impact on Tax Rate as a result of Special Items[c]	(1.7)%	2.1%	(0.1)%
Effective Tax Rate excluding Special Items	26.3%	23.7%	26.8%

(a) We have historically recorded refranchising gains and losses in the U.S. as Special Items due to the scope of our U.S. refranchising program and the volatility in associated gains and losses. Beginning in 2016, we are also including all international refranchising gains and losses in Special Items. The inclusion in Special Items of these additional international refranchising gains and losses is the result of the anticipated size and volatility of refranchising initiatives outside the U.S. that will take place in connection with our previously announced plans to have at least 98% franchise ownership by the end of 2018. International refranchising gains and losses in 2015 and 2014 previously not included in Special Items were not significant and have not been reclassified into Special Items. See Note 5 for discussion of Refranchising Gain and Losses.

(b) The foreign currency impact on reported Operating Profit is presented in relation only to the immediately preceding year presented. When determining applicable Core Operating Profit Growth percentages, the Core Operating Profit for the current year should be compared to the prior GAAP Operating Profit adjusted only for the prior year Special Items Income (Expense).

(c) 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. In 2016, our tax rate on Special Items was favorably impacted by the utilization of capital loss carryforwards associated with U.S. refranchising. In 2015, our tax rate on Special Items was unfavorably impacted by the non-deductibility of certain losses associated with international refranchising. See Note 18.

KFC Division

The KFC Division has 20,604 units, 80% of which are located outside the U.S. The KFC Division has experienced significant unit growth in emerging markets, which comprised approximately 60% of both the Division's units and profits, respectively, as of the end of 2016. Additionally, 93% of the KFC Division units were operated by franchisees as of the end of 2016.

				% B/(W) 2016			% B/(W) 2015	
	2016	**2015**	**2014**	**Reported**	**Ex FX**	**Ex-FX and 53rd Week**	**Reported**	**Ex FX**
System Sales Growth (Decline)				2	7	6	(3)	5
Same-Store Sales Growth				3	N/A	N/A	1	N/A
Company sales	$ 2,166	$ 2,203	$ 2,440	(2)	5	3	(10)	4
Franchise and license fees and income	1,066	1,032	1,067	3	8	7	(3)	5
Total revenues	$ 3,232	$ 3,235	$ 3,507	—	6	5	(8)	4
Restaurant profit	$ 319	$ 308	$ 311	4	10	8	(1)	13
Restaurant margin %	14.7%	14.0%	12.8%	0.7 ppts.	0.7 ppts.	0.7 ppts.	1.2 ppts.	1.2 ppts.
G&A expenses	$ 391	$ 401	$ 399	2	(1)	—	—	(11)
Operating Profit	$ 874	$ 832	$ 876	5	11	10	(5)	5

				% Increase (Decrease)	
Unit Count	**2016**	**2015**	**2014**	**2016**	**2015**
Franchise	19,183	18,452	17,894	4	3
Company-owned	1,421	1,500	1,526	(5)	(2)
	20,604	19,952	19,420	3	3

	2015	**New Builds**	**Closures**	**Refranchised**	**Acquired**	**Other**	**2016**
Franchise	18,452	976	(409)	163	—	1	19,183
Company-owned	1,500	120	(35)	(163)	—	(1)	1,421
Total	19,952	1,096	(444)	—	—	—	20,604

	2014	**New Builds**	**Closures**	**Refranchised**	**Acquired**	**Other**	**2015**
Franchise	17,894	975	(511)	117	(12)	(11)	18,452
Company-owned	1,526	106	(27)	(117)	12	—	1,500
Total	19,420	1,081	(538)	—	—	(11)	19,952

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	2016 vs. 2015					
Income / (Expense)	**2015**	**Store Portfolio Actions**	**Other**	**FX**	**53rd Week**	**2016**
Company sales	$ 2,203	$ 24	$ 52	$ (139)	$ 26	$ 2,166
Cost of sales	(757)	(10)	(10)	50	(9)	(736)
Cost of labor	(513)	(3)	(16)	29	(6)	(509)
Occupancy and other	(625)	3	(15)	40	(5)	(602)
Restaurant profit	$ 308	$ 14	$ 11	$ (20)	$ 6	$ 319

	2015 vs. 2014				
Income / (Expense)	**2014**	**Store Portfolio Actions**	**Other**	**FX**	**2015**
Company sales	$ 2,440	$ 56	$ 46	$ (339)	$ 2,203
Cost of sales	(858)	(27)	11	117	(757)
Cost of labor	(568)	(10)	(15)	80	(513)
Occupancy and other	(703)	(16)	(1)	95	(625)
Restaurant profit	$ 311	$ 3	$ 41	$ (47)	$ 308

In 2016, the increase in Company sales associated with store portfolio actions was driven by international net new unit growth, partially offset by refranchising. The increase in Restaurant profit associated with store portfolio actions was driven by international net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were company same-store sales growth of 2%, partially offset by wage inflation and higher commodity costs.

In 2015, the increase in Company sales and Restaurant profit associated with store portfolio actions was 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 2%.

Franchise and License Fees and Income

In 2016, the increase in Franchise and license fees and income, excluding the impacts of foreign currency translation and 53rd week, was driven by international net new unit growth, franchise same-store sales growth of 3% and refranchising.

In 2015, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by international net new unit growth, franchise same-store sales growth of 1% and refranchising.

G&A Expenses

In 2016, G&A expenses, excluding the impacts of foreign currency translation and 53rd week, were even with prior year as the impact of higher compensation costs due to increased headcount and wage inflation in international markets and higher incentive compensation was offset by lower U.S. pension costs.

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 in 2014.

Operating Profit

In 2016, the increase in Operating Profit, excluding the impacts of foreign currency translation and 53rd week, was driven by international net new unit growth and same-store sales growth, partially offset by higher restaurant operating costs and advertising contributions associated with the KFC U.S. Acceleration Agreement.

In 2015, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales and international net new unit growth, partially offset by higher G&A expenses.

Pizza Hut Division

The Pizza Hut Division has 16,409 units, 53% of which are located outside 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 one-third of both units and profits for the Division as of the end of 2016. Additionally, 97% of the Pizza Hut Division units were operated by franchisees as of the end of 2016.

				% B/(W) 2016			% B/(W) 2015	
	2016	2015	2014	Reported	Ex FX	Ex-FX and 53rd Week	Reported	Ex FX
System Sales Growth (Decline)				—	2	1	(1)	3
Same-Store Sales Growth (Decline)				(1)	N/A	N/A	—	N/A
Company sales	$ 494	$ 609	$ 609	(19)	(17)	(18)	—	3
Franchise and license fees and income	617	605	606	2	4	3	—	4
Total revenues	$ 1,111	$ 1,214	$ 1,215	(8)	(7)	(8)	—	3
Restaurant profit	$ 41	$ 59	$ 49	(31)	(31)	(33)	20	17
Restaurant margin %	8.3%	9.7%	8.1%	(1.4) ppts.	(1.6) ppts.	(1.7) ppts.	1.6 ppts.	1.1 ppts.
G&A expenses	$ 241	$ 272	$ 253	12	10	11	(7)	(13)
Operating Profit	$ 370	$ 347	$ 347	7	9	7	—	2

				% Increase (Decrease)	
Unit Count	2016	2015	2014	2016	2015
Franchise	15,856	15,304	14,817	4	3
Company-owned	553	759	788	(27)	(4)
	16,409	16,063	15,605	2	3

	2015	New Builds	Closures	Refranchised	Acquired	Other	2016
Franchise	15,304	881	(547)	218	—	—	15,856
Company-owned	759	45	(33)	(218)	—	—	553
Total	16,063	926	(580)	—	—	—	16,409

	2014	New Builds	Closures	Refranchised	Acquired	Other	2015
Franchise	14,817	915	(479)	90	(44)	5	15,304
Company-owned	788	55	(38)	(90)	44	—	759
Total	15,605	970	(517)	—	—	5	16,063

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	2016 vs. 2015					
Income / (Expense)	2015	Store Portfolio Actions	Other	FX	53rd Week	2016
Company sales	$ 609	$ (120)	$ 10	$ (10)	$ 5	$ 494
Cost of sales	(169)	34	(3)	3	(2)	(137)
Cost of labor	(190)	40	(8)	3	(1)	(156)
Occupancy and other	(191)	33	(5)	4	(1)	(160)
Restaurant profit	$ 59	$ (13)	$ (6)	$ —	$ 1	$ 41

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		2015 vs. 2014			
Income / (Expense)	**2014**	**Store Portfolio Actions**	**Other**	**FX**	**2015**
Company sales	$ 609	$ 22	$ (4)	$ (18)	$ 609
Cost of sales	(181)	(6)	12	6	(169)
Cost of labor	(189)	(6)	(1)	6	(190)
Occupancy and other	(190)	(8)	(1)	8	(191)
Restaurant profit	$ 49	$ 2	$ 6	$ 2	$ 59

In 2016, the decrease in Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were higher labor costs and increased advertising spend in the U.S., partially offset by company same-store sales growth of 2%.

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%.

Franchise and License Fees and Income

In 2016, the increase in Franchise and license fees income, excluding the impacts of foreign currency translation and 53rd week, was driven by net new unit growth, refranchising and higher fees from expiring development agreements, partially offset by franchise same-store sales declines of 2%.

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 same-store sales were even.

G&A Expenses

In 2016, the decrease in G&A expenses, excluding the impacts of foreign currency translation and 53rd week, was driven by lower litigation settlement costs and legal fees, refranchising and lower U.S. pension costs, partially offset by higher incentive compensation costs.

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.

Operating Profit

In 2016, the increase in Operating Profit, excluding the impacts of foreign currency translation and 53rd week, was driven by lower G&A expenses and net new unit growth, partially offset by franchise same-store sales declines.

In 2015, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by net new unit growth and lower commodity costs, partially offset by higher G&A expenses.

Taco Bell Division

The Taco Bell Division has 6,604 units, the vast majority of which are in the U.S. The Company owns 14% of the Taco Bell units in the U.S., where the brand has historically achieved high restaurant margins and returns.

				% B/(W) 2016			% B/(W) 2015	
	2016	**2015**	**2014**	**Reported**	**Ex FX**	**Ex-FX and 53rd Week**	**Reported**	**Ex FX**
System Sales Growth				6	6	4	8	8
Same-Store Sales Growth				2	N/A	N/A	5	N/A
Company sales	$ 1,540	$ 1,544	$ 1,454	—	—	(2)	6	6
Franchise and license fees and income	485	447	411	8	9	7	9	9
Total revenues	$ 2,025	$ 1,991	$ 1,865	2	2	—	7	7
Restaurant profit	$ 342	$ 342	$ 274	—	—	(2)	25	25
Restaurant margin %	22.2%	22.2%	18.8%	— ppts.	— ppts.	(0.1) ppts.	3.4 ppts.	3.4 ppts.
G&A expenses	$ 213	$ 230	$ 187	7	7	8	(23)	(23)
Operating Profit	$ 593	$ 536	$ 478	11	10	8	12	12

				% Increase (Decrease)	
Unit Count	**2016**	**2015**	**2014**	**2016**	**2015**
Franchise	5,719	5,507	5,273	4	4
Company-owned	885	900	933	(2)	(4)
	6,604	6,407	6,206	3	3

	2015	**New Builds**	**Closures**	**Refranchised**	**Acquired**	**Other**	**2016**
Franchise	5,507	260	(94)	46	(1)	1	5,719
Company-owned	900	34	(4)	(46)	1	—	885
Total	6,407	294	(98)	—	—	1	6,604

	2014	**New Builds**	**Closures**	**Refranchised**	**Acquired**	**Other**	**2015**
Franchise	5,273	240	(80)	65	—	9	5,507
Company-owned	933	37	(5)	(65)	—	—	900
Total	6,206	277	(85)	—	—	9	6,407

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	2016 vs. 2015				
Income / (Expense)	**2015**	**Store Portfolio Actions**	**Other**	**53rd Week**	**2016**
Company sales	$ 1,544	$ (37)	$ 9	$ 24	$ 1,540
Cost of sales	(422)	11	21	(6)	(396)
Cost of labor	(428)	10	(19)	(7)	(444)
Occupancy and other	(352)	7	(9)	(4)	(358)
Restaurant profit	$ 342	$ (9)	$ 2	$ 7	$ 342

	2015 vs. 2014			
Income / (Expense)	**2014**	**Store Portfolio Actions**	**Other**	**2015**
Company sales	$ 1,454	$ 39	$ 51	$ 1,544
Cost of sales	(432)	(10)	20	(422)
Cost of labor	(414)	(13)	(1)	(428)
Occupancy and other	(334)	(11)	(7)	(352)
Restaurant profit	$ 274	$ 5	$ 63	$ 342

In 2016, 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 company same-store sales growth of 1% and favorable commodity costs, partially offset by higher labor costs and store-level investments.

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.

Franchise and License Fees and Income

In 2016, the increase in Franchise and license fees and income, excluding the impacts of foreign currency translation and the 53rd week, was driven by net new unit growth, franchise same-store sales growth of 2% and refranchising.

In 2015, the increase in Franchise and license fees and income was driven by franchise 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.

G&A Expenses

In 2016, the decrease in G&A expenses was driven by lower U.S. pension costs, lapping the Live Más Scholarship contribution, and lower litigation costs.

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.

Operating Profit

In 2016, the increase in Operating Profit, excluding the impacts of foreign currency translation and 53rd week, was driven by same-store sales growth, net new unit growth and lower G&A expenses, partially offset by higher restaurant operating costs and refranchising.

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.

Corporate & Unallocated

				% B/(W)	
Income/(Expense)	**2016**	**2015**	**2014**	**2016**	**2015**
Corporate G&A expenses	$ (316)	$ (196)	$ (189)	(62)	(3)
Unallocated Franchise and license fees and income	(2)	—	—	NM	NM
Unallocated Franchise and license expenses	(24)	(71)	—	67	NM
Refranchising gain (loss) (See Note 5)	141	(23)	16	NM	NM
Unallocated Other income (expense)	(11)	(23)	(11)	47	NM
Interest expense, net	(307)	(141)	(143)	NM	1
Income tax provision (See Note 18)	(324)	(325)	(368)	—	11
Effective tax rate (See Note 18)	24.6%	25.8%	26.7%	1.2 ppts.	0.9 ppts.

Corporate G&A Expenses

In 2016, the increase in Corporate G&A expenses was driven by incremental costs associated with YUM's Strategic Transformation Initiatives (See Note 5), non-cash charges associated with the modification of certain Executive Income Deferral ("EID") share-based compensation awards (See Note 5), Retirement plan settlement charges (See Note 5) and higher incentive compensation costs, partially offset by lower professional and legal fees.

In 2015, the increase in Corporate G&A expenses was driven by higher pension costs.

Unallocated Franchise and License fees and income

In 2016, Unallocated Franchise and license fees and income reflects charges related to the KFC U.S. Acceleration Agreement. See Note 5.

Unallocated Franchise and License expenses

In 2016 and 2015, Unallocated Franchise and license expenses reflect charges related to the KFC U.S. Acceleration Agreement. See Note 5.

Unallocated Other Income (Expense)

In 2016, Unallocated Other (income) expense primarily includes write-downs related to our decision to dispose of our corporate aircraft and foreign exchange losses. See Note 8.

In 2015 and 2014, Unallocated Other (income) expense primarily includes foreign exchange losses.

Interest Expense, Net

The increase in interest expense, net for 2016 was driven by increased outstanding borrowings. See Note 11.

The decrease in interest expense, net for 2015 was driven by lower effective interest rates on outstanding borrowings, partially offset by increased short-term borrowings.

Income Tax Provision

See Note 18 for discussion of our income tax provision.

Income from Discontinued Operations, Net of Tax

The following table is a summary of the operating results of the China business which have been reflected in discontinued operations. See Note 4 for additional information.

	2016[(a)]	2015	2014
Total revenues	$ 5,776	$ 6,909	$ 6,934
Total income from discontinued operations before income taxes[(b)(c)]	571	526	53
Income tax (benefit) provision[(c)(d)]	(65)	164	38
Income from discontinued operations, net of tax[(c)]	625	357	45

(a) Includes Yum China financial results from January 1, 2016 to October 31, 2016.

(b) Includes costs incurred to execute the Separation of $68 million and $9 million for 2016 and 2015, respectively. Such costs primarily relate to transaction advisors, legal and other consulting fees.

(c) During 2014, we recorded a $463 million non-cash impairment charge related to China's investment in the Little Sheep restaurant business. The tax benefit associated with these losses of $76 million and the losses allocated to the noncontrolling founding shareholder of $26 million resulted in a net impact of $361 million on Income from discontinued operations, net of tax.

(d) During 2016, we recorded a tax benefit of $233 million related to previously recorded losses associated with China's Little Sheep business. The tax benefit associated with these losses was able to be recognized as a result of legal entity restructuring completed in anticipation of the China spin-off.

Consolidated Cash Flows

Net cash provided by operating activities from continuing operations was $1,204 million in 2016 versus $1,213 million in 2015. The decrease was primarily driven by an increase in interest payments, partially offset by a decrease in income tax payments.

In 2015, net cash provided by operating activities from continuing operations was $1,213 million compared to $1,217 million in 2014. The decrease was primarily driven by higher pension contributions, offset by lapping higher income tax payments in the prior year.

Net cash used in investing activities from continuing operations was $24 million in 2016 compared to $189 million in 2015. The decrease was primarily driven by higher refranchising proceeds and lower capital spending.

In 2015, net cash used in investing activities from continuing operations was $189 million compared to $424 million in 2014. The decrease was primarily driven by higher refranchising proceeds and lower capital spending.

Net cash used in financing activities from continuing operations was $677 million in 2016 compared to $1,058 million in 2015. The decrease was primarily driven by higher proceeds from net borrowings, partially offset by higher share repurchases.

In 2015, net cash used in financing activities from continuing operations was $1,058 million compared to $739 million in 2014. The increase was primarily driven by higher share repurchases and dividends, partially offset by higher net borrowings.

Consolidated Financial Condition

During 2016, we issued $6.9 billion in new debt and repaid $1.6 billion of borrowings that were outstanding as of December 26, 2015. See Note 11 for detail on these debt issuances and repayments. Shareholders' Equity (Deficit) declined $6.6 billion due primarily to share repurchases of $5.4 billion and the spin-off of our China business.

Liquidity and Capital Resources

In October 2015, we announced our intent to separate our former China business into an independent publicly-traded company and become more of a pure play franchisor with more stable earnings, higher profit margins, lower capital requirements and stronger cash flow conversion. Additionally, we announced our intention to return substantial capital to shareholders, the majority of which was to be funded by incremental borrowings. Since the fourth quarter of 2015, through December 31, 2016, we have repurchased 79 million shares of our Common Stock for $6.3 billion, including $5.4 billion in 2016. Over the same period, we have paid cash dividends of $942 million, including $744 million in 2016, for a total return to shareholders of $7.2 billion.

	Number of Common Shares Repurchased	Value of Common Shares Repurchased	Average Price Paid Per Share	Dividends Paid	Total Return to Shareholders
Fourth Quarter 2015	11	$ 830	$ 72.64	$ 198	$ 1,028
First Quarter 2016	13	925	69.68	192	1,117
Second Quarter 2016	9	740	81.98	187	927
Third Quarter 2016	24	2,092	87.12	179	2,271
Fourth Quarter 2016 – pre-Separation	13	1,115	89.15	—	1,115
Fourth Quarter 2016 – post-Separation(a)	9	576	62.90	186	762
	79	$ 6,278		$ 942	$ 7,220

(a) *Includes the effect of $45 million in share repurchases (0.7 million shares) with trade dates prior to December 31, 2016 but settlement dates subsequent to December 31, 2016.*

See Note 17 for additional details related to our share repurchase activity.

We completed $6.9 billion of debt financing transactions during 2016 to assist in funding the shareholder returns noted above. As of December 31, 2016, approximately 90%, including the impact of interest rate swaps, of our $9.1 billion of total debt outstanding is fixed with an effective overall interest rate of approximately 4.7%. We have transitioned to non-investment grade credit ratings of BB (Standard & Poor's)/Ba3 (Moody's) with a balance sheet more consistent with highly-levered peer restaurant franchise companies. We are now managing a capital structure which is levered in-line with our target of approximately five times EBITDA, and which we believe provides an attractive balance between optimized interest rates, duration and flexibility with diversified sources of liquidity and maturities spread over multiple years. See Note 11 for details of our financing activities supporting the return of capital initiative.

In October 2016, we announced YUM's Strategic Transformation Initiatives to drive global expansion of the KFC, Pizza Hut and Taco Bell brands following the Separation on October 31, 2016. As part of this transformation we intend to own less than 1,000 stores by the end of 2018 and, by 2019, reduce annual run-rate capital expenditures to approximately $100 million, improve our efficiency by lowering G&A expenses to 1.7% of system sales and increase free cash flow conversion to 100%.

Over the next 3 years, we intend to return an additional $6.5 to $7.0 billion to shareholders through share repurchases and cash dividends. We intend to fund these additional shareholder returns through a combination of free cash flow generation, refranchising proceeds and maintenance of our five times EBITDA leverage. We anticipate generating proceeds in excess of $2 billion, net of tax, through the refranchising of over 2,000 stores.

We have historically generated substantial cash flows from the operations of our company-owned stores and from our extensive franchise operations, which require a limited YUM investment. Our annual operating cash flows from continuing operations have approximated $1.2 billion each of the past three years. Going forward, we anticipate that any decrease in operating cash flows from the operation of fewer Company-owned stores due to refranchising will be offset with savings generated from decreased capital investment and G&A expense required to support company operations. To the extent operating cash flows plus other sources of cash such as refranchising proceeds do not cover our anticipated cash needs, we maintain $1 billion of undrawn capacity under our existing revolving credit facility.

Our balance sheet often reflects a working capital deficit, which is not uncommon in our industry and is also historically common for YUM. Company sales are paid in cash or by credit card (which is quickly converted into cash) and our royalty receivables from franchisees are generally due within 30 days of the period in which the related sales occur. Substantial amounts of cash received have historically been either invested in new restaurant assets which are non-current in nature or returned to shareholders. As part of our working capital strategy we negotiate favorable credit terms with vendors and, as a result, our on-hand inventory turns faster than the related short-term liabilities. Accordingly, it is not unusual for current liabilities to exceed current assets. We believe such a deficit has no significant impact on our liquidity or operations.

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.

Borrowing Capacity

Securitization Notes. In May 2016, Taco Bell Funding, LLC, a newly formed special purpose subsidiary of the Company, issued an aggregate of $2.3 billion of fixed rate senior secured notes ("Class A-2 Notes"). In connection with the issuance of the Class A-2 Notes, Taco Bell Funding, LLC also issued variable rate notes (the "Variable Funding Notes" and, together with the Class A-2 Notes, the "Securitization Notes") pursuant to a new revolving financing facility, which allows for the borrowing of up to $100 million including the issuance of letters of credit up to $50 million. We have no outstanding borrowings related to the Variable Funding Notes and have $15 million in letters of credit outstanding as of December 31, 2016 related to this facility. The Securitization Notes contain cross-default provisions whereby the failure to pay principal on any outstanding Securitization Notes will constitute an event of default under any other Securitization Notes.

The Company used certain of the proceeds from the sale of the Class A-2 Notes to pay down the entire outstanding balance of $2 billion of its Unsecured Short-term Loan Credit Facility ("Bridge Facility"), at which time the Bridge Facility was terminated, as well as to pay related fees and expenses and fund certain accounts related to the Securitization Notes. The remaining proceeds of the Securitization Notes were used to return capital to shareholders through share repurchases and for general corporate purposes.

Credit Agreement. In June 2016, three wholly-owned subsidiaries of the Company, KFC Holding Co., Pizza Hut Holdings, LLC and Taco Bell of America, LLC, as co-borrowers (the "Borrowers") entered into a new credit agreement (the "Credit Agreement") providing for (i) a $500 million Term Loan A facility (the "Term Loan A Facility"), (ii) a $2 billion Term Loan B facility (the "Term Loan B Facility") and (iii) a $1 billion revolving facility (the "Revolving Facility") which has no outstanding borrowings and has $5 million in letters of credit outstanding as of December 31, 2016, each of which may be increased subject to certain conditions. Our Term Loan A Facility and Term Loan B Facility contain cross-default provisions whereby the failure to pay principal of or otherwise perform any agreement or condition under indebtedness of certain subsidiaries with a principal amount in excess of $100 million will constitute an event of default under the Credit Agreement.

Subsidiary Senior Unsecured Notes. On June 16, 2016, the Borrowers issued an aggregate of $1.05 billion Senior Unsecured Notes due 2024 and an aggregate of $1.05 billion Senior Unsecured Notes due 2026 (together, the "Subsidiary Senior Unsecured Notes"). Our Subsidiary Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of the indebtedness of certain subsidiaries with a principal amount in excess of $100 million or the failure to pay principal of such indebtedness will constitute an event of default under the Subsidiary Senior Unsecured Notes.

We used certain of the proceeds from the Subsidiary Senior Unsecured Notes and the Term Loan A Facility and the Term Loan B Facility to repay all outstanding amounts under our senior unsecured revolving credit facility (the "Senior Unsecured Revolving Credit Facility") which had outstanding borrowings of $701 million as of December 26, 2015. Concurrent with this repayment the Senior Unsecured Revolving Credit Facility was terminated. The remaining proceeds are being used to return capital to shareholders through share repurchases and for general corporate purposes.

The majority of our remaining long-term debt primarily comprises Senior, unsecured obligations ("YUM Senior Unsecured Notes") which ranks equally in right of payment with all of our existing and future unsecured unsubordinated indebtedness. The YUM Senior Unsecured Notes have varying maturity dates from 2018 through 2043 and stated interest rates ranging from 3.75% to 6.88%. Amounts outstanding under YUM Senior Unsecured Notes were $2.2 billion at December 31, 2016. Our YUM 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 YUM Senior Unsecured Notes unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice.

The following table summarizes the future maturities of our outstanding long-term debt, excluding capital leases, as of December 31, 2016.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2037	2043	Total
Securitization Notes	$ 23	$ 23	$ 23	$ 789	$ 15	$ 15	$ 479	$ 10	$ 10	$ 907			$ 2,294
Credit Agreement	32	45	51	76	395	20	1,871						2,490
Subsidiary Senior Unsecured Notes								1,050		1,050			2,100
YUM Senior Unsecured Notes		325	250	350	350		325				325	275	2,200
Total	$ 55	$ 393	$ 324	$ 1,215	$ 760	$ 35	$ 2,675	$ 1,060	$ 10	$ 1,957	$ 325	$ 275	$ 9,084

As a result of issuing the Securitization Notes and the Subsidiary Senior Unsecured Notes and executing the Credit Agreement we have completed our recapitalization plan. Full year 2016 interest expense was $333 million and we currently expect annualized interest expense of approximately $430 million based on existing debt levels and current interest rates on our variable-rate debt.

See Note 11 for details on the Securitization Notes, Subsidiary Senior Unsecured Notes, the Credit Agreement and YUM Senior Unsecured Notes.

Contractual Obligations

Our significant contractual obligations and payments as of December 31, 2016 included:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations[(a)]	$ 12,304	$ 462	$ 1,481	$ 2,628	$ 7,733
Capital leases[(b)]	181	16	31	29	105
Operating leases[(b)]	1,204	171	276	186	571
Purchase obligations[(c)]	417	273	115	28	1
Benefit plans[(d)]	249	120	38	28	63
Total contractual obligations	$ 14,355	$ 1,042	$ 1,941	$ 2,899	$ 8,473

(a) *Amounts include maturities of debt outstanding as of December 31, 2016 and expected interest payments on those outstanding amounts on a nominal basis. See Note 11.*

(b) *These obligations, which are shown on a nominal basis, relate primarily to approximately 2,000 company-owned restaurants. See Note 12.*

(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 $37 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 31, 2016 the Plan was in a net underfunded position of $58 million. The UK pension plans were in a net overfunded position of $44 million at our 2016 measurement date.

We do not anticipate making any significant contributions to the Plan in 2017. 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 2017 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 $5 million in 2016 and no future funding amounts are included in the contractual obligations table. See Note 15.

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 $4 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 5) 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 $120 million from 2015 through 2018 primarily to fund new back-of-house equipment for franchisees and to provide incentives to accelerate franchisee store remodels, of which $98 million has been invested through 2016.

Off-Balance Sheet Arrangements

See the Lease Guarantees and Franchise Loan Pool and Equipment Guarantees sections of Note 20 for discussion of our off-balance sheet arrangements.

New Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The standard allows for either a full retrospective or modified retrospective transition method. In March and April 2016, the FASB issued the following amendments to clarify the implementation of ASU 2014-09: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* and ASU No. 2016-10 *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. We intend to adopt the new standards using the full retrospective transition method in the first quarter of 2018.

We do not believe these standards will impact the recognition of our two largest sources of revenue, sales in company-owned restaurants and sales-based continuing fees from franchisees. Additionally, we do not expect the new standards will materially impact the recognition of refranchising gains and losses as these transactions are divestitures of businesses and thus outside the scope of the standards. See Note 2 for a description of our current accounting policies.

The standards require that the transaction price received from customers be allocated to each separate and distinct performance obligation. The transaction price attributable to each separate and distinct performance obligation is then recognized as the performance obligations are satisfied. We are currently evaluating the standards to determine whether the services we provide related to upfront fees we receive from franchisees such as initial or renewal fees contain separate and distinct performance obligations from the franchise right. If we determine these services are not separate and distinct from the overall franchise right, the fees received will be recognized as revenue over the term of each respective franchise agreement. We currently recognize upfront franchise fees such as initial and renewal fees when the related services have been provided, which is when a store opens for initial fees and when renewal options become effective for renewal fees. The standards require the unamortized portion of fees received to be presented in our Consolidated Balance Sheets as a contract liability. Any contract liabilities required to be recorded as a result of adopting these standards may be material to our Consolidated Balance Sheets given the volume of our franchise agreements and their duration, which is typically equal to or in excess of ten years.

Similarly, we are currently evaluating whether the benefits we receive from incentive payments we may make to our franchisees (e.g. equipment funding provided under the KFC U.S. Acceleration Agreement, see Note 5) are separate and distinct from the benefits we receive from the franchise right. If they cannot be separated from the franchise right then such incentive payments would be amortized as a reduction of revenue over the term of the franchise agreement. Currently, we recognize any payments made to franchisees within our Consolidated Statements of Income when we are obligated to make the payment.

We are also evaluating whether the standards will have an impact on transactions currently not included in our revenues such as franchisee contributions to and subsequent expenditures from advertising cooperatives that we are required to consolidate. We act as an agent in regard to these franchisee contributions and expenditures and as such we do not currently include them in our Consolidated Statements of Income or Cash Flows. See Note 2 for details. We are evaluating whether the new standards will impact the principal/agent determinations in these arrangements. If we determine we are the principal in these arrangements we would include contributions to and expenditures from these advertising cooperatives within our Consolidated Statements of Income and Cash Flows. While any such change has the potential to materially impact our gross amount of reported revenues and expenses, such impact would largely be offsetting and we would not expect there to be a significant impact on our reported Net Income.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842*), which increases transparency and comparability among organizations by requiring that substantially all lease assets and liabilities be recognized on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Company in our first quarter of fiscal 2019 with early adoption permitted. The standard must be adopted using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We currently plan to adopt ASU 2016-02 in the first quarter of 2019 and we are evaluating the impact the adoption of this standard will have on our Financial Statements. Based on our current volume of store leases and subleases (See Note 12) to franchisees we expect this adoption will result in a material increase in the assets and liabilities on our Consolidated Balance Sheets; however, we believe the impact will be less material over time as we execute our strategy to be at least 98% franchised by 2019 and thus are a party to fewer leases. Further, we do not anticipate adoption will have a significant impact on our Consolidated Statements of Income or Cash Flows.

In March 2016, the FASB issued ASU No. 2016-09, C*ompensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,* which is intended to simplify several aspects of the accounting for employee share-based payment transactions, including their income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for the Company in our first quarter of fiscal 2017. Upon adoption of this standard, excess tax benefits associated with share-based compensation, which we currently recognize within Common Stock, will be reflected within the Income tax provision in our Consolidated Statements of Income. Additionally, our Consolidated Statements of Cash Flows will present such excess tax benefits, which are currently presented as a financing activity, as an operating activity. The impact of adopting this standard on our Financial Statements will be dependent on the timing and intrinsic value of future share-based compensation award exercises. Given the current intrinsic value of our outstanding share-based compensation awards, we currently anticipate a significant impact to our reported tax rate as exercises occur.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected versus incurred credit losses for financial assets held. ASU 2016-13 is effective for the Company in our first quarter of fiscal 2020 with early adoption permitted beginning in the first quarter of fiscal 2019. We are currently evaluating the impact the adoption of this standard will have on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The guidance will require a modified retrospective application with a cumulative adjustment to opening retained earnings at the beginning of our first quarter of fiscal 2019 but permits adoption at the beginning of an earlier annual period. We are currently evaluating the impact of adopting ASU 2016-16 on our Financial Statements.

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 and 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.

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. 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 2016 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 2016, the Company's reporting units with the most significant refranchising activity and recorded goodwill were Pizza Hut U.S. and Taco Bell U.S. Within Pizza Hut U.S., 195 restaurants were refranchised (representing 38% of beginning-of-year company units) and $3 million in goodwill was written off (representing 4% of beginning-of-year goodwill). Within Taco Bell U.S., 46 restaurants were refranchised (representing 5% of beginning-of-year company units) and $2 million in goodwill was written off (representing 2% 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 20 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 $993 million and a fair value of plan assets of $837 million at December 31, 2016.

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 4.60% at December 31, 2016. This discount rate was determined with the assistance of our independent actuary. The primary basis for this 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 Standard & Poor's ("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 $60 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 $65 million at our measurement date.

The pension expense we will record in 2017 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, excluding the impact of settlement charges associated with the deferred vested payout program in 2016 (See Note 5), to be largely unchanged in 2017. A 50 basis-point decrease in our discount rate assumption at our 2016 measurement date would increase our 2017 U.S. pension expense by approximately $8 million. A 50 basis-point increase in our discount rate assumption at our 2016 measurement date would decrease our 2017 U.S. pension expense by approximately $4 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 2017 pension expense, at December 31, 2016 was 6.5%. 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 2017 U.S. pension expense by approximately $8 million. Additionally, every 100 basis point variation in actual return on plan assets versus our expected return of 6.5% will impact our unrecognized pre-tax actuarial net loss by approximately $8 million.

A decrease in discount rates over time has largely contributed to an unrecognized pre-tax actuarial net loss of $150 million included in Accumulated other comprehensive income (loss) for these U.S. plans at December 31, 2016. We will recognize approximately $7 million of such loss in net periodic benefit cost in 2017 versus $6 million recognized in 2016. See Note 15.

Income Taxes

At December 31, 2016, we had valuation allowances of approximately $195 million to reduce our $1.1 billion of deferred tax assets to amounts that are more likely than not to be realized. The net deferred tax assets primarily relate to capital loss carryforwards and 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 and refranchising plans. 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 31, 2016, we had $91 million of unrecognized tax benefits, $87 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 $2.1 billion at December 31, 2016. 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 18 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. Our outstanding Long-term debt of $9.1 billion includes 73% fixed-rate debt and 27% variable-rate debt. We have attempted to minimize the interest rate risk related to $1.55 billion of this variable-rate debt through the use of interest rate swaps. As a result, approximately 90% of our $9.1 billion of outstanding debt at December 31, 2016 is effectively fixed-rate debt. See Note 11 for details on these issuances and repayments and Note 13 for details related to interest rate swaps.

As of December 31, 2016 and December 26, 2015 a hypothetical 100 basis-point increase in short-term interest rates would result, over the following twelve-month period after consideration of the aforementioned interest rate swaps, in an increase of approximately $10 million and $14 million, respectively, in Interest expense, net within our Consolidated Statements of Income. These estimated amounts are based upon the current level of variable-rate debt that has not been swapped to fixed 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.

The fair value of our cumulative fixed-rate debt of $6.6 billion as of December 31, 2016, would decrease approximately $375 million as a result of the same hypothetical 100 basis-point increase. At December 31, 2016, a hypothetical 100 basis-point decrease in short-term interest rates would decrease the fair value of our interest rate swaps approximately $55 million. 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 durations.

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 $2.1 billion as of December 31, 2016. 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 31, 2016 Operating Profit would have decreased approximately $105 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

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 31, 2016 and December 26, 2015, and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity (deficit) for each of the fiscal years in the three-year period ended December 31, 2016. We also have audited YUM's internal control over financial reporting as of December 31, 2016, 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 31, 2016 and December 26, 2015, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 31, 2016, 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 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Louisville, Kentucky

February 21, 2017

Consolidated Statements of Income

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 31, 2016, DECEMBER 26, 2015 AND DECEMBER 27, 2014

(in millions, except per share data)	2016	2015	2014
Revenues			
Company sales	$ 4,200	$ 4,356	$ 4,503
Franchise and license fees and income	2,166	2,084	2,084
Total revenues	6,366	6,440	6,587
Costs and Expenses, Net			
Company restaurants			
Food and paper	1,269	1,348	1,471
Payroll and employee benefits	1,109	1,131	1,172
Occupancy and other operating expenses	1,120	1,168	1,227
Company restaurant expenses	3,498	3,647	3,870
General and administrative expenses	1,161	1,099	1,028
Franchise and license expenses	202	237	159
Closures and impairment (income) expenses	14	15	18
Refranchising (gain) loss	(141)	23	(16)
Other (income) expense	7	17	11
Total costs and expenses, net	4,741	5,038	5,070
Operating Profit	1,625	1,402	1,517
Interest expense, net	307	141	143
Income from continuing operations before income taxes	1,318	1,261	1,374
Income tax provision	324	325	368
Income from continuing operations	994	936	1,006
Income from discontinued operations, net of tax	625	357	45
Net Income	**$ 1,619**	**$ 1,293**	**$ 1,051**
Basic Earnings per Common Share from continuing operations	$ 2.52	$ 2.15	$ 2.27
Basic Earnings per Common Share from discontinued operations	$ 1.59	$ 0.82	$ 0.10
Basic Earnings Per Common Share	**$ 4.11**	**$ 2.97**	**$ 2.37**
Diluted Earnings per Common Share from continuing operations	$ 2.48	$ 2.11	$ 2.22
Diluted Earnings per Common Share from discontinued operations	$ 1.56	$ 0.81	$ 0.10
Diluted Earnings Per Common Share	**$ 4.04**	**$ 2.92**	**$ 2.32**
Dividends Declared Per Common Share	**$ 1.73**	**$ 1.74**	**$ 1.56**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 31, 2016, DECEMBER 26, 2015 AND DECEMBER 27, 2014

(in millions)	**2016**	**2015**	**2014**
Net Income – YUM! Brands, Inc.	$ 1,619	$ 1,293	$ 1,051
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	(166)	(253)	(147)
Reclassifications of adjustments and (gains) losses into Net Income	(11)	115	2
	(177)	(138)	(145)
Tax (expense) benefit	20	—	4
	(157)	(138)	(141)
Changes in pension and post-retirement benefits			
Unrealized gains (losses) arising during the year	(63)	101	(209)
Reclassification of (gains) losses into Net Income	44	53	27
	(19)	154	(182)
Tax (expense) benefit	5	(57)	69
	(14)	97	(113)
Changes in derivative instruments			
Unrealized gains (losses) arising during the year	48	32	23
Reclassification of (gains) losses into Net Income	(8)	(41)	(23)
	40	(9)	—
Tax (expense) benefit	(16)	1	—
	24	(8)	—
Other comprehensive income (loss), net of tax	(147)	(49)	(254)
Comprehensive Income	**$ 1,472**	**$ 1,244**	**$ 797**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 31, 2016, DECEMBER 26, 2015 AND DECEMBER 27, 2014

(in millions)	**2016**	**2015**	**2014**
Cash Flows – Operating Activities from Continuing Operations			
Net Income	$ 1,619	$ 1,293	$ 1,051
Income from discontinued operations, net of tax	(625)	(357)	(45)
Depreciation and amortization	309	322	328
Closures and impairment (income) expenses	14	15	18
Refranchising (gain) loss	(141)	23	(16)
Contributions to defined benefit pension plans	(41)	(98)	(18)
Deferred income taxes	27	(102)	(46)
Excess tax benefit from share-based compensation	(83)	(47)	(40)
Share-based compensation expense	80	46	45
Changes in accounts and notes receivable	(46)	(35)	(21)
Changes in inventories	—	(3)	(2)
Changes in prepaid expenses and other current assets	6	(13)	2
Changes in accounts payable and other current liabilities	17	93	23
Changes in income taxes payable	16	15	(135)
Other, net	52	61	73
Net Cash Provided by Operating Activities from Continuing Operations	**1,204**	**1,213**	**1,217**
Cash Flows – Investing Activities from Continuing Operations			
Capital spending	(422)	(461)	(508)
Proceeds from refranchising of restaurants	346	219	83
Other, net	52	53	1
Net Cash Used in Investing Activities from Continuing Operations	**(24)**	**(189)**	**(424)**
Cash Flows – Financing Activities from Continuing Operations			
Proceeds from long-term debt	6,900	—	—
Repayments of long-term debt	(324)	(261)	(65)
Revolving credit facilities, three months or less, net	(701)	285	416
Short-term borrowings, by original maturity			
More than three months – proceeds	1,400	609	—
More than three months – payments	(2,000)	—	—
Three months or less, net	—	—	—
Repurchase shares of Common Stock	(5,402)	(1,200)	(820)
Excess tax benefit from share-based compensation	83	47	40
Dividends paid on Common Stock	(744)	(730)	(669)
Debt issuance costs	(86)	—	—
Net transfers from discontinued operations	289	235	372
Other, net	(92)	(43)	(13)
Net Cash Used in Financing Activities from Continuing Operations	**(677)**	**(1,058)**	**(739)**
Effect of Exchange Rate on Cash and Cash Equivalents	**(25)**	**11**	**12**
Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents—Continuing Operations	**478**	**(23)**	**66**
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents – Beginning of Year	**334**	**357**	**291**
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents – End of Year	**$ 812**	**$ 334**	**$ 357**
Cash Provided by Operating Activities from Discontinued Operations	**$ 829**	**$ 931**	**$ 832**
Cash Used in Investing Activities from Discontinued Operations	**(287)**	**(493)**	**(512)**
Cash Used in Financing Activities from Discontinued Operations	**(292)**	**(234)**	**(375)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

YUM! BRANDS, INC. AND SUBSIDIARIES

DECEMBER 31, 2016 AND DECEMBER 26, 2015

(in millions)	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 704	$ 313
Accounts and notes receivable, net	370	324
Inventories	36	40
Prepaid expenses and other current assets	238	133
Advertising cooperative assets, restricted	134	103
Current assets of discontinued operations	—	774
Total Current Assets	1,482	1,687
Property, plant and equipment, net	2,160	2,347
Goodwill	541	571
Intangible assets, net	151	164
Other assets	370	330
Deferred income taxes	774	591
Noncurrent assets of discontinued operations	—	2,371
Total Assets	**$ 5,478**	**$ 8,061**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and other current liabilities	$ 1,132	$ 1,074
Income taxes payable	37	55
Short-term borrowings	66	921
Advertising cooperative liabilities	134	103
Current liabilities of discontinued operations	—	934
Total Current Liabilities	1,369	3,087
Long-term debt	9,061	3,007
Other liabilities and deferred credits	704	745
Noncurrent liabilities of discontinued operations	—	247
Total Liabilities	11,134	7,086
Redeemable noncontrolling interest – discontinued operations	—	6
Shareholders' Equity (Deficit)		
Common Stock, no par value, 750 shares authorized; 355 shares and 420 shares issued in 2016 and 2015, respectively	—	—
Retained earnings (Accumulated Deficit)	(5,223)	1,150
Accumulated other comprehensive income (loss)	(433)	(239)
Total Shareholders' Equity (Deficit) – YUM! Brands, Inc.	(5,656)	911
Noncontrolling interests – discontinued operations	—	58
Total Shareholders' Equity (Deficit)	(5,656)	969
Total Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity (Deficit)	**$ 5,478**	**$ 8,061**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity (Deficit)

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 31, 2016, DECEMBER 26, 2015 AND DECEMBER 27, 2014

	Yum! Brands, Inc.						
	Issued Common Stock		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income(Loss)	Noncontrolling Interests	Total Shareholders' Equity (Deficit)	Redeemable Noncontrolling Interest
(in millions)	Shares	Amount					
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**
Net Income (loss)			1,619		18	1,637	(7)
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $20 million)				(146)	(3)	(149)	1
Reclassification of translation adjustments into income				(11)		(11)	
Pension and post-retirement benefit plans (net of tax impact of $5 million)				(14)		(14)	
Net unrealized gain on derivative instruments (net of tax impact of $16 million)				24		24	
Comprehensive Income (loss)						1,487	(6)
Dividends declared			(661)		(6)	(667)	
Separation of China business			(1,932)	(47)	(67)	(2,046)	
Repurchase of shares of Common Stock	(68)	(49)	(5,399)			(5,448)	
Employee stock option and SARs exercises (includes tax impact of $75 million)	3	1				1	
Compensation-related events (includes tax impact of $11 million)		48				48	
Balance at December 31, 2016	**355**	**$ —**	**$ (5,223)**	**$ (433)**	**$ —**	**$ (5,656)**	**$ —**

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 its Subsidiaries (collectively referred to herein as "YUM" or the "Company") comprise the worldwide operations of KFC, Pizza Hut and Taco Bell (collectively the "Concepts"). YUM has over 43,500 units of which 58% are located outside the U.S. in more than 135 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 or franchise a system of both traditional and non-traditional quick service restaurants. The terms "franchise" or "franchisee" within these Consolidated Financial Statements are meant to describe third parties that operate units under either franchise or license agreements. 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 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 31, 2016, YUM consisted of three operating segments:

- The KFC Division which includes our worldwide operations of the KFC concept
- The Pizza Hut Division which includes our worldwide operations of the Pizza Hut concept
- The Taco Bell Division which includes our worldwide operations of the Taco Bell concept

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 were not impacted, we have restated our historical segment information for consistent presentation. Integrating India into our Brand Divisions increased 2015 Total revenues for the KFC, Pizza Hut and Taco Bell Divisions by $105 million, $8 million and $3 million, respectively. 2015 Operating Profit decreased by $16 million, and $3 million for the KFC and Taco Bell Divisions, respectively, and increased less than $1 million for the Pizza Hut Division. Integrating India into our Brand Divisions increased 2014 Total revenues for the KFC, Pizza Hut and Taco Bell Divisions by $128 million, $11 million and $2 million, respectively. 2014 Operating Profit decreased by $6 million, $1 million and $2 million for the KFC, Pizza Hut and Taco Bell Divisions, respectively.

On October 31, 2016 (the "Distribution Date"), we completed the spin-off of our China business (the "Separation") into an independent, publicly-traded company under the name of Yum China Holdings, Inc. ("Yum China"). On the Distribution Date, we distributed to each of our shareholders of record as of the close of business on October 19, 2016 (the "Record Date") one share of Yum China common stock for each share of our Common Stock held as of the Record Date. The distribution was structured to be a tax free distribution to our U.S. shareholders for federal income tax purposes in the United States. Yum China's common stock now trades on the New York Stock Exchange ("NYSE") under the symbol "YUMC." After the distribution, we do not beneficially own any shares of Yum China common stock.

Concurrent with the Separation, a subsidiary of the Company entered into a Master License Agreement with a subsidiary of Yum China for the exclusive right to use and sublicense the use of intellectual property owned by YUM and its affiliates for the development and operation of KFC, Pizza Hut and Taco Bell restaurants in China. Prior to the Separation, our operations in mainland China were reported in our former China Division segment results. As a result of the Separation, the results of operations, assets and liabilities, and cash flows of the separated business are presented as discontinued operations in our Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows for all periods presented. See additional information related to the impact of the Separation in Note 4.

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 have an equity interest in any of our franchisee businesses. Additionally, we do not typically provide significant financial support such as loans or guarantees to our franchisees. However, we do have variable interests in certain franchisees through real estate lease arrangements to which we are a party. At the end of 2016, YUM has future lease payments due from franchisees, on a nominal basis, of approximately $250 million, and we are contingently liable on certain other lease agreements that have been assigned to franchisees. See the Lease Guarantees and Franchise Loan Pool and Equipment Guarantees sections in Note 20. As our franchise and license arrangements provide our franchisee 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 20 for additional information on our 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.

We participate in various advertising cooperatives with our franchisees 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 with regard to these contributions. Thus, we do not reflect franchisee contributions to these cooperatives in our Consolidated Statements of Income or Consolidated Statements of Cash Flows.

Fiscal Year. Our fiscal years have historically ended on the last Saturday in December and, as a result, a 53rd week was added every five or six years. The first three quarters of each fiscal year consisted of 12 weeks and the fourth quarter consisted of 16 weeks in fiscal years with 52 weeks and 17 weeks in fiscal years with 53 weeks. Our U.S. subsidiaries and certain international subsidiaries operated on similar fiscal calendars. Our remaining international subsidiaries operated on a monthly calendar, and thus never had 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. Certain international subsidiaries within our KFC, Pizza Hut and Taco Bell divisions have historically closed approximately one month or one period earlier to facilitate consolidated reporting.

Fiscal year 2016 included 53 weeks for YUM, our U.S. businesses and for our international subsidiaries that report on a period calendar. The 53rd week added $76 million to Total revenues and $27 million to Operating Profit in our 2016 Consolidated Statement of Income.

On January 27, 2017, YUM's Board of Directors approved a change in its fiscal year from a year ending on the last Saturday of December to a year beginning on January 1 and ending December 31 of each year, commencing with the year ending December 31, 2017. In connection with the new fiscal year, the Company will move from a 52-week periodic fiscal calendar with three 12-week interim quarters and a 16-week fourth quarter to a monthly reporting calendar with each quarter comprised of three months. Our U.S. subsidiaries will continue to report on a period calendar as described above.

The change in the Company's fiscal year was made primarily to accommodate the removal of aforementioned reporting lags from certain of our international subsidiary fiscal calendars, which will significantly improve the alignment of our global reporting calendars. As a result of removing these reporting lags each international subsidiary will now operate either on a monthly calendar consistent with the Company's new calendar or on a periodic calendar consistent with our U.S. subsidiaries.

The change to the Company's fiscal year is effective in 2017 and does not impact the Company's results for the fiscal year ended December 31, 2016. However, we will restate previously issued financial statements when presenting financial statements under our new calendar in 2017.

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 31, 2016, net cumulative translation adjustment losses of $313 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 foreign 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 5 for information on the liquidation of our Mexico and Pizza Hut Australia 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 Statements 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 31, 2016. These reclassifications had no effect on previously reported Net Income.

Franchise Operations. We execute store-level franchise agreements for units operated by third parties which set out the terms of our arrangement with the franchisee. Additionally, we execute master franchise agreements in certain regions that transfer administrative and development obligations and sub-franchising rights to a franchisee in exchange for a reduced continuing fee. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee upon an individual store opening 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 are charged to General and Administrative ("G&A") expenses as incurred. Certain direct costs of our franchise 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 marketing funding, amortization expense for franchise-related intangible assets, value added taxes on royalties and certain other direct incremental franchise 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 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 as revenue when we have performed substantially all initial services required by the franchise agreement, which is generally upon the opening of a store. We recognize continuing fees, which are based upon a percentage of franchisee 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 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 the present value of the cash expected to be received under the franchise agreement and the present value of the 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 $260 million, $255 million and $261 million in 2016, 2015 and 2014, respectively. We report the vast majority of our direct marketing costs in Occupancy and other operating expenses as they are incurred as a percentage of sales by Company-owned restaurants. Advertising incurred on behalf of franchised restaurants is recorded within Franchise and license 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 $24 million, $24 million and $25 million in 2016, 2015 and 2014, respectively.

Share-Based Employee Compensation. We recognize ongoing 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 16 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 20 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 it is more likely than not that we will 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.

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 our Income tax provision 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.

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 18 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 as a result of franchise and lease agreements. Trade receivables consisting of royalties from franchisees, including Yum China, 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. Yum China is our largest franchisee and we recorded franchise fee revenues of approximately $240 million from Yum China in 2016. Our provision for uncollectible franchisee 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 record provisions for estimated losses on receivables when we believe it probable that our franchisees 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 $5 million and $3 million in net provisions within Franchise and license expenses in 2015 and 2014, respectively, related to uncollectible franchise and license trade receivables. Net provisions in 2016 related to uncollectible franchise and license trade receivables were less than $1 million. 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.

	2016	2015
Accounts and notes receivable	$ 383	$ 338
Allowance for doubtful accounts	(13)	(14)
Accounts and notes receivable, net	$ 370	$ 324

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, 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 record provisions for estimated losses on receivables when we believe it is probable that our franchisees 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 $21 million (net of an allowance of $2 million) and $16 million (net of an allowance of $4 million) at December 31, 2016 and December 26, 2015, 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 that are held for sale.

Leases and Leasehold Improvements. The Company leases land, buildings or both for certain of its restaurants and restaurant support centers 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 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 our business units (which are aligned based on geography) in our KFC, Pizza Hut and Taco Bell 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.

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 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. Any ineffective portion of the gain or loss on the derivative instrument for a cash flow 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 31, 2016 and December 26, 2015, 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 (Accumulated Deficit). 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, $5,399 million, $1,124 million and $725 million in share repurchases were recorded as a reduction in Retained earnings (Accumulated Deficit) in 2016, 2015 and 2014, respectively. See Note 17 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.

Recently Adopted Accounting Pronouncements. In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *"Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs"* (ASU 2015-03). ASU 2015-03 amended the then current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 was effective for the Company beginning with the quarter ended March 19, 2016. The adoption of this standard required restatement of our Consolidated Balance Sheet as of December 26, 2015. As a result, Other assets and Long-term debt each decreased by $13 million and Prepaid expenses and other current assets and Short-term borrowings each decreased by $1 million versus amounts previously reported.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. We adopted ASU 2016-18 beginning with the quarter ended December 31, 2016 on a retrospective basis. As a result Net Cash Provided by Operating Activities from Continuing Operations increased by $5 million in 2015. End-of-period cash, cash equivalents and restricted cash increased by $21 million and $16 million as of December 26, 2015 and December 27, 2014, respectively. We classify restricted cash within our Consolidated Balance Sheets consistent with the nature of the restriction (e.g. cash restricted for future interest payments within the next 12 months is classified in Prepaid expenses and other current assets).

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40)*. ASU 2014-15 requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year following the date its financial statements are issued. If such conditions or events exist, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern for a period of one year following the date its financial statements are issued. Disclosure should include the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, and management's plans that are intended to mitigate those conditions or events. We adopted ASU 2014-15 effective December 31, 2016. The adoption had no impact on our Consolidated Financial Statements.

NOTE 3 Earnings Per Common Share ("EPS")

	2016	2015	2014
Income from continuing operations	$ 994	$ 936	$ 1,006
Income from discontinued operations	625	357	45
Net Income	$ 1,619	$ 1,293	$ 1,051
Weighted-average common shares outstanding (for basic calculation)	394	436	444
Effect of dilutive share-based employee compensation	6	7	9
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	400	443	453
Basic EPS from continuing operations	$ 2.52	$ 2.15	$ 2.27
Basic EPS from discontinued operations	1.59	0.82	0.10
Basic EPS	$ 4.11	$ 2.97	$ 2.37
Diluted EPS from continuing operations	$ 2.48	$ 2.11	$ 2.22
Diluted EPS from discontinued operations	1.56	0.81	$ 0.10
Diluted EPS	$ 4.04	$ 2.92	$ 2.32
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS computation[(a)]	5.0	4.5	5.5

(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 Discontinued Operations

As discussed in Note 1, on October 31, 2016, the Company completed the Separation of our China business.

In connection with the Separation, the Company and Yum China entered into a Separation and Distribution Agreement as well as various other agreements that provide a framework for the relationships between the parties, including among others a Tax Matters Agreement, an Employee Matters Agreement, a Transition Services Agreement and a Master License Agreement. These agreements provided for the allocation between the Company and Yum China of assets, employees, liabilities and obligations (including investments, property, employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the Separation and govern certain relationships between the Company and Yum China after the Separation.

For all the periods prior to the Separation, the financial results of Yum China are presented as Income from discontinued operations, net of tax in the Consolidated Statements of Income, Assets and Liabilities of discontinued operations in the Consolidated Balance Sheets and Cash flows from discontinued operations in our Consolidated Statements of Cash Flows.

Prior to the Separation, an intercompany franchise agreement existed between an entity of Yum China and a Company entity requiring Yum China to remit to the Company royalties on sales earned by KFC and Pizza Hut Company-owned stores in China. The royalties related to the franchise agreement were eliminated as intercompany transactions and were not separately reflected in our previously issued financial statements. Additionally, third-party franchisees of Yum China paid to a Company entity royalties as a percentage of their sales. We have restated the results of our KFC and Pizza Hut Divisions for periods prior to the Separation to reflect the royalties that were previously eliminated as intercompany transactions and related taxes that were previously included in our China Division results. We have also restated the results of our KFC and Pizza Hut Divisions to include the royalties paid by third-party franchisees previously included in China Division results that will be continued pursuant to the Master License Agreement following the Separation. For 2016, 2015, and 2014 the combined impact to our KFC and Pizza Hut Divisions' Franchise and license fees and income was $208 million, $244 million, and $242 million, respectively. The value added tax associated with this royalty revenue was recorded as an increase in Franchise and license expenses and the combined impact to our KFC and Pizza Hut Divisions' Franchise and license expense totaled $13 million, $16 million and $16 million in 2016, 2015 and 2014, respectively. The net increases in the KFC and Pizza Hut Divisions' Operating Profit were offset with a corresponding reduction in Income from discontinued operations such that there is no impact on total reported Net income. Subsequent to the Separation, all royalty revenues earned by us under the Master License Agreement with Yum China are reflected as Franchise and license fees and income in our Consolidated Statements of Income. Cash inflows from Yum China to the Company from the date of Separation through the end of 2016 related to the Master License Agreement were $16 million and primarily related to royalty revenues.

The financial results of Yum China presented in discontinued operations reflect the results of the former China Division, an operating segment of the Company until the Separation, adjusted for the transactions discussed above and the inclusion of certain G&A expenses, non-cash impairment charges, refranchising gains, interest and taxes that were previously not allocated to but were related to the former China Division's historical results of operations. The following table presents the financial results of the Company's discontinued operations:

	2016[(a)]	2015	2014
Company sales	$ 5,667	$ 6,789	$ 6,821
Franchise and license fees and income	109	120	113
Company restaurant expenses	(4,766)	(5,913)	(6,011)
G&A expenses[(b)]	(406)	(405)	(391)
Franchise and license expenses	(45)	(48)	(44)
Closures and impairment expenses[(c)]	(57)	(64)	(517)
Refranchising gain	12	13	17
Other income[(d)]	49	27	52
Interest income, net	8	7	13
Income from discontinued operations before income taxes	571	526	53
Income tax benefit (provision)[(e)]	65	(164)	(38)
Income from discontinued operations—including noncontrolling interests	636	362	15
(Income) loss from discontinued operations—noncontrolling interests	(11)	(5)	30
Income from discontinued operations—YUM! Brands, Inc.	$ 625	$ 357	$ 45

(a) *Includes Yum China financial results from January 1, 2016 to October 31, 2016.*

(b) *Includes costs incurred to execute the Separation of $68 million and $9 million for 2016 and 2015, respectively. Such costs primarily relate to transaction advisors, legal and other consulting fees.*

(c) *During 2014, we recorded a $463 million non-cash impairment charge related to the investment in China's Little Sheep restaurant business. The tax benefit associated with these losses of $76 million and the losses allocated to the noncontrolling founding shareholder of $26 million resulted in a net impact of $361 million on Income from discontinued operations—YUM! Brands, Inc.*

(d) *Primarily relates to equity income from KFC franchisees in which Yum China owns a minority interest.*

(e) *During 2016, we recorded a tax benefit of $233 million related to previously recorded losses associated with our Little Sheep business. The tax benefit associated with these losses was able to be recognized as a result of legal entity restructuring completed in anticipation of the Separation.*

The assets, liabilities and redeemable noncontrolling interest related to Yum China and presented as discontinued operations in our Consolidated Balance Sheets are as follows:

	2015
Cash and cash equivalents	$ 424
Accounts and notes receivable, net	53
Inventories	189
Prepaid expenses and other current assets	108
Current assets of discontinued operations	774
Property, plant and equipment, net	1,841
Goodwill	85
Intangible assets, net	107
Investments in unconsolidated affiliates	61
Other assets	192
Deferred income taxes	85
Noncurrent assets of discontinued operations	2,371
Total assets classified as discontinued operations	$ 3,145
Accounts payable and other current liabilities	$ 912
Income taxes payable	22
Current liabilities of discontinued operations	934
Long-term debt	34
Other liabilities and deferred credits	213
Non-current liabilities of discontinued operations	247
Total liabilities classified as discontinued operations	$ 1,181
Redeemable noncontrolling interest	$ 6

Assets and liabilities transferred to Yum China upon Separation at October 31, 2016 were $3,363 million and $1,310 million, respectively. At October 31, 2016, there were 5,898 stores owned and operated by our China business. Subsequent to the Separation, 5,859 of these stores owned by Yum China will be reflected as KFC or Pizza Hut franchise units within YUM's total unit count. The remaining 39 stores, as well as 211 stores that were franchise-operated stores in our China business on the date of separation relate to the Little Sheep and East Dawning concepts and are now excluded from YUM's unit counts as we have no ongoing association with those concepts.

NOTE 5 Items Affecting Comparability of Net Income and Cash Flows

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		
	2016	2015	2014
KFC Division[(a)]	$ (20)	$ 33	$ (18)
Pizza Hut Division[(a)(b)]	(50)	55	6
Taco Bell Division	(71)	(65)	(4)
Worldwide	$ (141)	$ 23	$ (16)

(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 Mexico market-wide 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.*

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) *In 2016, we recognized a net gain of $11 million related to the reclassification of accumulated translation adjustments associated with Pizza Hut Australia upon entering into a master franchising agreement for that business that was deemed a complete liquidation of the Pizza Hut Australia foreign entity.*

YUM's Strategic Transformation Initiatives

In October 2016, we announced YUM's Strategic Transformation Initiatives following the Separation. Major features of the Company's strategic transformation plans involve being more focused on the development of our three brands, increasing our franchise ownership and creating a leaner, more efficient cost structure. We incurred pre-tax costs of $71 million related to our Strategic Transformation Initiatives in 2016. These costs, primarily recorded in G&A expenses, included severance costs, charges associated with a voluntary retirement program offered to certain U.S. employees, consulting costs incurred to facilitate YUM's Strategic Transformation Initiatives and losses associated with the sale of Corporate aircraft upon our decision to no longer own our own aircraft. YUM's Strategic Transformation Initiatives represent the continuation of YUM's transformation of its operating model and capital structure following the Separation and recapitalization of YUM. Due to the scope of the initiatives as well as their significance, costs associated with these initiatives are not being allocated to any segment for performance reporting.

Modifications of Share-based Compensation Awards

In connection with the Separation, we modified certain share-based compensation awards held as part of our Executive Income Deferral ("EID") Plan in phantom shares of YUM Common Stock to provide one phantom Yum China share-based award for each outstanding phantom YUM share-based award. These Yum China awards may now be settled in cash, as opposed to stock, which requires recognition of the fair value of these awards each quarter in our income statement. Cumulative fair value in excess of previously recorded expense as of December 31, 2016, and related costs resulted in non-cash pre-tax charges of $30 million being recorded to G&A expense in 2016. These costs are not being allocated to any of our segment operating results given they were a direct result of the Separation. See Note 16 for further discussion of share-based and deferred compensation plans.

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 $120 million from 2015 through 2018 primarily to fund new back-of house equipment for franchisees and to provide incentives to accelerate franchisee store remodels. We recorded pre-tax charges for the portion of these investments made in 2016 and 2015 of $26 million and $72 million, respectively. These amounts were recorded primarily as Franchise and license expenses and are not being allocated to the KFC Division segment operating results.

In addition to the investments above we agreed to fund $60 million of incremental system advertising. During 2016 and 2015, we incurred $20 million and $10 million in incremental system advertising expense, respectively, with the remaining funding to occur in 2017 and 2018. The amounts recorded were primarily in Franchise and license expenses and are included in the KFC Division segment operating results.

YUM Retirement Plan Settlement Charge

During the fourth quarter of 2016, the Company allowed certain former employees with deferred vested balances in the YUM Retirement Plan ("the Plan") an opportunity to voluntarily elect an early payout of their pension benefits. As a result of settlement payments made of approximately $205 million related to this program, all of which were funded from existing Plan assets, we recorded a pre-tax settlement charge to G&A expenses in 2016 of $25 million that was not allocated to any of our segment operating results due to the size and non-recurring nature of the program. See Note 15 for further discussion of our pension plans.

Store Closure and Impairment Activity

Store closure (income) costs and Store impairment charges by reportable segment are presented below.

	2016			
	KFC	**Pizza Hut**	**Taco Bell**	**Worldwide**
Store closure (income) costs[(a)]	$ 3	$ (4)	$ —	$ (1)
Store impairment charges	8	4	3	15
Closure and impairment (income) expenses	$ 11	$ —	$ 3	$ 14

	2015			
	KFC	**Pizza Hut**	**Taco Bell**	**Worldwide**
Store closure (income) costs[(a)]	$ 1	$ (2)	$ (1)	$ (2)
Store impairment charges	8	5	4	17
Closure and impairment (income) expenses	$ 9	$ 3	$ 3	$ 15

	2014			
	KFC	**Pizza Hut**	**Taco Bell**	**Worldwide**
Store closure (income) costs[(a)]	$ 2	$ 1	$ —	$ 3
Store impairment charges	8	4	3	15
Closure and impairment (income) expenses	$ 10	$ 5	$ 3	$ 18

(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 31, 2016 or December 26, 2015.*

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NOTE 6 Supplemental Cash Flow Data

	2016	2015	2014
Cash Paid For:			
Interest	$ 297	$ 145	$ 141
Income taxes[(a)]	317	390	495
Significant Non-Cash Investing and Financing Activities:			
Capital lease obligations incurred	$ 9	$ 25	$ 17
Reconciliation of Cash and cash equivalents to Consolidated Statements of Cash Flows:			
Cash and cash equivalents as presented in Consolidated Balance Sheets	$ 704	$ 313	$ 341
Restricted cash included in Prepaid expenses and other current assets[(b)]	55	—	—
Restricted cash included in Other assets[(c)]	53	21	16
Cash, Cash Equivalents and Restricted Cash as presented in Consolidated Statements of Cash Flows	$ 812	$ 334	$ 357

(a) *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 18.*

(b) *Restricted cash within Prepaid expenses and other current assets primarily relates to the Taco Bell Securitization. See Note 11.*

(c) *Primarily cash balances required to meet statutory minimum net worth requirements for legal entities which enter into U.S. franchise agreements and trust accounts related to our self-insurance programs.*

NOTE 7 Franchise and License Fees and Income

	2016	2015	2014
Initial fees, including renewal fees	$ 81	$ 78	$ 76
Initial franchise fees included in Refranchising (gain) loss	(9)	(6)	(2)
	72	72	74
Continuing fees and rental income	2,094	2,012	2,010
Franchise and license fees and income	$ 2,166	$ 2,084	$ 2,084

NOTE 8 Other (Income) Expense

	2016	2015	2014
Foreign exchange net (gain) loss and other	$ (2)	$ 17	$ 11
Loss associated with corporate aircraft[(a)]	9	—	—
Other (income) expense	$ 7	$ 17	$ 11

(a) *During 2016, we made the decision to no longer operate a corporate aircraft fleet and offered our owned aircraft for sale, one of which was sold during 2016 and one that is classified as held for sale at the end of 2016 within Prepaid expenses and other current assets. The losses associated with the sale and planned sale reflect the shortfall of the expected or actual proceeds, less any selling costs, over the carrying value of the aircraft. See Note 5.*

NOTE 9 Supplemental Balance Sheet Information

Prepaid Expenses and Other Current Assets	2016	2015
Income tax receivable	$ 61	$ 39
Assets held for sale[(a)]	51	10
Other prepaid expenses and current assets	126	84
Prepaid expenses and other current assets	$ 238	$ 133

(a) *Reflects the carrying value of restaurants we have offered for sale to franchisees, excess properties that we do not intend to use for restaurant operations in the future and a corporate aircraft we expect to sell in 2017.*

Property, Plant and Equipment	2016	2015
Land	$ 441	$ 480
Buildings and improvements	2,184	2,232
Capital leases, primarily buildings	154	168
Machinery and equipment	1,410	1,515
Property, plant and equipment, gross	4,189	4,395
Accumulated depreciation and amortization	(2,029)	(2,048)
Property, plant and equipment, net	$ 2,160	$ 2,347

Depreciation and amortization expense related to property, plant and equipment was $294 million, $304 million and $310 million in 2016, 2015 and 2014, respectively.

Accounts Payable and Other Current Liabilities	2016	2015
Accounts payable	$ 200	$ 181
Accrued capital expenditures	44	46
Accrued compensation and benefits	380	281
Dividends payable	106	197
Accrued taxes, other than income taxes	64	74
Other current liabilities	338	295
Accounts payable and other current liabilities	$ 1,132	$ 1,074

NOTE 10 Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	KFC	Pizza Hut	Taco Bell	Worldwide
Balance as of December 27, 2014				
Goodwill, gross	$ 314	$ 200	$ 114	$ 628
Accumulated impairment losses	—	(17)	—	(17)
Goodwill, net	314	183	114	611
Acquisitions	1	—	1	2
Disposals and other, net[(a)]	(33)	(7)	(2)	(42)
Balance as of December 26, 2015				
Goodwill, gross	282	193	113	588
Accumulated impairment losses	—	(17)	—	(17)
Goodwill, net	282	176	113	571
Disposals and other, net[(a)]	(12)	(16)	(2)	(30)
Balance as of December 31, 2016				
Goodwill, gross	270	177	111	558
Accumulated impairment losses	—	(17)	—	(17)
Goodwill, net	$ 270	$ 160	$ 111	$ 541

(a) Disposals and other, net includes the impact of foreign currency translation on existing balances and goodwill write-offs associated with refranchising.

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Intangible assets, net for the years ended 2016 and 2015 are as follows:

	2016		2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets				
Reacquired franchise rights	$ 84	$ (49)	$ 92	$ (49)
Franchise contract rights	99	(73)	99	(70)
Lease tenancy rights	56	(9)	55	(9)
Other	36	(24)	37	(22)
	$ 275	$ (155)	$ 283	$ (150)
Indefinite-lived intangible assets				
KFC trademark	$ 31		$ 31	

Amortization expense for all definite-lived intangible assets was $12 million in 2016, $13 million in 2015 and $13 million in 2014. Amortization expense for definite-lived intangible assets is expected to approximate $10 million in 2017, $9 million in 2018, $7 million in 2019, $7 million in 2020 and $6 million in 2021.

NOTE 11 Short-term Borrowings and Long-term Debt

	2016	2015
Short-term Borrowings		
Current maturities of long-term debt	$ 65	$ 312
Unsecured Short-Term Loan Credit Facility (the “Bridge Facility”)	—	600
Other	9	9
	$ 74	$ 921
Less current portion of debt issuance costs and discounts	(8)	—
Short-term borrowings	$ 66	$ 921
Long-term Debt		
Securitization Notes	$ 2,294	$ —
Subsidiary Senior Unsecured Notes	2,100	—
Term Loan A Facility	500	—
Term Loan B Facility	1,990	—
YUM Senior Unsecured Notes	2,200	2,500
Senior Unsecured Revolving Credit Facility	—	701
Capital lease obligations (See Note 12)	121	134
	9,205	3,335
Less debt issuance costs and discounts	(79)	(16)
Less current maturities of long-term debt	(65)	(312)
Long-term debt	$ 9,061	$ 3,007

During the year ended December 31, 2016, a subsidiary of Taco Bell issued $2.3 billion in Securitization Notes. Additionally, in 2016 a group of our subsidiaries issued $2.1 billion in Senior Unsecured Notes and entered into a Credit Agreement providing for senior, secured credit facilities consisting of a $500 million Term Loan A Facility, a $2.0 billion Term Loan B Facility and a $1.0 billion revolving credit facility with $995 million in borrowings available as of December 31, 2016 (net of $5 million in outstanding letters of credit) During 2016, YUM repaid $300 million in YUM Senior Unsecured Notes and repaid and terminated the Bridge Facility, which had $600 million of outstanding borrowings as of December 26, 2015. We also repaid and terminated the Senior Unsecured Revolving Credit Facility, which had $701 million of outstanding borrowings as of December 26, 2015.

Securitization Notes

On May 11, 2016 Taco Bell Funding, LLC (the “Issuer”), a newly formed, special purpose limited liability company and a direct,

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wholly-owned subsidiary of Taco Bell Corp. ("TBC") completed a securitization transaction and issued $800 million of its Series 2016-1 3.832% Fixed Rate Senior Secured Notes, Class A-2-I (the "Class A-2-I Notes"), $500 million of its Series 2016-1 4.377% Fixed Rate Senior Secured Notes, Class A-2-II (the "Class A-2-II Notes") and $1.0 billion of its Series 2016-1 4.970% Fixed Rate Senior Secured Notes, Class A-2-III (the "Class A-2-III Notes" and, together with the Class A-2-I Notes and the Class A-2-II Notes, the "Class A-2 Notes"). In connection with the issuance of the Class A-2 Notes, the Issuer also entered into a revolving financing facility of Series 2016-1 Senior Notes, Class A-1 (the "Variable Funding Notes"), which allows for the borrowing of up to $100 million and the issuance of up to $50 million in letters of credit. The Class A-2 Notes and the Variable Funding Notes are referred to collectively as the "Securitization Notes". The Class A-2 Notes were issued under a Base Indenture, dated as of May 11, 2016 (the "Base Indenture"), and the related Series 2016-1 Supplement thereto, dated as of May 11, 2016 (the "Series 2016-1 Supplement"). The Base Indenture and the Series 2016-1 Supplement (collectively, the "Indenture") allow the Issuer to issue additional series of notes.

The Securitization Notes were issued in a transaction pursuant to which certain of TBC's domestic assets, consisting principally of franchise-related agreements and domestic intellectual property, were contributed to the Issuer and the Issuer's special purpose, wholly-owned subsidiaries (the "Guarantors", and collectively with the Issuer, the "Securitization Entities") to secure the Securitization Notes. The Securitization Notes are secured by substantially all of the assets of the Securitization Entities, and include a lien on all existing and future U.S. Taco Bell franchise and license agreements and the royalties payable thereunder, existing and future U.S. Taco Bell intellectual property, certain transaction accounts and a pledge of the equity interests in asset-owning Securitization Entities. The remaining U.S. Taco Bell assets that were excluded from the transfers to the Securitization Entities continue to be held by Taco Bell of America, LLC, a limited liability company ("TBA") and TBC. The Securitization Notes are not guaranteed by the remaining U.S. Taco Bell assets, the Company, or any other subsidiary of the Company.

Payments of interest and principal on the Securitization Notes are made from the royalty fees paid pursuant to the franchise and license agreements with all U.S. Taco Bell restaurants, including both company and franchise operated restaurants. Interest on and principal payments of the Class A-2 Notes are due on a quarterly basis. In general, no amortization of principal of the Class A-2 Notes is required prior to their anticipated repayment dates unless as of any quarterly measurement date the consolidated leverage ratio (the ratio of total debt to Net Cash Flow (as defined in the Indenture)) for the preceding four fiscal quarters of either the Company and its subsidiaries or the Issuer and its subsidiaries exceeds 5.0:1, in which case amortization payments of 1% per year of the outstanding principal as of the closing of the Securitization Notes is required. As of the most recent quarterly measurement date the consolidated leverage ratio exceeded 5.0:1 and, as a result, amortization payments are required. The legal final maturity date of the Notes is in May 2046, but the anticipated repayment dates of the Class A-2-I Notes, the Class A-2-II Notes and the Class A-2-III Notes will be 4, 7 and 10 years, respectively (the "Anticipated Repayment Dates") from the date of issuance. If the Issuer has not repaid or refinanced a series of Class A-2 Notes prior to its respective Anticipated Repayment Dates, rapid amortization of principal on all Securitization Notes will occur and additional interest will accrue on the Class A-2 Notes, as stated in the Indenture.

Interest on the Variable Funding Notes will be based on (i) the prime rate, (ii) the overnight federal funds rates, (iii) the London interbank offered rate ("LIBOR") for U.S. Dollars or (iv) with respect to advances made by conduit investors, the weighted average cost of, or related to, the issuance of commercial paper allocated to fund or maintain such advances, plus any applicable margin, in each case as more fully set forth in the Variable Funding Note Purchase Agreement. It is anticipated that outstanding principal of and interest on the Variable Funding Notes, if any, will be repaid in full on or prior to May 2021, subject to two additional one-year extensions at the option of the Issuer and further extensions as agreed between the Issuer and the Administrative Agent. Following the anticipated repayment date and any extensions thereof, additional interest will accrue on the Variable Funding Notes equal to 5.00% per year. As of December 31, 2016, $15 million of letters of credit were outstanding against the Variable Funding Notes, which relate primarily to interest reserves required under the Indenture. The Variable Funding Notes were undrawn at December 31, 2016.

The Company paid debt issuance costs of $31 million in connection with the issuance of the Securitization Notes. The debt issuance costs are being amortized to Interest expense, net through the Anticipated Repayment Dates of the Securitization Notes utilizing the effective interest rate method. We classify these deferred costs on our Consolidated Balance Sheet as a reduction in the related debt when borrowings are outstanding or within Other assets if borrowings are not outstanding. As of December 31, 2016, the effective interest rates, including the amortization of debt issuance costs, were 4.18%, 4.59%, and 5.14% for the Class A-2-I Notes, Class A-2-II Notes and Class A-2-III Notes, respectively.

The Securitization Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Issuer maintains specified reserve accounts to be available to make required interest payments in respect of the Securitization Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Class A-2 Notes under certain circumstances, (iii) certain indemnification payments relating to taxes, enforcement costs and other customary items and (iv) covenants relating to recordkeeping, access to information and similar matters. The Securitization Notes are also subject to rapid amortization events provided for in the Indenture, including events tied to failure to maintain a stated debt service coverage ratio (as defined in the Indenture) of at least 1.1:1, gross domestic sales for branded restaurants being below certain levels on certain measurement dates, a manager termination event, an event of default and the failure to repay or refinance the Class A-2 Notes on the Anticipated Repayment Date (subject to limited cure rights). The Securitization Notes are also subject to certain customary events of default, including events relating to non-payment of required interest or principal due on the Securitization Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective, certain judgments and failure of the Securitization Entities to maintain a stated debt service coverage ratio. As of December 31, 2016, we were in compliance with all of our debt covenant requirements and were not subject to any rapid amortization events.

In accordance with the Indenture, certain cash accounts have been established with the Indenture trustee for the benefit of the note holders, and are restricted in their use. The Indenture requires a certain amount of securitization cash flow collections to be allocated on a weekly basis and maintained in a cash reserve account. As of December 31, 2016, the Company had restricted cash of $55 million primarily related to required interest reserves. Such restricted cash is included in Prepaid expenses and other current assets on the Consolidated Balance Sheet as of December 31, 2016. Once the required obligations are satisfied, there are no further restrictions, including payment of dividends, on the cash flows of the Securitization Entities.

Additional cash reserves are required if any of the rapid amortization events occur, as noted above, or in the event that as of any quarterly measurement date the Securitization Entities fail to maintain a debt service coverage ratio (or the ratio of Net Cash Flow to all debt service payments for the preceding four fiscal quarters) of at least 1.75:1. The amount of weekly securitization cash flow collections that exceed the required weekly allocations is generally remitted to the Company. During the quarter ended December 31, 2016, the Securitization Entities maintained a debt service coverage ratio significantly in excess of the 1.75:1 requirement.

Credit Facilities and Subsidiary Senior Unsecured Notes

On June 16, 2016, KFC Holding Co., Pizza Hut Holdings, LLC, a limited liability company, and TBA, each of which is a wholly-owned subsidiary of the Company, as co-borrowers (the "Borrowers"), entered into a credit agreement providing for senior secured credit facilities consisting of a $500 million Term Loan A facility (the "Term Loan A Facility"), a $2.0 billion Term Loan B facility (the "Term Loan B Facility") and a $1.0 billion revolving facility (the "Revolving Facility"), each of which may be increased subject to certain conditions. The Term Loan A Facility, the Term Loan B Facility, and the Revolving Facility are collectively referred to as the "Credit Agreement". Through December 31, 2016, there have been no outstanding borrowings under the Revolving Facility.

The Term Loan A Facility is subject to quarterly amortization payments beginning one full fiscal quarter after the first anniversary of the closing date, in an amount equal to 1.25% of the initial principal amount of the facility, in each of the second and third years of the facility; in an amount equal to 1.875% of the initial principal amount of the facility, in the fourth year of the facility; and in an amount equal to 3.75% of the initial principal amount of the facility, in the fifth year of the facility, with the balance payable at maturity on the fifth anniversary of the closing date. The Term Loan B Facility is subject to quarterly amortization payments in an amount equal to 0.25% of the initial principal amount of the facility, with the balance payable at maturity on the seventh anniversary of the closing date.

The interest rate for the Term Loan A Facility and for borrowings under the Revolving Facility ranges from 2.00% to 2.50% plus LIBOR or from 1.00% to 1.50% plus the Base Rate (as defined in the Credit Agreement), at the Borrowers' election, based upon the total net leverage ratio of the Borrowers and the Specified Guarantors. The Specified Guarantors are the following subsidiaries of the Company: YUM Restaurant Services Group, LLC, Restaurant Concepts LLC and TBC and their subsidiaries, excluding Taco Bell Funding LLC, and its special purpose, wholly-owned subsidiaries (see above). The interest rate for the Term Loan B Facility is either LIBOR plus 2.75% or the Base Rate plus 1.75%, at the Borrowers' election. Interest on any outstanding borrowings under the Credit Agreement is payable at least quarterly. The Term Loan A Facility and the Revolving Facility mature in June 2021 and the Term Loan B Facility matures in June 2023.

The Credit Agreement is unconditionally guaranteed by the Company and certain of the Borrowers' principal domestic subsidiaries and excludes Taco Bell Funding LLC and its special purpose, wholly-owned subsidiaries (see above). The Credit Agreement is also secured by first priority liens on substantially all assets of the Borrowers and each subsidiary guarantor, excluding the stock of certain subsidiaries and certain real property, and subject to other customary exceptions.

The Credit Agreement is subject to certain mandatory prepayments, including an amount equal to 50% of excess cash flow (as defined in the Credit Agreement) on an annual basis and the proceeds of certain asset sales, casualty events and issuances of indebtedness, subject to customary exceptions and reinvestment rights.

The Credit Agreement includes two financial maintenance covenants which require the Borrowers to maintain a total leverage ratio (defined as the ratio of Consolidated Total Debt to Consolidated EBITDA (as these terms are defined in the Credit Agreement)) of 5.0:1 or less and a fixed charge coverage ratio (defined as the ratio of EBITDA minus capital expenditures to fixed charges (inclusive of rental expense and scheduled amortization)) of at least 1.5:1, each as of the last day of each fiscal quarter. The Credit Agreement includes other affirmative and negative covenants and events of default that are customary for facilities of this type. The Credit Agreement contains, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. We were in compliance with all debt covenants as of December 31, 2016.

Additionally, on June 16, 2016, the Borrowers issued $1.05 billion aggregate principal amount of 5.00% Senior Unsecured Notes due 2024 and $1.05 billion aggregate principal amount of 5.25% Senior Unsecured Notes due 2026 (together, the "Subsidiary Senior Unsecured Notes"). Interest on each series of Subsidiary Senior Unsecured Notes is payable semi-annually in arrears on June 1 and December 1, beginning on December 1, 2016. The Subsidiary Senior Unsecured Notes are guaranteed on a senior unsecured basis by (i) the Company, (ii) the Specified Guarantors and (iii) by each of the Borrower's and the Specified Guarantors' domestic subsidiaries that guarantees the Borrower's obligations under the Credit Agreement, except for any of the Company's foreign subsidiaries. The indenture governing the Subsidiary Senior Unsecured Notes contains covenants and events of default that are customary for debt securities of this type. We were in compliance with all debt covenants as of December 31, 2016.

During 2016, the Company paid debt issuance costs of $56 million in connection with the issuance of the Credit Agreement and the Subsidiary Senior Unsecured Notes. The debt issuance costs are being amortized to Interest expense, net through the contractual maturity of the agreements utilizing the effective interest rate method. We classify these deferred costs on our Consolidated Balance Sheet as a reduction in the related debt when borrowings are outstanding or within Other assets if borrowings are not outstanding. As of December 31, 2016, the effective interest rates, including the amortization of debt issuance costs and the impact of the interest rate swaps on Term Loan B Facility (See Note 13), were 5.16%, 5.39%, 3.01%, and 3.91% for the Subsidiary Senior Unsecured Notes due 2024, the Subsidiary Senior Unsecured Notes due 2026, the Term Loan A Facility, and the Term Loan B Facility, respectively.

YUM Senior Unsecured Notes

The majority of our remaining long-term debt primarily comprises YUM Senior Unsecured Notes with varying maturity dates from 2018 through 2043 and stated interest rates ranging from 3.75% to 6.88%. The YUM 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 YUM 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 YUM 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 second quarter of 2016, we repaid $300 million of YUM Senior Unsecured Notes upon their maturity.

The following table summarizes all YUM Senior Unsecured Notes issued that remain outstanding at December 31, 2016:

Issuance Date[(a)]	Maturity Date	Principal Amount *(in millions)*	Interest Rate Stated	Interest Rate Effective[(b)]
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 debt issuance.

The annual maturities of short-term borrowings and long-term debt as of December 31, 2016, excluding capital lease obligations of $121 million are as follows:

Year ended:	
2017	$ 64
2018	393
2019	324
2020	1,215
2021	760
Thereafter	6,337
Total	$ 9,093

Interest expense on short-term borrowings and long-term debt was $333 million, $153 million and $151 million in 2016, 2015 and 2014, respectively.

NOTE 12 Leases

At December 31, 2016, we operated approximately 2,800 restaurants, leasing the underlying land and/or building in approximately 2,000 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 700 units to franchisees, principally in the U.S., United Kingdom, Germany and France.

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
2017	$ 16	$ 171	$ 3	$ 40
2018	16	148	2	36
2019	15	128	2	30
2020	15	101	2	23
2021	14	85	1	20
Thereafter	105	571	5	86
	$ 181	$ 1,204	$ 15	$ 235

At December 31, 2016 and December 26, 2015, the present value of minimum payments under capital leases was $121 million and $134 million, respectively. At December 31, 2016, unearned income associated with direct financing lease receivables was $2 million.

The details of rental expense and income are set forth below:

	2016	2015	2014
Rental expense			
Minimum	$ 213	$ 221	$ 243
Contingent	29	34	37
	$ 242	**$ 255**	**$ 280**
Rental income	**$ 79**	**$ 73**	**$ 83**

NOTE 13 Derivative Instruments

We use derivative instruments to manage certain of our market risks related to fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Swaps

We enter into interest rate swaps with the objective of reducing our exposure to interest rate risk for a portion of our variable-rate debt interest payments. On July 25, 2016, we agreed with multiple counterparties to swap the variable LIBOR-based component of the interest payments related to $1.55 billion of our $2.0 billion Term Loan B Facility, resulting in a fixed rate of 3.92% on the swapped portion of the Term Loan B Facility. These interest rate swaps will expire in July 2021 and the notional amount, maturity date and variable rate of these swaps match those of the related debt. These interest rate swaps are designated cash flow hedges as the changes in the future cash flows of the swaps are expected to offset changes in interest payments on the related variable-rate debt. There were no other interest rate swaps outstanding as of December 31, 2016.

The effective portion of gains or losses on the interest rate swaps is reported as a component of Accumulated other comprehensive income ("AOCI") and reclassified into Interest expense, net in our Consolidated Statement of Income in the same period or periods during which the related hedged interest payments affect earnings. Gains or losses on the swaps representing hedge ineffectiveness are recognized in current earnings. As of December 31, 2016, the swaps were highly effective cash flow hedges and no ineffectiveness has been recorded.

Foreign Currency Contracts

We enter into foreign currency forward and swap contracts with the objective of reducing our exposure to earnings volatility arising from foreign currency fluctuations associated with certain foreign currency denominated intercompany receivables and payables. The notional amount, maturity date, and currency of these contracts match those of the underlying intercompany receivables or payables. Our foreign currency contracts are designated cash flow hedges as the future cash flows of the contracts are expected to offset changes in intercompany receivables and payables due to foreign currency exchange rate fluctuations.

The effective portion of gains or losses on the foreign currency contracts is reported as a component of AOCI. Amounts are reclassified from AOCI each quarter to offset foreign currency transaction gains or losses recorded within Other (income) expense when the related intercompany receivables and payables affect earnings due to their functional currency remeasurements. Gains or losses on the foreign currency contracts representing hedge ineffectiveness are recognized in current earnings. As of December 31, 2016, all foreign currency contracts were highly effective cash flow hedges and no ineffectiveness has been recorded.

As of December 31, 2016 and December 26, 2015, foreign currency forward and swap contracts outstanding had total notional amounts of $437 million and $470 million, respectively. As of December 31, 2016 we have foreign currency forward and swap contracts with durations expiring as early as January 2017 and as late as 2020.

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 31, 2016, all of the counterparties to our interest rate swaps and foreign currency contracts had investment grade ratings according to the three major ratings agencies. To date, all counterparties have performed in accordance with their contractual obligations.

Gains and losses on derivative instruments designated as cash flow hedges recognized in OCI and reclassifications from AOCI into Net Income:

	Gains/(Losses) Recognized in OCI		(Gains)/Losses Reclassified from AOCI into Net Income	
	2016	**2015**	**2016**	**2015**
Interest rate swaps	$ 47	$ —	$ (4)	$ —
Foreign currency contracts	1	32	(4)	(41)
Income tax benefit/(expense)	(19)	(4)	3	5

As of December 31, 2016, the estimated net gain included in AOCI related to our cash flow hedges that will be reclassified into earnings in the next 12 months is $3 million, based on current LIBOR interest rates.

See Note 14 for the fair value of our derivative assets and liabilities.

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NOTE 14 Fair Value Disclosures

As of December 31, 2016 the carrying values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, short -term borrowings 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 following table presents the carrying value and estimated fair value of the Company's debt obligations:

	12/31/2016		12/26/2015	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Debt obligations				
Securitization Notes[(a)]	$ 2,294	$ 2,315	$ —	$ —
Subsidiary Senior Unsecured Notes[(b)]	2,100	2,175	—	—
Term Loan A Facility[(b)]	500	501	—	—
Term Loan B Facility[(b)]	1,990	2,016	—	—
YUM Senior Unsecured Notes[(b)]	2,200	2,216	2,500	2,393

(a) *We estimated the fair value of the Securitization Notes by obtaining broker quotes from two separate brokerage firms that are knowledgeable about the Company's Securitization Notes and, at times, trade these notes. The markets in which the Securitization Notes trade are not considered active markets.*

(b) *We estimated the fair value of the YUM and Subsidiary Senior Unsecured Notes, Term Loan A Facility, and Term Loan B Facility using market quotes and calculations based on market rates.*

Recurring Fair Value Measurements

The Company has interest rate swaps, 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 (See Note 13 for discussion regarding derivative instruments).

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 31, 2016 or December 26, 2015.

		Fair Value		
	Level	2016	2015	Consolidated Balance Sheet
Interest Rate Swaps—Liability	2	$ 3	$ —	Accounts payable and other current liabilities
Interest Rate Swaps—Asset	2	—	2	Prepaid expenses and other current assets
Interest Rate Swaps—Asset	2	47	—	Other assets
Foreign Currency Contracts—Asset	2	7	—	Prepaid expenses and other current assets
Foreign Currency Contracts—Asset	2	8	19	Other assets
Other Investments	1	24	21	Other assets

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 31, 2016 and December 26, 2015.

Non-Recurring Fair Value Measurements

The following table presents expense recognized from all non-recurring fair value measurements during the years ended December 31, 2016 and December 26, 2015. These amounts exclude fair value measurements made for assets that were subsequently disposed of prior to those respective year-end dates. The remaining net book value of restaurant assets measured at fair value during the years ended December 31, 2016 and December 26, 2015 is insignificant.

	2016	2015
Aircraft impairment[(a)]	$ 3	$ —
Restaurant-level impairment[(b)]	8	10
Total	$ 11	$ 10

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(a) During 2016, we made the decision to dispose of a corporate aircraft. 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. The expected proceeds are based on actual bids received from potential buyers for similar assets (Level 2).

(b) 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).

NOTE 15 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 2017. 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.

During the fourth quarter of 2016, the Company allowed certain former employees with deferred vested balances in the Plan an opportunity to voluntarily elect an early payout of their benefits. See Note 5 for details.

We do not anticipate any plan assets being returned to the Company during 2017 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.

	2016	2015
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,134	$ 1,301
Service cost	17	18
Interest cost	54	55
Plan amendments	4	28
Curtailments	(4)	(2)
Special termination benefits	3	1
Benefits paid	(26)	(50)
Settlement payments[(a)]	(260)	(16)
Actuarial (gain) loss	77	(196)
Administrative expense	(6)	(5)
Benefit obligation at end of year	$ 993	$ 1,134
Change in plan assets		
Fair value of plan assets at beginning of year	$ 1,004	$ 991
Actual return on plan assets	87	(10)
Employer contributions	38	94
Settlement payments[(a)]	(260)	(16)
Benefits paid	(26)	(50)
Administrative expenses	(6)	(5)
Fair value of plan assets at end of year	$ 837	$ 1,004
Funded status at end of year	$ (156)	$ (130)

(a) For discussion of the settlement payments and settlement losses, see Note 5.

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Amounts recognized in the Consolidated Balance Sheet:

	2016	2015
Accrued benefit liability—current	$ (16)	$ (13)
Accrued benefit liability—non-current	(140)	(117)
	$ (156)	$ (130)

The accumulated benefit obligation was $960 million and $1,088 million at December 31, 2016 and December 26, 2015, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2016	2015
Projected benefit obligation	$ 993	$ 101
Accumulated benefit obligation	960	88
Fair value of plan assets	837	—

Information for pension plans with a projected benefit obligation in excess of plan assets:

	2016	2015
Projected benefit obligation	$ 993	$ 1,134
Accumulated benefit obligation	960	1,088
Fair value of plan assets	837	1,004

Components of net periodic benefit cost:

Net periodic benefit cost	2016	2015	2014
Service cost	$ 17	$ 18	$ 17
Interest cost	54	55	54
Amortization of prior service cost(a)	6	1	1
Expected return on plan assets	(65)	(62)	(56)
Amortization of net loss	6	45	17
Net periodic benefit cost	$ 18	$ 57	$ 33
Additional (gain) loss recognized due to: Settlements(b)	$ 32	$ 5	$ 6
Special termination benefits	$ 3	$ 1	$ 3

(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.*

Pension gains (losses) in AOCI:

	2016	2015
Beginning of year	$ (170)	$ (319)
Net actuarial gain (loss)	(54)	124
Curtailments	4	2
Amortization of net loss	6	45
Amortization of prior service cost	6	1
Prior service cost	(4)	(28)
Settlement charges	32	5
End of year	$ (180)	$ (170)

Accumulated pre-tax losses recognized within AOCI:

	2016	2015
Actuarial net loss	$ (150)	$ (138)
Prior service cost	(30)	(32)
	$ (180)	$ (170)

The estimated net loss that will be amortized from AOCI into net periodic pension cost in 2017 is $7 million. The estimated prior service cost that will be amortized from AOCI into net periodic pension cost in 2017 is $5 million.

Weighted-average assumptions used to determine benefit obligations at the measurement dates:

	2016	2015
Discount rate	4.60%	4.90%
Rate of compensation increase	3.75%	3.75%

Weighted-average assumptions used to determine the net periodic benefit cost for fiscal years:

	2016	2015	2014
Discount rate	4.90%	4.30%	5.40%
Long-term rate of return on plan assets	6.75%	6.75%	6.90%
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 31, 2016 and December 26, 2015 by asset category and level within the fair value hierarchy are as follows:

	2016	2015
Level 1:		
Cash	$ 2	$ 3
Cash Equivalents[(a)]	12	9
Fixed Income Securities—U.S. Corporate[(b)]	172	221
Equity Securities—U.S. Large cap[(b)]	244	310
Equity Securities—U.S. Mid cap[(b)]	41	50
Equity Securities—U.S. Small cap[(b)]	43	51
Equity Securities—Non-U.S.[(b)]	83	100
Level 2:		
Fixed Income Securities—U.S. Corporate[(c)]	76	68
Fixed Income Securities—U.S. Government and Government Agencies[(d)]	152	195
Fixed Income Securities—Other[(d)]	31	17
Total fair value of plan assets[(e)]	$ 856	$ 1,024

(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) *2016 and 2015 exclude net unsettled trade payables of $19 million and $20 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. The Plan's 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. The Plan diversifies its equity risk by investing in several different U.S. and foreign market index funds. Investing in these index funds provides the Plan 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 $0.3 million and $0.5 million at December 31, 2016 and December 26, 2015, respectively, (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:	
2017	$ 128
2018	45
2019	42
2020	43
2021	46
2022 - 2026	259

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. Both of our UK plans have previously been frozen such that existing participants can no longer earn future service credits.

At the end of 2016 and 2015, the projected benefit obligations of these UK plans totaled $261 million and $233 million, respectively and plan assets totaled $305 million and $291 million, respectively. These plans were both in a net overfunded position at the end of 2016 and 2015 and related expense amounts recorded in each of 2016, 2015 and 2014 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 2017.

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 2016 and 2015, the accumulated post-retirement benefit obligation was $55 million and $59 million, respectively. Actuarial gains of $10 million and $8 million were recognized in AOCI at the end of 2016 and 2015, respectively. The net periodic benefit cost recorded was $3 million in both 2016 and 2015 and $5 million in 2014, 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 2016 and 2015 are 6.6% and 6.8%, 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 $4 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 $19 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 $14 million in 2016, $13 million in 2015 and $12 million in 2014.

NOTE 16 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 (the "LTIP"), the 1997 Long-Term Incentive Plan, the YUM! Brands, Inc. Restaurant General Manager Stock Option Plan and the YUM! Brands, Inc. SharePower Plan. In May 2016, concurrent with Shareholder approval to increase the authorized shares available for issuance under the LTIP, we cancelled authorized but unissued awards under the other three plans and will only issue new awards under the LTIP. Outstanding awards under the other plans will continue to be governed by their original award terms and will be issued under the LTIP. Under all our award terms, 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 LTIP includes stock options, incentive stock options, SARs, restricted stock, 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 LTIP. While awards under the LTIP can have varying vesting provisions and exercise periods, outstanding awards under the LTIP vest in periods ranging from immediate to five years. Stock options and SARs expire ten years after grant.

At year end 2016, approximately 27 million shares were available for future share-based compensation grants under the LTIP.

Our 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 LTIP, 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 2017.

In connection with the Separation of our China business, under the provisions of our LTIP, employee stock options, SARs, RSUs and PSUs were adjusted to maintain the pre-spin intrinsic value of the awards. Depending on the tax laws of the country of employment, awards were modified using either the shareholder method or the employer method. Share issuances for Yum China awards held by YUM employees will be satisfied by Yum China. Share issuances for YUM awards held by Yum China employees will be satisfied by YUM. Share-based compensation for YUM employees is based on both YUM and Yum China awards held by those employees.

The shareholder method was based on the premise that employees holding YUM awards prior to the Separation should receive an equal number of awards of both YUM and Yum China. For stock options and SARs, exercise prices of these post-Separation YUM and Yum China awards were established that, on a combined basis, maintained the intrinsic value on the YUM award prior to the Separation. The exercise prices provided for an initial intrinsic value in each of the post-Separation YUM and YUM China awards that was proportionate to the market value of the two companies on November 1, 2016. For RSUs and PSUs modified under the shareholder method, each YUM award was modified into one YUM award and one Yum China award.

Under the employer method, employees holding YUM awards prior to the Separation had their awards converted into awards of the company that they worked for subsequent to the Separation. For stock options and SARs modified under the employer method, the exercise prices of the awards were modified to maintain the pre-Separation intrinsic value of the awards in relation to the post-Separation stock price of the applicable company. For RSUs and PSUs modified under the employer method, the number of awards was modified to maintain the pre-Separation intrinsic value of the awards in relation to the post-Separation stock price of the applicable company.

As a result of the modifications made to outstanding awards under our shared-based and deferred compensation plans as described above, the total number of YUM stock option and SAR awards decreased by approximately 1.3 million shares. The total number of YUM RSU and PSU awards did not change significantly. The modifications to the outstanding equity awards resulted in an insignificant amount of additional compensation expense.

Investments in phantom shares of our Common Stock held within our EID Plan by employees that remained with YUM post-Separation that were converted into phantom investments in Yum China will now be allowed to be transferred into cash, phantom shares of a Stock Index Fund and phantom shares of a Bond Index Fund within the EID Plan. As such, distributions of current investments in phantom shares of Yum China may now be paid in cash at a date as elected by the employee and therefore are classified as a liability on our Consolidated Balance Sheets. At the Separation date and subsequent to the spinoff through December 31, 2016, we recorded G&A expense related to the cumulative mark-to-market value of these awards in excess of previously recorded fair value charges totaling $28 million. Awards that are remaining in the Yum China investment option when they are due for distribution will be paid out in shares of Yum China stock.

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:

	2016	2015	2014
Risk-free interest rate	1.4%	1.3%	1.6%
Expected term (years)	6.4	6.4	6.2
Expected volatility	27.0%	26.9%	29.7%
Expected dividend yield	2.6%	2.2%	2.1%

The above table does not reflect valuations performed in connection with modifications to awards made in connection with the Separation. All option and SAR awards granted during 2016 occurred prior to the Separation.

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, which cliff-vest after 4 years and expire 10 years after grant, and grants made to executives, which typically have a graded vesting schedule of 25% per year over 4 years and expire 10 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 with market-based conditions 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[a]	Weighted-Average Remaining Contractual Term *(years)*[a]	Aggregate Intrinsic Value *(in millions)*
Outstanding at the beginning of the year	25,933	$ 51.79		
Granted	4,329	70.64		
Exercised	(5,886)	40.84		
Forfeited or expired	(1,101)	70.66		
Outstanding at October 31, 2016	23,275	57.20		
Equitable adjustment	(1,283)[b]			
Exercised	(631)	24.66		
Forfeited or expired	(119)	52.13		
Outstanding at the end of the year	21,242[c]	$ 40.78	5.63	$ 479
Exercisable at the end of the year	13,710	$ 35.37	4.21	$ 383

(a) *Activity and amounts that occurred after October 31, 2016 reflect modifications related to the Separation.*
(b) *Adjustment to maintain intrinsic value upon Separation.*
(c) *Outstanding awards include 1,341 options and 19,901 SARs with weighted average exercise prices of $33.33 and $41.28, respectively. Outstanding awards represent YUM awards held by employees of both YUM and Yum China.*

The weighted-average grant-date fair value of stock options and SARs granted during 2016, 2015 and 2014 was $14.40, $15.95 and $17.28, respectively. The total intrinsic value of stock options and SARs exercised during the years ended December 31, 2016, December 26, 2015 and December 27, 2014, was $263 million, $153 million and $141 million, respectively.

As of December 31, 2016, $61 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. This reflects unrecognized cost for both YUM and Yum China awards held by YUM employees. The total fair value at grant date of awards that vested during 2016, 2015 and 2014 was $41 million, $42 million and $34 million, respectively.

RSUs and PSUs

As of December 31, 2016, there was $21 million of unrecognized compensation cost related to 0.9 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:

	2016	2015	2014
Options and SARs	$38	$41	$39
Restricted Stock Units	38	3	5
Performance Share Units	4	2	1
Total Share-based Compensation Expense	$80[a]	$46	$45
Deferred Tax Benefit recognized	$26	$15	$14
EID compensation expense not share-based	$ 5	$ 1	$ 8

(a) *Includes $30 million due to modifications of awards in connection with the Separation that was not allocated to any of our operating segments for performance purposes. See Note 5.*

Cash received from stock option exercises for 2016, 2015 and 2014, was $5 million, $12 million and $29 million, respectively. Tax benefits realized on our tax returns from tax deductions associated with share-based compensation for 2016, 2015 and 2014 totaled $109 million, $62 million and $58 million, respectively.

NOTE 17 Shareholders' Equity

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during 2016, 2015 and 2014. All amounts exclude applicable transaction fees.

	Shares Repurchased (thousands)			Dollar Value of Shares Repurchased		
Authorization Date	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
November 2016	1,337	—	—	$ 85	$ —	$ —
May 2016	50,435	—	—	4,200	—	—
March 2016	2,823	—	—	229	—	—
December 2015	13,368	932	—	933	67	—
November 2014	—	13,231	—	—	1,000	—
November 2013	—	1,779	8,488	—	133	617
November 2012	—	—	2,737	—	—	203
Total	67,963[(a)]	15,942	11,225	$ 5,447[(a)]	$ 1,200	$ 820

(a) *Includes the effect of $45 million in share repurchases (0.7 million shares) with trade dates prior to December 31, 2016 but settlement dates subsequent to December 31, 2016.*

On November 17, 2016, our Board of Directors authorized share repurchases through December 2017 of up to $2.0 billion (excluding applicable transaction fees). On December 31, 2016 we have remaining capacity to repurchase up to $1.9 billion of our Common Stock 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[(a)]	Pension and Post-Retirement Benefits[(b)]	Derivative Instruments[(c)]	Total
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)
Gains (losses) arising during the year classified into accumulated OCI, net of tax	(146)	(42)	29	(159)
(Gains) losses reclassified from accumulated OCI, net of tax	(11)	28	(5)	12
OCI, net of tax	(157)	(14)	24	(147)
Separation of China business	(47)	—	—	(47)
Balance at December 31,2016, net of tax	$ (313)	$ (127)	$ 7	$ (433)

(a) *Amounts reclassified from accumulated OCI during 2016 and 2015 are due to substantial liquidations of foreign entities related to Pizza Hut Australia and Mexico refranchising transactions, respectively.*

(b) *Amounts reclassified from accumulated OCI for pension and post-retirement benefit plan losses during 2016 include amortization of net losses of $7 million, settlement charges of $32 million, amortization of prior service cost of $5 million and related income tax benefit of $16 million. 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 $19 million. See Note 15.*

(c) *See Note 13 for details on amounts reclassified from accumulated OCI.*

NOTE 18 Income Taxes

U.S. and foreign income before taxes are set forth below:

	2016	2015	2014
U.S.	$ 366	$ 479	$ 506
Foreign	952	782	868
	$ 1,318	$ 1,261	$ 1,374

The details of our income tax provision (benefit) are set forth below:

		2016	2015	2014
Current:	Federal	$ 123	$ 268	$ 239
	Foreign	161	131	173
	State	13	28	2
		$ 297	$ 427	414
Deferred:	Federal	$ 18	$ (117)	(34)
	Foreign	3	15	(13)
	State	6	—	1
		$ 27	$ (102)	$ (46)
		$ 324	$ 325	$ 368

The reconciliation of income taxes calculated at the U.S. federal statutory rate to our effective tax rate is set forth below:

	2016		2015		2014	
U.S. federal statutory rate	$ 461	35.0%	$ 441	35.0%	$ 481	35.0%
State income tax, net of federal tax benefit	15	1.1	12	0.9	8	0.6
Statutory rate differential attributable to foreign operations	(136)	(10.3)	(180)	(14.3)	(147)	(10.7)
Adjustments to reserves and prior years	(11)	(0.9)	13	1.0	2	0.1
Change in valuation allowances	(3)	(0.2)	41	3.3	22	1.6
Other, net	(2)	(0.1)	(2)	(0.1)	2	0.1
Effective income tax rate	$ 324	24.6%	$ 325	25.8%	$ 368	26.7%

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.

In 2015, this benefit was positively impacted by the repatriation of current year foreign earnings as we recognized excess foreign tax credits, resulting from the related effective foreign tax rate being higher than the U.S. federal statutory 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 2016, this item was favorably impacted by the resolution of uncertain tax positions in the U.S.

In 2014, this item was favorably impacted by the resolution of uncertain tax positions in certain foreign jurisdictions.

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 2016, $3 million of net tax benefit was driven by $14 million in net tax expense for valuation allowances recorded against deferred tax assets generated in the current year and $17 million in net tax benefit for valuation allowances resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

In 2015, $41 million of net tax expense was driven by $17 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, $22 million of net tax expense was driven by $28 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.

Other. This item primarily includes the impact of permanent differences related to current year earnings as well as U.S. tax credits and deductions.

The details of 2016 and 2015 deferred tax assets (liabilities) are set forth below:

	2016	2015
Operating losses	$ 172	$ 157
Capital losses	184	41
Tax credit carryforwards	284	282
Employee benefits	185	152
Share-based compensation	100	121
Self-insured casualty claims	32	35
Lease-related liabilities	65	69
Various liabilities	56	64
Property, plant and equipment	37	33
Deferred income and other	32	51
Gross deferred tax assets	1,147	1,005
Deferred tax asset valuation allowances	(195)	(205)
Net deferred tax assets	$ 952	$ 800
Intangible assets, including goodwill	$ (107)	$ (111)
Property, plant and equipment	(46)	(46)
Other	(31)	(60)
Gross deferred tax liabilities	$ (184)	$ (217)
Net deferred tax assets (liabilities)	$ 768	$ 583
Reported in Consolidated Balance Sheets as:		
Deferred income taxes	$ 774	$ 591
Other liabilities and deferred credits	(6)	(8)
	$ 768	$ 583

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 $2.1 billion at December 31, 2016. A determination of the deferred tax liability on this amount is not practicable.

At December 31, 2016, the Company has foreign operating and capital loss carryforwards of $0.5 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 $0.7 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				
	2017	2018-2021	2022-2035	Indefinitely	Total
Foreign	$ 20	$ 53	$ 93	$ 321	$ 487
U.S. state	7	97	908	—	1,012
U.S. federal	—	524	220	—	744
	$ 27	$ 674	$ 1,221	$ 321	$ 2,243

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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 \$91 million and \$98 million of unrecognized tax benefits at December 31, 2016 and December 26, 2015, respectively, \$87 million and \$89 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:

	2016	2015
Beginning of Year	\$ 98	\$ 115
Additions on tax positions – current year	—	—
Additions for tax positions – prior years	1	5
Reductions for tax positions – prior years	(5)	(13)
Reductions for settlements	(1)	(7)
Reductions due to statute expiration	(2)	(2)
Foreign currency translation adjustment	—	—
End of Year	\$ 91	\$ 98

The Company believes its unrecognized tax benefits will not materially increase or decrease in the next 12 months.

The Company's income tax returns are subject to examination in the U.S. federal jurisdiction and numerous U.S. state and foreign jurisdictions.

The Company has settled audits with the IRS through fiscal year 2010. Our operations in certain foreign jurisdictions remain subject to examination for tax years as far back as 2006, some of which years are currently under audit by local tax authorities.

The accrued interest and penalties related to income taxes at December 31, 2016 and December 26, 2015 are set forth below:

	2016	2015
Accrued interest and penalties	\$ 9	\$ 15

During 2016, 2015 and 2014, a net benefit of \$4 million, and net expense of \$5 million and \$11 million, respectively, for interest and penalties was recognized in our Consolidated Statements of Income as components of its Income tax provision.

In October 2016, the Company completed the separation of its China business into an independent publicly-traded company. The transaction has been treated as qualifying as a tax-free reorganization for U.S. income tax purposes. In addition, the Company considered the China indirect income tax on indirect transfers of assets by nonresident enterprises and concluded that it does not apply to the separation transaction.

NOTE 19 Reportable Operating Segments

See Note 1 for a description of our operating segments.

	Revenues		
	2016	2015	2014
KFC Division[a]	\$ 3,232	\$ 3,235	\$ 3,507
Pizza Hut Division[a]	1,111	1,214	1,215
Taco Bell Division[a]	2,025	1,991	1,865
Unallocated[b][f]	(2)	—	—
	\$ 6,366	\$ 6,440	\$ 6,587

	Operating Profit; Interest Expense, Net; and Income Before Income Taxes		
	2016	2015	2014
KFC Division	$ 874	$ 832	$ 876
Pizza Hut Division	370	347	347
Taco Bell Division	593	536	478
Unallocated Franchise and license fees and income(b)(f)	(2)	—	—
Unallocated restaurant costs(b)	—	—	(1)
Unallocated Franchise and license expenses(b)(f)	(24)	(71)	—
Unallocated and corporate expenses(b)(g)	(316)	(196)	(189)
Unallocated Refranchising gain (loss)(b)	141	(23)	16
Unallocated Other income (expense)(b)(h)	(11)	(23)	(10)
Operating Profit	1,625	1,402	1,517
Interest expense, net(b)	(307)	(141)	(143)
Income Before Income Taxes	$ 1,318	$ 1,261	$ 1,374

	Depreciation and Amortization		
	2016	2015	2014
KFC Division	$ 173	$ 186	197
Pizza Hut Division	36	40	39
Taco Bell Division	91	88	83
Corporate	9	8	9
	$ 309	$ 322	$ 328

	Capital Spending		
	2016	2015	2014
KFC Division	$ 211	$ 280	$ 294
Pizza Hut Division	70	54	62
Taco Bell Division	132	116	143
Corporate	9	11	9
	$ 422	$ 461	$ 508

	Identifiable Assets	
	2016	2015
KFC Division(e)	$ 2,176	$ 2,263
Pizza Hut Division(e)	639	709
Taco Bell Division(e)	1,178	1,128
Corporate(c)(e)	1,485	816
	$ 5,478	$ 4,916

	Long-Lived Assets(d)	
	2016	2015
KFC Division	$ 1,583	$ 1,697
Pizza Hut Division	375	419
Taco Bell Division	859	911
Corporate	35	55
	$ 2,852	$ 3,082

(a) U.S. revenues included in the combined KFC, Pizza Hut and Taco Bell Divisions totaled $3.1 billion in 2016, $3.1 billion in 2015 and $3.0 billion in 2014.

(b) Amounts have not been allocated to any segment for performance reporting purposes.

(c) Primarily includes cash and deferred tax assets.

(d) *Includes property, plant and equipment, net, goodwill, and intangible assets, net.*
(e) *U.S. identifiable assets included in the combined Corporate and KFC, Pizza Hut and Taco Bell Divisions totaled $3.1 billion and $2.3 billion in 2016 and 2015, respectively.*
(f) *Represents 2016 and 2015 costs associated with the KFC U.S. Acceleration Agreement. See Note 5.*
(g) *Amounts in 2016 include costs related to YUM's Strategic Transformation Initiatives of $62 million, non-cash charges associated with share-based compensation of $30 million and settlement charges associated with the pension deferred vested project of $25 million. See Note 5.*
(h) *Amounts in 2016 include losses associated with the sale of corporate aircraft related to YUM's Strategic Transformation Initiatives of $9 million. See Note 5.*

NOTE 20 Contingencies

Lease Guarantees

As a result of having assigned our interest in obligations under real estate leases as a condition to the refranchising of certain Company-owned restaurants, and guaranteeing 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 31, 2016, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately $550 million. The present value of these potential payments discounted at our pre-tax cost of debt at December 31, 2016 was approximately $465 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 31, 2016 and December 26, 2015 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 31, 2016 our guarantee exposure under this program is approximately $4 million based on total loans outstanding of $21 million.

In addition to the guarantees described above, YUM has agreed to provide guarantees of up to approximately $110 million on behalf of franchisees for several financing programs related to specific initiatives, primarily equipment purchases. At December 31, 2016, our guarantee exposure under these financing programs is approximately $6 million based on total loans outstanding of $10 million.

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 2016 and 2015 activity related to our net self-insured property and casualty reserves as of December 31, 2016.

	Beginning Balance	Expense	Payments	Ending Balance
2016 Activity	$ 102	42	(46)	$ 98
2015 Activity	$ 116	39	(53)	$ 102

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.

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 sought penalties for alleged violations of California's Labor Code under California's

Private Attorneys General Act ("PAGA") as well as statutory "waiting time" penalties and alleged violations of California's Unfair Business Practices Act. Plaintiffs sought 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 PAGA 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.

Beginning on February 22, 2016, the late meal period class claim, the limited rest break class claim, the underpaid meal premium class claim, and the associated statutory "waiting time" penalty claim was tried to a jury. On March 9, 2016, the jury returned verdicts in favor of Taco Bell on the late meal period claim, the limited rest break claim, and the statutory "waiting time" penalty claim. The jury found for the plaintiffs on the underpaid meal premium class claim, awarding approximately $0.5 million. A bench trial was subsequently conducted with respect to the PAGA claims and plaintiffs' Business & Professions Code §17200 claim. On April 8, 2016, the court returned a verdict in favor of Taco Bell on the PAGA claims and the §17200 claim. In a separate ruling issued the same day, the court also ruled that plaintiffs were entitled to prejudgment interest on the underpaid meal premium class claim, awarding approximately $0.3 million. Taco Bell denies liability as to the underpaid meal premium class claim and filed a post-trial motion to overturn the verdict. Plaintiffs' also filed various post-trial motions. On July 15, 2016, the court denied Taco Bell's motion to overturn the verdict. The court denied Plaintiffs' motions: (1) for a new trial, (2) for judgment as a matter of law to overturn the verdicts in favor of Taco Bell, (3) challenging the jury instructions and special verdict forms, and (4) to overturn the court's rejection of the §17200 claims for meal and rest break violations. The court also denied Plaintiffs' motions for additional costs and for enhanced awards to two of the named Plaintiffs. The court granted Plaintiffs' motion for judgment on the §17200 claim regarding the underpaid meal premium claim, but rejected awarding any additional damages, finding that the jury verdict sufficiently compensated the class. The court granted Plaintiffs' motion for attorneys' fees, but awarded only approximately $1.1 million of the $7.3 million requested. The court also granted Plaintiffs' bill of costs, but only awarded approximately $0.1 million of Plaintiffs' $0.2 million. Thereafter, both Plaintiffs and Taco Bell timely filed notices of appeal and the matter is now before the Ninth Circuit. 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.

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 21 Selected Quarterly Financial Data (Unaudited)

	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 887	$ 996	$ 993	$ 1,324	$ 4,200
Franchise and license fees and income	477	481	508	700	2,166
Total revenues	1,364	1,477	1,501	2,024	6,366
Restaurant profit	147	165	159	231	702
Operating Profit[(a)]	356	408	372	489	1,625
Income from continuing operations, net of tax	240	265	204	285	994
Income (loss) from discontinued operations, net of tax	151	74	418	(18)	625
Net Income	391	339	622	267	1,619
Basic earnings per common share from continuing operations	0.58	0.65	0.52	0.77	2.52
Basic earnings(loss) per common share from discontinued operations	0.36	0.17	1.07	(0.05)	1.59
Basic earnings per common share	0.94	0.82	1.59	0.72	4.11
Diluted earnings per common share from continuing operations	0.57	0.64	0.51	0.76	2.48
Diluted earnings (loss) per common share from discontinued operations	0.36	0.17	1.05	(0.05)	1.56
Diluted earnings per common share	0.93	0.81	1.56	0.71	4.04
Dividends declared per common share	0.46	0.46	—	0.81	1.73

	2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 944	$ 1,051	$ 1,033	$ 1,328	$ 4,356
Franchise and license fees and income	467	475	494	648	2,084
Total revenues	1,411	1,526	1,527	1,976	6,440
Restaurant profit	149	177	160	223	709
Operating Profit[(b)]	355	279	339	429	1,402
Income from continuing operations, net of tax	246	169	231	290	936
Income (loss) from discontinued operations, net of tax	116	66	190	(15)	357
Net Income	362	235	421	275	1,293
Basic earnings per common share from continuing operations	0.56	0.39	0.53	0.67	2.15
Basic earnings (loss) per common share from discontinued operations	0.27	0.15	0.44	(0.03)	0.82
Basic earnings per common share	0.83	0.54	0.97	0.64	2.97
Diluted earnings per common share from continuing operations	0.55	0.38	0.52	0.66	2.11
Diluted earnings (loss) per common share from discontinued operations	0.26	0.15	0.43	(0.03)	0.81
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

(a) Includes net gains from refranchising initiatives of $3 million, $53 million, $21 million and $64 million in the first, second, third and fourth quarters, respectively, costs associated with YUM's Strategic Transformation Initiatives of $5 million, $27 million and $39 million in the second, third and fourth quarters, respectively, a non-cash charge associated with the modification of EID share-based compensation awards in connection with the Separation of $30 million in the fourth quarter, costs associated with KFC U.S. Acceleration Agreement of $9 million, $8 million and $9 million in the

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first, second and fourth quarters, respectively, and charges incurred as a result of settlement payments of deferred vested pension balances in the Plan of $1 million and $24 million in the third and fourth quarters, respectively. See Note 5.

(b) *Includes net gains from refranchising initiatives of $7 million and $49 million in the first and fourth quarters, respectively, and net losses from refranchising initiatives of $72 million and $4 million in the second and third quarters, respectively. Also includes costs associated with KFC U.S. Acceleration Agreement of $2 million, $8 million, $21 million and $41 million in the first, second, third and fourth quarters, respectively. See Note 5.*

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 31, 2016.

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 31, 2016.

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 31, 2016.

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 31, 2016.

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 31, 2016.

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 31, 2016.

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 31, 2016.

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 21, 2017

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/ Greg Creed **Greg Creed**	*Chief Executive Officer (principal executive officer)*	February 21, 2017
/s/ David Gibbs **David Gibbs**	*President and Chief Financial Officer (principal financial officer)*	February 21, 2017
/s/ David E. Russell **David E. Russell**	*Senior Vice President, Finance and Corporate Controller (principal accounting officer)*	February 21, 2017
/s/ Paget L. Alves **Paget L. Alves**	*Director*	February 21, 2017
/s/ Michael J. Cavanagh **Michael J. Cavanagh**	*Director*	February 21, 2017
/s/ Brian Cornell **Brian Cornell**	*Director*	February 21, 2017
/s/ David W. Dorman **David W. Dorman**	*Director*	February 21, 2017
/s/ Mirian Graddick-Weir **Mirian Graddick-Weir**	*Director*	February 21, 2017
/s/ Thomas C. Nelson **Thomas C. Nelson**	*Director*	February 21, 2017
/s/ Thomas M. Ryan **Thomas M. Ryan**	*Director*	February 21, 2017
/s/ P. Justin Skala **P. Justin Skala**	*Director*	February 21, 2017
/s/ Elane Stock **Elane Stock**	*Director*	February 21, 2017
/s/ Robert D. Walter **Robert D. Walter**	*Director*	February 21, 2017

YUM! Brands, Inc. Exhibit Index (Item 15)

Exhibit Number	Description of Exhibits
2.1*	Separation and Distribution Agreement, dated as of October 31, 2016, by and among YUM, Yum Restaurants Consulting (Shanghai) Company Limited and Yum China Holdings, Inc., which is incorporated herein by reference from Exhibit 2.1 to YUM's Report on Form 8-K filed on November 3, 2016.
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 July 15, 2016, which are incorporated herein by reference from Exhibit 3.1 to YUM's Report on Form 8-K filed on July 19, 2016.
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 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.
	(ii) 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.
	(iii) 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.
	(iv) 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.
	(v) 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.
	(vi) 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.
	(vii) 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	Credit Agreement, dated as of June 16, 2016, by and among Pizza Hut Holdings, LLC, KFC Holding Co., and Taco Bell of America, LLC, as the borrowers, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., Goldman Sachs Bank USA, Wells Fargo Securities, LLC, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley Senior Funding, Inc., Fifth Third Bank and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Joint Lead Arrangers and Joint Bookrunners, Barclays Bank PLC, The Bank of Nova Scotia, Cooperatieve Rabobank U.A., New York Branch, and Industrial and Commercial Bank of China Limited, New York Branch, as Co-Documentation Agents and Co-Managers, which is incorporated herein by reference from Exhibit 4.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 11, 2016.
10.2†	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.
10.2.1†	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.
10.3†	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.
10.4†	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.
10.4.1†	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.
10.5†	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
10.5.1†	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.
10.5.2†	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.
10.5.3†	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.
10.6†	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.
10.7†	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.
10.8†	YUM! Long Term Incentive Plan, as Amended and Restated effective as of May 20, 2016 as incorporated by reference from Form DEF 14A filed on April 18, 2016.
10.9†	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.
10.10†	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.
10.11†	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.
10.11.1†	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.
10.11.2†	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.
10.12†	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.
10.13†	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.
10.13.1†	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.
10.13.2†	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.
10.14†	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.
10.14.1†	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.
10.15†	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.
10.16†	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.
10.17†	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.
10.18†	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.
10.19†	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.
10.20†	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.
10.21†	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.

Exhibit Number	Description of Exhibits
10.22†	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.
10.23†	Letter of Understanding dated December 7, 2015 by and between the Company and Patrick J. Grismer, which is incorporated by reference from Exhibit 10.30 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.
10.24†	Letter of Understanding dated June 6, 2016 by and between the Company and David C. Novak, which is incorporated herein by reference from Exhibit 10.31 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 11, 2016.
10.25	Indenture, dated as of June 16, 2016, by and among KFC Holding Co., Pizza Hut Holdings, LLC and Taco Bell of America, LLC, as issuers, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, which is incorporated herein by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on June 21, 2016.
10.26	Base Indenture, dated as of May 11, 2016, between Taco Bell Funding, LLC, as issuer and Citibank, N.A., as trustee and securities intermediary, which is incorporated herein by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on May 16, 2016.
10.27	Series 2016-1 Supplement to Base Indenture dated as of May 11, 2016, by and between Taco Bell Funding, LLC, as issuer and Citibank, N.A. as trustee and Series 2016-1 securities intermediary, which is incorporated herein by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on May 16, 2016.
10.28	Guarantee and Collateral Agreement, dated as of May 11, 2016, by Taco Bell Franchise Holder 1, LLC, Taco Bell Franchisor, LLC, Taco Bell IP Holder, LLC and Taco Bell Franchisor Holdings, LLC in favor of Citibank, N.A., which is incorporated herein by reference from Exhibit 10.2 to YUM's Report on Form 8-K filed on May 16, 2016.
10.29	Management Agreement, dated as of May 11, 2016, among Taco Bell Funding, LLC, as issuer, Taco Bell Franchise Holder 1, LLC, Taco Bell Franchisor, LLC, Taco Bell IP Holder, LLC, Taco Bell Franchisor Holdings, LLC, Citibank, N.A. and Taco Bell Corp., as manager, which is incorporated herein by reference from Exhibit 10.3 to YUM's Report on Form 8-K filed on May 16, 2016.
10.30	Master License Agreement, dated as of October 31, 2016, by and between Yum! Restaurants Asia Pte. Ltd. and Yum Restaurants Consulting (Shanghai) Company Limited, which is incorporated herein by reference from Exhibit 10.1 to YUM's Report on Form 8-K filed on November 3, 2016.
10.31	Tax Matters Agreement, dated as of October 31, 2016, by and among YUM, Yum China Holdings, Inc. and Yum Restaurants Consulting (Shanghai) Company Limited, which is incorporated herein by reference from Exhibit 10.2 to YUM's Report on Form 8-K filed on November 3, 2016.
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	Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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

* *Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedules and/or exhibits will be furnished to the Securities and Exchange Commission upon request.*

† *Indicates a management contract or compensatory plan.*

Cautionary Language Regarding Forward-Looking Statements

Forward-Looking Statements. This report and any related report may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally 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 “expect,” “expectation,” “believe,” “anticipate,” “may,” “could,” “intend,” “belief,” “plan,” “estimate,” “target,” “predict,” “likely,” “seek,” “project,” “model,” “ongoing,” “will,” “should,” “forecast,” “outlook” or similar terminology. These statements are based on and reflect our current expectations, estimates, assumptions and/or projections as well as our perception of historical trends and current conditions, as well as other factors that we believe are appropriate and reasonable under the circumstances. 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. There can be no assurance that our expectations, estimates, assumptions and/or projections, including with respect to the future earnings and performance or capital structure of Yum! Brands, will prove to be correct or that any of our expectations, estimates or projections will be achieved. Numerous factors could cause our actual results and events to differ materially from those expressed or implied by forward-looking statements, including, without limitation: food safety and food borne-illness issues; health concerns arising from outbreaks of viruses or other diseases; changes in economic and political conditions in countries and territories outside of the U.S. where we operate; our ability to protect the integrity and security of individually identifiable data of our customers and employees; the impact of social media; our ability to secure and maintain distribution and adequate supply to our restaurants; the success of our development strategy in emerging markets; changes in commodity, labor and other operating costs; the success of our franchisees and licensees; pending or future litigation and legal claims or proceedings; changes in or noncompliance with government regulations, including labor standards and anti-bribery or anti-corruption laws; tax matters, including disagreements with taxing authorities; consumer preferences and perceptions of our brands; changes in consumer discretionary spending and general economic conditions; competition within the retail food industry; and risks relating to our significant amount of indebtedness. 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. 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. 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 most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q) 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.

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
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
Phone: (888) 439-4986
International: (718) 921-8124
www.astfinancial.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.

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) PARTICIPANTS (employees with rights to LTIP and YUMBUCKS stock appreciation rights grants) should address all questions regarding their accounts, outstanding stock appreciation rights grants or shares received through stock appreciation right exercises to:

Merrill Lynch
Equity Award Services
1400 American Blvd.
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:

Mr. Keith Siegner
Vice President, Investor Relations,
Corporate Strategy & Treasurer
Yum! Brands, Inc.
1900 Colonel Sanders Lane
Louisville, KY 40213
Phone: (888) 298-6986

INDEPENDENT AUDITORS

KPMG, LLC
400 West Market Street, Suite 2600
Louisville, Kentucky 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.

YUM LISTED NYSE

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

Greg Creed 59
Chief Executive Officer,
Yum! Brands, Inc.

Paget L. Alves 62
Former Chief Sales Officer,
Sprint Corporation

Michael J. Cavanagh 51
Senior Executive Vice President and
Chief Financial Officer,
Comcast Corporation

Brian C. Cornell 58
Chairman and Chief Executive Officer,
Target Corporation

Mirian M. Graddick-Weir 62
Executive Vice President Human Resources,
Merck & Co., Inc.

Thomas C. Nelson 54
Chairman, Chief Executive Officer and President,
National Gypsum Company

P. Justin Skala 57
Chief Operating Officer of North America,
Europe, Africa/Eurasia and Global Sustainability,
Colgate-Palmolive Company

Elane B. Stock 52
Former Group President,
Kimberly-Clark International

Robert D. Walter 71
Non-Executive Chairman,
Founder and Retired Chairman/CEO,
Cardinal Health, Inc.

SENIOR OFFICERS

Greg Creed 59
Chief Executive Officer,
Yum! Brands, Inc.

Roger Eaton 56
Chief Executive Officer, KFC

David W. Gibbs 54
President and Chief Financial Officer,
Yum! Brands, Inc.

Marc L. Kesselman 45
General Counsel, Corporate Secretary and
Chief Government Affairs Officer,
Yum! Brands, Inc.

Brian R. Niccol 43
Chief Executive Officer, Taco Bell

David E. Russell 47
Vice President, Finance and Corporate Controller,
Yum! Brands, Inc.

Keith Siegner 42
Vice President, Investor Relations, Corporate Strategy
and Treasurer,
Yum! Brands, Inc.

Tracy Skeans 44
Chief Transformation and People Officer,
Yum! Brands, Inc.

YUM
LISTED
NYSE

Yum! Brands, Inc., trades under the symbol YUM and is proud to meet the listing requirements of the NYSE, the world's leading equities market.