Unlocking opportunity for GROWTH & GOOD

YUM! BRANDS 2020 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

(In millions, except for per share amounts)

Year-end	2020	2019	% B/(W) change
Company sales	$ 1,810	$ 1546	17
Franchise and property revenues	2,510	2,660	(6)
Franchise contributions for advertising and other services	1,332	1,391	(4)
Total revenues	$ 5,652	$ 5,597	1
Operating Profit	$ 1,503	$ 1,930	(22)
Net Income	$ 904	$ 1,294	(30)
Reported Diluted Earnings Per Common Share	$ 2.94	$ 4.14	(29)
Special Items Diluted Earnings Per Common Share [a]	(0.68)	0.59	NM
Diluted Earnings Per Common Share before Special Items [a]	$ 3.62	$ 3.55	2
Net Cash Provided by Operating Activities	$ 1,305	$ 1,315	(1)

(a) See our 2020 Form 10-K for further discussion of Special Items.

UNLOCKING OPPORTUNITY FOR GROWTH & GOOD!

Dear fellow stakeholders:

At Yum!, we have a clear vision for **building the world's most loved, trusted and fastest growing restaurant brands**. It begins with our franchisees and restaurant team members who bring our vision to life, one meal at a time. Our unified global system serves millions of customers each day, provides opportunities for our team members and supports the communities in which we operate. As the world's largest restaurant company with more than **50,000 restaurants**, our unmatched scale enhances our ability to create competitive advantages to fuel our **Recipe for Growth and Good**.

We enter 2021 a stronger company that is primed to grow, made better and more resilient by the challenges of 2020. I am incredibly proud of our people and the way we came together to navigate these challenges. We galvanized our global system's commitment to our **Growth and Good** strategy, underpinned by an unmatched culture of cross-brand collaboration, people and franchisees that has put us on solid footing to move forward.

Across Yum!, we intensified our focus on **leveraging our scale** and created sustainable competitive advantages to fuel growth for our franchisees. This includes the continual acceleration of digital and technology initiatives to enhance the customer experience, off-premise capabilities and unit economics across the globe.

2020 Highlights: More than **35,000 of our restaurants are offering delivery**, representing a 16% increase year-over-year, driven in part by expanded aggregator partnerships. We ended 2020 on a digital sales high note of a record **$17 billion**, about a 45% increase over the prior year. On average, we opened seven gross restaurants per day, and we ended the year with more than **50,000** global restaurants in approximately **290 brand-country combinations**, with system sales exceeding **$50 billion**.

- **KFC is "Always Original."** Across the globe, KFC continued to invest in innovation by rebundling, repackaging and reconceptualizing our core menu items. From our world famous Original Recipe to new signature flavors and formats, KFC is all about making the most craveable, Colonel-inspired chicken in the world, the right way, with our 11 secret herbs and spices.

- **Pizza Hut** continued its commitment to ensuring every customer has a **Hot, Fast and Reliable** experience, supporting the shift to off-premise and abundant value offerings. As the first to provide America with Pan Pizza and Stuffed Crust Pizza, Pizza Hut is a true innovator in the pizza category.

David Gibbs,
Chief Executive Officer
Yum! Brands, Inc.

- **Taco Bell is truly a Category of One for Everyone.** We believe everyone deserves the right to Live Más and spent 2020 with a focus on progressing digital capabilities with our new Taco Bell Rewards loyalty program and delivery, as well as promoting opportunities to enjoy Cravings Boxes and Party Packs**.**
- **The Habit Burger Grill** is the spirit of Santa Barbara, and our commitment to quality is at the heart of everything we do. In 2020, we built customer awareness through new access options and digital engagement and shifted our marketing to focus on Family Meal Bundles.

Our Recipe for Growth's four pillars are the foundation upon which we're building sustainable, long-term results. These growth capabilities, outlined below, are the key drivers of same-store sales and net new unit growth and serve as our guiding principles in all business decisions.

1. **Unrivaled Culture & Talent**
   We are leveraging culture and people capability to fuel brand performance and franchisee success.
2. **Bold Restaurant Development**
   We are driving market and franchise unit expansion with strong economics.
3. **Unmatched Operating Capability**
   We are recruiting and equipping the best restaurant operators in the world to deliver great customer experiences.
4. **Relevant, Easy & Distinctive Brands**
   We are innovating and elevating iconic restaurant brands people trust and champion.

Our Recipe for Good is focused on leading with socially responsible and sustainable stewardship of our people, food and planet.

1. **People: We Unlock Opportunity**
   We are stepping up our investment in Yum!'s new social purpose to unlock opportunity in our people and communities, with a special focus on championing equity, inclusion and belonging across all aspects of our brands and franchise business.
2. **Food: We Serve Food People Trust**
   We have an unwavering commitment to serve food that people trust. That means going above and beyond when it comes to food safety, listening and responding to customers' evolving preferences and improving the nutritional value of our menu items.
3. **Planet: We Grow Sustainably**
   We are balancing business growth with environmental sustainability. With the Yum! franchise system opening new restaurants every day, it's important that we use our scale for good to minimize the environmental impact of our restaurants and supply chain.

As I enter my second year leading Yum!, I'm more confident than ever that our consumer-focused, digitally enabled brands will grow same-store sales, unit economics will support profitable development, and Yum! is well positioned to maximize value creation for years to come. Thank you to our shareholders, customers and Yum! family for your continued support.

David Gibbs, CEO

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

April 1, 2021

Dear Fellow Shareholders:

On behalf of your Board of Directors, we are pleased to invite you to attend the 2021 Annual Meeting of Shareholders of YUM! Brands, Inc. The Annual Meeting will be held Tuesday, May 11, 2021, at 9:00 a.m., central time, in the YUM! Brands Center of Restaurant Excellence at 7100 Corporate Drive in Plano, Texas or via live webcast at www.virtualshareholdermeeting.com/YUM2021.

Due to public health and safety concerns posed by the COVID-19 pandemic, shareholders are encouraged to attend via the webcast. We intend to hold our annual meeting in person and via webcast. However, we continue to monitor the situation regarding COVID-19 closely, taking into account guidance from the Centers for Disease Control and Prevention and the World Health Organization. The health and well-being of our various stakeholders is our top priority. Accordingly, we are planning for the possibility that the annual meeting may be required to be postponed or held solely by webcast, if then permitted under applicable law, in the event we or governmental officials determine that it is not advisable to hold an in-person meeting. In the event the annual meeting is postponed or held solely by webcast, we will announce that fact as promptly as practicable, and details on how to participate will be issued by press release, posted on the Investor Relations section of our website and filed with the U.S. Securities and Exchange Commission as additional proxy material. 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.

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 prior to the meeting are contained on the notice or proxy card.

If you plan to attend the meeting in person, please bring your notice, admission ticket from your proxy card or proof of your ownership of YUM common stock as of March 15, 2021 as well as valid picture identification. Whether or not you attend the meeting in person or via live webcast, we encourage you to consider the matters presented in the proxy statement and vote as soon as possible.

Sincerely,

David Gibbs
Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on May 11, 2021—this notice and the proxy statement are available at https://investors.yum.com/governance/governance-documents. The Annual Report on Form 10-K is available at *https://investors.yum.com/financial-information/annual-reports/.*

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

Notice of Annual Meeting of Shareholders

Tuesday, May 11, 2021 9:00 a.m.

YUM! Brands Center of Restaurant Excellence, 7100 Corporate Drive, Plano, Texas 75024 or via live webcast at www.virtualshareholdermeeting.com/YUM2021.

ITEMS OF BUSINESS:

(1) To elect twelve (12) directors to serve until the 2022 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, 2021.

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

(4) 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 15, 2021.

ANNUAL REPORT:

A copy of our 2020 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 *https://investors.yum.com/financial-information/annual-reports/.*

DATE OF MAILING:

This Notice, the proxy statement and the form of proxy are first being mailed to shareholders on or about April 1, 2021.

By Order of the Board of Directors

Scott A. Catlett

Scott A. Catlett
Chief Legal & Franchise Officer & Corporate Secretary

YOUR VOTE IS IMPORTANT

Under securities exchange rules, brokers cannot vote on your behalf for the election of directors or on executive compensation related matters without your instructions. Whether or not you plan to attend the Annual Meeting, please provide your proxy by following the instructions on your Notice or proxy card. On or about April 1, 2021, we mailed to our shareholders a Notice containing instructions on how to access the proxy statement and our Annual Report and vote online.

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

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

Table of Contents

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

PROXY STATEMENT

For Annual Meeting of Shareholders To Be Held On

May 11, 2021

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. (Central Time), on Tuesday, May 11, 2021, at the YUM! Brands Center of Restaurant Excellence at 7100 Corporate Drive in Plano, Texas 75024 or via live webcast at www.virtualshareholdermeeting.com/YUM2021.

Due to public health and safety concerns posed by the COVID-19 pandemic, shareholders are encouraged to attend via the webcast. We intend to hold our annual meeting in person and via webcast. However, we continue to monitor the situation regarding COVID-19 closely, taking into account guidance from the Centers for Disease Control and Prevention and the World Health Organization. The health and well-being of our various stakeholders is our top priority. Accordingly, we are planning for the possibility that the annual meeting may be required to be postponed or held solely by webcast, if then permitted under applicable law, in the event we or governmental officials determine that it is not advisable to hold an in-person meeting. In the event the annual meeting is postponed or held solely by webcast, we will announce that fact as promptly as practicable, and details on how to participate will be issued by press release, posted on the Investor Relations section of our website and filed with the U.S. Securities and Exchange Commission as additional proxy material.

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?

The Board has made these materials available to you over the internet, or has delivered printed versions of these materials to you by mail, in connection with the Board's solicitation of proxies for use at the 2021 Annual Meeting of Shareholders (the "Annual Meeting"). The Annual Meeting is scheduled to be held on Tuesday, May 11, 2021 at 9:00 a.m. Central Time, at 7100 Corporate Drive, Plano, Texas or via live webcast through the link set forth above. You will need the 16-digit control number provided on the Notice of Internet Availability of Proxy Materials or your proxy card (see below). This solicitation is for proxies for use at the Annual Meeting or at any reconvened meeting after an adjournment or postponement of the Annual Meeting.

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 1, 2021, 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 15, 2021, or their duly appointed proxies.

What do I need to bring to attend the Annual Meeting In-Person?

You will need 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 in person, 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 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. Seating is limited and admission is on a first-come, first-served basis. Seating may be further limited if necessary to comply with applicable COVID-19 safety guidelines.

What will I need in order to attend the Annual Meeting Online?

You may also attend the Annual Meeting, vote and submit a question during the Annual Meeting by visiting www.virtualshareholdermeeting.com/YUM2021 and using your 16-digit control number (included on your Notice Regarding the Availability of Proxy Materials, Proxy Card, or Voter Instruction Form) to enter the meeting. If you are not a stockholder of record by holding shares as a beneficial owner in street name, you may be required to provide proof of beneficial ownership, such as your most recent account statement as of the Record Date, a copy of the voting instruction form provided by your broker, bank, trustee, or nominee, or other similar evidence of ownership. If you do not comply with the procedures outlined above, you will not be admitted to the virtual Annual Meeting. Online access will begin at 8:45 a.m. Eastern Time, and we encourage you to access the meeting prior to the start time. The meeting webcast will begin promptly at 9:00 a.m. Central Time on May 11, 2021.

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. If you choose to attend the online meeting, you may submit a question during the Annual Meeting by visiting www.virtualshareholdermeeting.com/YUM2021 and using your 16-digit control number to enter the meeting.

Questions will be answered as time allows.

Who may vote?

You may vote if you owned YUM common stock as of the close of business on the record date, March 15, 2021. Each share of YUM common stock is entitled to one vote. As of March 15, 2021, YUM had 298.6 million shares of common stock outstanding.

What am I voting on?

You will be voting on the following three (3) items of business at the Annual Meeting:

- The election of twelve (12) directors to serve until the next Annual Meeting of Shareholders and until their respective successors are duly elected and qualified;
- The ratification of the selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2021; and
- An advisory vote on executive compensation.

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; and
- **FOR** the proposal regarding an advisory vote on executive compensation.

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 and dividend reinvestment plan (ComputerShare CIP), as a registered shareholder, you will receive all proxy materials and may vote your shares according to the procedures outlined herein.

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 Time, on May 10, 2021. 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 Time, on May 9, 2021.

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 Time, on May 10, 2021.

Can I vote at the Annual Meeting?

Shares registered directly in your name as the shareholder of record may be voted in person or online 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 10, 2021;
- Giving written notice to the Corporate 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 Corporate Secretary in writing before the polls close that you wish to revoke a previous proxy.

Who will count the votes?

Representatives of Computershare, Inc. will count the votes and will serve as the independent inspector of election.

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

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

- **FOR** the election of the twelve (12) nominees for director named in this proxy statement (Item 1);
- **FOR** the ratification of the selection of KPMG LLP as our independent auditors for the fiscal year 2021 (Item 2); and
- **FOR** the proposal regarding an advisory vote on executive compensation (Item 3).

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 Computershare, Inc., which may be reached at 1 (888) 439-4986 and internationally at 1 (781) 575-2879.

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 2021 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 online 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 15, 2021, must be present 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 https://investors.yum.com/governance/governance-documents/ and at page 22 under "What other significant Board practices does the Company have? — Majority Voting Policy."

How many votes are needed to approve the other proposals?

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

When will the Company announce the voting results?

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

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

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

GOVERNANCE OF THE COMPANY

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

The corporate governance section of the Company website makes available the Company's corporate governance materials, including the Corporate Governance Principles (the "Governance Principles"), the Company's Articles of Incorporation and Bylaws, the charters for each Board committee, the Company's Global 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, please visit, *https://investors.yum.com/governance/governance-documents/*.

Governance Highlights

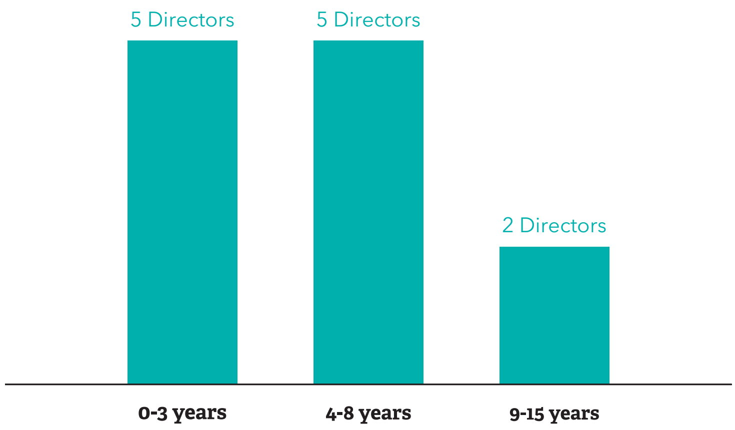
CORPORATE GOVERNANCE	SHAREHOLDER RIGHTS	COMPENSATION
• 12 Director Nominees • 11 Independent Nominees • Directors with experience, qualification and skills across a wide range of public and private companies • Board access to Senior Management and Independent Advisors • Independent Non-Executive Chairperson • 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 Global 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	• Annual Election of Directors • Majority Voting of Directors • Proxy Access • Shareholder Communication Process for communicating with Board • Active Shareholder Engagement Program	• 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 up

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

Our Board of Directors presently consists of 12 directors whose terms expire at this Annual Meeting. Our directors are elected annually. The average director tenure is 5 years, with our longest- and shortest-tenured directors having served for 15 years (Mr. Nelson) and for five months (Ms. Hobart), respectively. Messrs. Walter and Cavanagh exited the Board in May and October of 2020, respectively.

As discussed in more detail later in this section, the Board has determined that 11 of the 12 individuals standing for election are independent under the rules of the New York Stock Exchange ("NYSE"). The director tenure of the 12 individuals standing for election is reflected in the following chart:

Director Tenure



How often did the Board meet in fiscal 2020?

The Board of Directors met 8 times during fiscal 2020. Each of the directors who served in 2020 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 Directors' policy is that all directors should attend the Annual Meeting and all persons then serving as directors attended the 2020 Annual Meeting.

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 member of the Nominating and Governance Committee will interview the prospective nominee 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.

The Company's strategic vision is grounded in our "Recipe for Growth and Good." Our Recipe for Growth focuses on four growth drivers intended to accelerate same-store sales growth and net-new restaurant development at KFC, Pizza Hut and Taco Bell around the world. The Company remains focused on building the world's most loved, trusted and fastest growing restaurant brands by:

- Growing *Unrivaled Culture and Talent* to leverage our culture and people capability to fuel brand performance and franchise success;
- Developing *Unmatched Operating Capability*, by recruiting and equipping the best restaurant operators in the world to deliver great customer experiences;
- Building *Relevant, Easy and Distinctive Brands*, by innovating and elevating iconic restaurant brands people trust and champion; and
- Achieving *Bold Restaurant Development* by driving market and franchise expansion with strong economics.

We look for director candidates who have the skills and experience necessary to help us achieve success with respect to the four growth drivers and the Company's implementation of its "Recipe for Growth." As a result, the skills that our directors possess are thoroughly considered to ensure that they align with the Company's goals.

The following table describes key characteristics of the Company's "Recipe for Growth" and indicates how the skills our Board collectively possesses positively impacts the growth drivers:

Yum!'s Recipe for Growth		*Relevant Skills our Board Collectively Possesses*
Growing Unrivaled Culture and Talent, by leveraging our culture and people capability to fuel brand performance and franchise success	▶	**Talent Development.** Experience building the knowledge, skills, and abilities of employees and helping them develop and achieve their potential within an organization. **Leadership Experience.** Experience as executive officer level business leader who demonstrates strong abilities to motivate and manage others and to effectively manage organizations.
Developing Unmatched Operating Capability, by recruiting and equipping the best restaurant operators in the world to deliver great customer experiences	▶	**Industry/Operations.** Experience and understanding of operational and strategic issues facing large restaurant or consumer service driven companies.
Building Relevant, Easy and Distinctive Brands, by innovating and elevating iconic restaurant brands people trust and champion	▶	**Marketing/Brand Management.** Experience marketing and managing well-known brands or the types of products and experiences we sell. **Technology or Digital.** Experience in leadership and understanding of technology, digital platforms and new media, data security, and data analytics.
Achieving Bold Restaurant Development, by driving market and franchise expansion with strong economics	▶	**Global Experience.** Experience at multinational companies or in international markets, which provides useful business and cultural perspectives. **Finance**. Experience in public company management and financial stewardship.

Our "Recipe for Good" provides a roadmap for socially responsible and sustainable stewardship of people, food and planet. This allows us to elevate the importance of people and continue building an equitable and inclusive culture that, in turn, helps us better serve our customers and communities where we operate. Guided by this Recipe, we will strive to unlock potential in people and communities, grow sustainably and continue to serve delicious food that people trust. By leveraging our Recipe for Good in 2020, we were able to launch our Unlocking Opportunity Initiative which focuses on equity and inclusion, education, and entrepreneurship and is supported by a $100 million investment over five years. Through the guiding principles that underlie our Recipe for Growth and Good, we are confident that we will continue to be successful in unlocking our potential.

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 in 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. In addition to the information provided in the director biographies, our director nominees' qualifications, experiences and skills are summarized in the following matrix. This matrix is intended to provide a summary of our directors' qualifications and should not be considered to be a complete list of each nominee's strengths and contributions to the Board.

Experience/Background	**Alves**	**Barr**	**Connor**	**Cornell**	**Domier**	**Gibbs**	**Graddick-Weir**	**Hobart**	**Nelson**	**Skala**	**Stock**	**Young-Scrivner**
Leadership Experience	o	o	o	o	o	o	o	o	o	o	o	o
Global Experience	o	o	o	o	o	o	o		o	o	o	o
Finance	o	o	o	o	o	o		o	o	o	o	
Industry/Operations		o	o	o		o	o	o	o	o	o	o
Marketing/Brand management	o	o	o	o	o	o		o		o	o	o
Talent Development		o	o	o	o	o	o	o	o	o		o
Technology or Digital	o			o	o			o	o			o

Lauren R. Hobart was appointed to the Board in November 2020 and will stand for election to the Board by our shareholders for the first time. Ms. Hobart was recommended to our Nominating and Governance Committee by our Non-Executive Chairperson. 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 76.

Director Biographies

Paget L. Alves

Age 66
Director since 2016
Independent

Committees:
- Audit, Chair

Favorite YUM! Brands Food:

TACO BELL
Chicken Chalupas

Background

Paget L. Alves 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 beginning in 2009. Mr. Alves currently serves on the boards of directors of Assurant, Inc. and Synchrony Financial. Mr. Alves has previously served as a Director of Ariel Investments, LLC and International Game Technology PLC.

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

Keith Barr

Age 50
Director since 2020
Independent

Committees:
- Management Planning and Development

Favorite YUM! Brands Food:

TACO BELL
7 Layer Burrito

Background

Keith Barr is the Chief Executive Officer of InterContinental Hotels Group plc (IHG), a predominately franchised, global organization that includes brands such as InterContinental Hotels & Resorts, Holiday Inn Family and Crowne Plaza Hotels & Resorts. He has served in this role since July 2017. He served as Chief Commercial Officer of IHG from 2013 to July 2017 and prior to that, as Chief Executive Officer of IHG's Greater China business. Prior to this position, Mr. Barr served IHG in a number of senior positions in IHG's Americas and Asia, Middle East and Africa (AMEA) regions.

Specific Qualifications, Experience, Skills and Expertise:
- Operating and management experience, including as Chief Executive Officer of a franchised, global company
- Expertise in strategic planning, branding and corporate leadership

Christopher M. Connor

Age 65
Director since 2017
Independent

Committees:
- Management Planning and Development, Chair

Favorite YUM! Brands Food:

Chicken Pot Pie

Background

Christopher M. Connor served as Chairman and Chief Executive Officer 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 and Chairman from 2000 to 2016. He currently serves on the boards of Eaton Corporation plc and International Paper Company.

Specific Qualifications, Experience, Skills and Expertise:

- Operating and management experience, including as 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

Brian C. Cornell

Age 62
Director since 2015
Independent,
Non-Executive Chairman

Committees:
- Management Planning and Development
- Nominating and Governance

Favorite YUM! Brands Food:

Classic Bean Burrito

Background

Brian C. Cornell joined the Yum! Brands Board in 2015 and has served as Non-Executive Chairman since November 2018. Mr. Cornell is Chairperson and Chief Executive Officer of Target Corporation, a general merchandise retailer. He has held this position 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 and committee experience

Tanya L. Domier

Age 55
Director since 2018
Independent

Committees:
- Audit

Favorite YUM! Brands Food:

Thin Veggie Lover's Pizza

Background

Tanya L. Domier is Chief Executive Officer of Advantage Solutions, Inc., a North American provider of outsourced sales, marketing and business solutions, and has served in that role since January 2013. Prior to serving as Advantage Solutions' CEO, Ms. Domier served as its President and Chief Operating Officer from 2010 to 2013. Ms. Domier joined Advantage Solutions in 1990 from the J.M. Smucker Company and has held a number of executive level roles in sales, marketing and promotions. Ms. Domier has served as a director of Advantage Solutions since 2006 and currently also serves as a director of Nordstrom, Inc.

Specific Qualifications, Experience, Skills and Expertise:
- Operating and management experience as Chief Executive Officer
- Expertise in strategic planning, finance, global commerce and corporate leadership
- Public company directorship and committee experience

David W. Gibbs

Age 58
Director since 2019

Favorite YUM! Brands Food:

Award Winning Charburger

Background

David W. Gibbs is the current Chief Executive Officer of YUM. He has served in that position since January 2020. Prior to that, he served as President and Chief Operating Officer from August 2019 to December 2019, as President, Chief Operating Officer and Chief Financial Officer from January 2019 to August 2019 and as President and Chief Financial Officer from May 2016 to December 2018. Previously, Mr. Gibbs served as the Chief Executive Officer of the Company's Pizza Hut Division from January 2015 until April 2016 and was its President from January 2014 through December 2014. Mr. Gibbs served as a director of Sally Beauty Holdings from March 2016 until January 2020.

Specific Qualifications, Experience, Skills and Expertise:
- Operational and global management experience, including as Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company
- Expertise in finance, strategic planning, global branding, franchising and corporate leadership
- Public company directorship and committee experience

Mirian M. Graddick-Weir

Age 66
Director since 2012
Independent

Committees:
- Management Planning and Development
- Nominating and Governance, Chair

Favorite YUM! Brands Food:

Hot Wings

Background

Mirian M. Graddick-Weir retired as Executive Vice President of Human Resources for Merck & Co., Inc., a pharmaceutical company, in November, 2018. She had held that 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 has served as a director of Booking Holdings, Inc. since June 2018.

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

Lauren R. Hobart

Age 52
Director since November 2020
Independent

Committees:
- Audit

Favorite YUM! Brands Food:

Chicken Quesadilla

Background

Lauren R. Hobart is President and Chief Executive Officer of DICK'S Sporting Goods. She previously served as President of DICK'S Sporting Goods, beginning in 2017. Prior to this role, Ms. Hobart was Senior Vice President and Chief Marketing Officer of DICK'S Sporting Goods. Prior to joining DICK'S Sporting Goods, Ms. Hobart spent 14 years at PepsiCo in various roles. Ms. Hobart currently serves on the board of directors of DICK'S Sporting Goods and previously served on the board of directors of Sonic Corp. from 2014 to 2018.

Specific Qualifications, Experience, Skills and Expertise:

- Operating, marketing and management experience, including as President of a merchandise retailer
- Expertise in technology, finance, strategic planning and marketing
- Public company directorship experience

Thomas C. Nelson

Age 58
Director since 2006
Independent

Committees:
- Management Planning and Development
- Nominating and Governance

Favorite YUM! Brands Food:

Pepperoni Lover's Pizza

Background

Thomas C. Nelson is President and Chief Executive Officer of National Gypsum Company, a building products manufacturer. He has held this position 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 a director of Atrium Health and has served as a director for the Federal Reserve Bank of Richmond. His term with the Federal Reserve Bank of Richmond expired on December 31, 2020.

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

P. Justin Skala

Age 61
Director since 2016
Independent

Committees:
- Audit

Favorite YUM! Brands Food:

KFC Bucket of Original Recipe Chicken

Background

P. Justin Skala is the Chief Executive Officer of BMI Group, the largest manufacturer of flat and pitched roofing and waterproofing solutions throughout Europe. He has served in that role since September 1, 2019. Prior to joining BMI Group, Mr. Skala served as Executive Vice President, Chief Growth and Strategy Officer for the Colgate-Palmolive Company, from July 2018 until July 2019. From 2016 until 2018 he served as Chief Operating Officer, North America, Europe, Africa/Eurasia and Global Sustainability for Colgate-Palmolive Company. 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 Chief Executive Officer at a large international manufacturer and as President of major divisions of a consumer products company
- Expertise in branding, marketing, finance, sales, strategic planning and international business development

Elane B. Stock

Age 56
Director since 2014
Independent

Committees:
- Audit

Favorite YUM! Brands Food:

KFC Bucket of Original Recipe Chicken

Background

Elane B. Stock has served as the Chief Executive Officer of ServiceMaster Brands, LLC since 2020. Prior to this role, Ms. Stock served as Group President of Kimberly-Clark International, a division of Kimberly-Clark Corporation, a 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 of Kimberly-Clark Corporation. Earlier in her career, Ms. Stock was a partner at McKinsey & Company in the U.S. and Ireland, where she was the Managing Director. Ms. Stock currently serves on the Board of Reckitt Benckiser.

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
- Public company directorship experience and committee experience

Annie Young-Scrivner

Age 52
Director since 2020
Independent

Committees:
- Audit

Favorite YUM! Brands Food:

Pan Pepperoni Pizza with Crushed Red Pepper

Background

Annie Young-Scrivner has served as the Chief Executive Officer of Wella Company, the parent of beauty brands, including Clairol and OPI, since 2020. Prior to this role, Ms. Young-Scrivner was Chief Executive Officer of Godiva Chocolatier, Inc., a manufacturer of Belgian chocolates. Prior to joining Godiva in August 2017, Ms. Young-Scrivner was Executive Vice President, Global Digital & Loyalty Development with Starbucks Corporation from 2015 until her departure in April 2017. At Starbucks, Ms. Young-Scrivner also served as President, Teavana & Executive Vice President of Global Tea from 2014 to 2015, Global Chief Marketing Officer & President of Tazo Tea from 2009 to 2012, and President of Starbucks Canada from 2012 to 2014. Prior to joining Starbucks, Ms. Young-Scrivner held senior leadership positions at PepsiCo, Inc. in sales, marketing and general management, including her role as Region President of PepsiCo Foods Greater China from 2006 to 2008. She has been a director of Tiffany & Co. since 2018, and has previously served as a director of Macy's, Inc.

Specific Qualifications, Experience, Skills and Expertise:

- Operating and management experience, including as Chief Executive Officer of consumer goods company
- Public company directorship and committee experience

If elected, we expect that all of the aforementioned nominees will serve as directors and hold office until the 2022 Annual Meeting of Shareholders and until their respective successors have been elected and qualified.

Director Compensation

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 non-employee Director is summarized in the table below. For 2020, each non-employee Director received an annual stock grant retainer with a fair market value of $260,000. 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.

Chairperson of the Board and Committee Chairperson Retainers. In recognition of their added duties, the Chairperson of the Board (Mr. Cornell in 2020) receives an additional $170,000 stock retainer annually and the Chairs of the Audit Committee (Mr. Nelson in 2020), Management Planning and Development Committee (Mr. Connor in 2020) and the Nominating and Governance Committee (Ms. Graddick-Weir in 2020) each receive an additional $25,000, $20,000 and $20,000 annual stock retainer, respectively. These committee chairperson retainers were paid in February of 2020.

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.

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 members of YUM's Global Leadership Team. 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 below as it is not considered compensation to the directors.

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 reviews each element of director compensation at least every two years.

In November 2020, 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 51. Data for this review was prepared for the Committee by its independent consultant, Meridian Compensation Partners LLC. This data revealed that the Company's total director compensation was at market median measured against this benchmark, that the retainer paid to our Non-Executive Chairperson is slightly above market median and that the retainers paid to the Chairpersons of the Audit Committee, Management Planning and Development Committee and Nominating and Governance Committee were generally consistent with market practice, but were approximately $5,000 below market median. Based on this data, the Committee recommended no changes to our director compensation program.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option/SAR Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)
Alves, Paget	—	260,000	—	10,000	270,000
Barr, Keith	—	220,000	—	10,000	230,000
Cavanagh, Michael	—	260,000	—	—	260,000
Connor, Christopher	—	280,000	—	—	280,000
Cornell, Brian	—	430,000	—	—	430,000
Domier, Tanya	—	260,000	—	—	260,000
Graddick-Weir, Mirian	—	280,000	—	—	280,000
Hobart, Lauren	—	25,000	—	—	25,000
Nelson, Thomas	—	285,000	—	—	285,000
Skala, Justin	—	260,000	—	—	260,000
Stock, Elane	—	260,000	—	—	260,000
Walter, Robert	—	260,000	—	10,000	270,000
Young-Scrivner, Annie	—	220,000	—	—	220,000

(1) Amounts in column (c) represent the grant date fair value for annual stock retainer awards, Committee Chairperson retainer awards, Non-Executive Chairperson awards granted to directors in 2020. Retainer awards are pro-rated for partial years of service.

(2) At December 31, 2020, the aggregate number of stock appreciation rights ("SARs") awards outstanding for each non-employee director was:

Name	SARs
Alves, Paget	—
Barr, Keith	
Cavanagh, Michael	18,531
Connor, Christopher	—
Cornell, Brian	6,491
Domier, Tanya	—
Hobart, Lauren	—
Graddick-Weir, Mirian	22,752
Nelson, Thomas	24,631
Skala, Justin	4,646
Stock, Elane	10,003
Young-Scrivner, Annie	—
Walter, Robert	24,631

(3) Amounts in this column represent charitable matching gifts.

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 Nominating and Governance 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 related person transaction policies and procedures provide that certain transactions are deemed to be pre-approved, even though they exceed $100,000. Pre-approved 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 other company's total revenues and the related person is not an executive officer of that other company.

Does the Company require stock ownership by directors?

The Board believes that the number of shares of the Company's common stock owned by each non-management director is a personal decision; however, the Board strongly supports the position that non-management directors should own a meaningful number of shares in the Company and expects that each non-management director will (i) own Company common shares with a value of at least five times the annual Board retainer; (ii) accumulate those shares during the first five years of the director's service on the Board; and (iii) hold these shares at least until the director departs the Board. Each director may sell enough shares to pay taxes in connection with the receipt of his or her retainer or the exercise of stock appreciation rights and the ownership guideline will be adjusted to reflect the sale to pay taxes.

How much YUM stock do the directors own?

Stock ownership information for each director is shown in the table on page 34.

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

The Committee has adopted formal stock ownership guidelines that set minimum expectations for executive and senior management ownership. These guidelines are discussed on page 52.

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.

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 for the 2022 Annual Meeting of Shareholders must be received by us no earlier than November 2, 2021, and no later than December 2, 2021.

Director nominations to be brought before the 2022 Annual Meeting of Shareholders. Director nominations that a shareholder intends to present at the 2022 Annual Meeting of Shareholders, other than through the proxy access procedures described above, must have been received no later than February 10, 2022. 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 2022 Annual Meeting of Shareholders. Director nominations brought by shareholders must be delivered to YUM's Corporate Secretary by mail at YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213 and received by YUM's Corporate Secretary by the dates set forth above.

What is the Board's leadership structure?

On November 16, 2018, Brian C. Cornell assumed the position of Non-Executive Chairperson of the Board. Applying our Corporate Governance Principles, the Board determined that based on Mr. Cornell's independence, it would not appoint a Lead Director when Mr. Cornell became Non-Executive Chairperson.

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 stay current with 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 Chairperson of the Board. These Principles also provide for an independent Lead Director when the CEO is serving as Chairperson. During 2020, our CEO did not serve as Chairperson. Our Board believes that Board independence and oversight of management are effectively maintained through a strong independent Chairperson 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. As Non-Executive Chairperson, Mr. Cornell is responsible for supporting the CEO on corporate strategy along with leadership development. Mr. Cornell also works with the CEO in setting the agenda and schedule for meetings of the Board, in addition to performing the duties that would otherwise be performed by a Lead Director, as described below.

As CEO, Mr. Gibbs is responsible for leading the Company's strategies, organization design, people development and culture, and for providing the day-to-day leadership over operations.

To ensure effective independent oversight, the Board has adopted a number of governance practices discussed below.

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 *https://investors.yum.com/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 *https://investors.yum.com/governance/governance-documents/.*
- **Ethical Guidelines.** YUM's Global 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 misconduct, ethical or accounting concerns, or other 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 chief executive officer, the chief 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 *https://investors.yum.com/governance/governance-documents/*. The Company intends to post amendments to or waivers from its Code (to the extent applicable to the Board of Directors or executive officers) on this website.

What other significant Board practices does the Company have?

- **Private Executive Sessions.** Our non-management directors meet in executive session at each regular Board meeting. The executive sessions are attended only by the non-management directors and are presided over by the Lead Director or our Non-Executive Chairperson, 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 Chairperson.

The Board currently does not have a Lead Director, and the duties of the Lead Director are fulfilled by Mr. Cornell as Non-Executive Chairperson. Since Mr. Cornell is independent, the Board determined that it would not appoint a separate Lead Director upon Mr. Cornell's appointment as Non-Executive Chairperson.

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, when appointed, is responsible for:

(a) Presiding at all executive sessions of the Board and any other meeting of the Board at which the Chairperson is not present, and advising the Chairperson 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 Chairperson 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. As a part of this process, the Chairperson of the Board or the Chairperson of the Nominating and Governance Committee conduct personal interviews with each member of the Board, the results of which are summarized and discussed in an executive session. 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, food safety and information and digital security. 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 the employees responsible for these functional areas, as well as receiving reports from the Chief Legal Officer and the Vice President, Internal Audit. Our Vice President, Internal Audit reports directly to the Chairperson 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.

What is the Board's role in information security?

Information security and privacy has been and remains of the utmost importance to the Company in light of the value we place on maintaining the trust and confidence of our consumers, employees and other stakeholders. Accordingly, our Chief Information Security Officer and Chief Digital and Technology Officer advise the Audit Committee (at least four times per year) and the full Board of Directors regularly on our program for managing information security risks, including data privacy and data protection risks. We internally follow the NIST Cybersecurity Framework to assess the maturity of our cybersecurity programs. Additionally, we have in place a formal privacy group combining resources from our information security and legal teams. Other aspects of our comprehensive information security program include:

- Information security and privacy modules included in our mandatory onboarding and annual compliance training for restaurant support center employees, as well as targeted specialized training for any employees that routinely have access to personal data;
- Regular testing, both by internal and external resources, of our information security defenses;
- Periodic phishing drills with all restaurant support center employees;
- Global security and privacy policies; and
- Table-top exercises with senior leaders covering ransomware and other third-party data security threats.

In addition, the Company maintains an information security risk insurance policy that provides coverage for data security breaches.

What is the Board's role in the Company's global sustainability initiatives?

The Company has an integrated, Board and executive-level governance structure to oversee its global sustainability initiatives. Oversight for environmental, social and governance issues ultimately resides with the Board of Directors. The Board receives regular updates on these matters from management through the Audit Committee. At the operational level, the Chief Communications and Public Affairs Officer is responsible for overseeing the global reputation of YUM and is responsible for shaping the Citizenship and Sustainability Strategy, as approved by the Board, with the Chief Sustainability Officer and Vice President of Government Relations.

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

As stated in the Compensation Discussion and Analysis at page 35, the philosophy of our compensation programs is to reward performance by designing pay programs that incorporate team and individual performance, and shareholder return; emphasize long-term incentives; drive ownership mentality; and require executives to personally invest in Company stock.

In early 2021, the Committee examined 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 200 senior employees are enforced;
- The annual incentive and performance share plans both cap the level of performance over which no additional rewards are paid, thereby mitigating any incentive to take 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;
- Compensation performance measures are transparent and tied to multiple measurable factors, none of which exceed a 50% weighting; measures are both apparent to shareholders and drivers of returns;
- The performance which determines employee rewards is closely monitored by the Audit Committee and the full Board; and
- The Company has a recoupment (clawback) policy.

How does the Board determine which directors are considered independent?

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

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

As a result of this review, the Board affirmatively determined that all of the directors are independent of the Company and its management under NYSE rules, with the exception of David Gibbs, who is not considered independent 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, Barr, Connor, Nelson, Skala and Mmes. Domier, Graddick-Weir, Hobart, Stock and Young-Scrivner 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 Mr. Cornell or Target Corporation, and therefore determined that Mr. Cornell was independent. In early 2020, the Board determined that Robert C. Walter, who served on the Board until May 2020, was also independent.

Brian C. Cornell is the Chairman and Chief Executive Officer of Target Corporation. During 2020, the Company received approximately $5 million in license fees from Target Corporation in the normal course of business. Divisions of the Company paid Target Corporation approximately $1 million in rebates in 2020. 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 2% of Target Corporation's revenues. Furthermore, the licensing relationship between the Company and Target Corporation was initially entered into before Mr. Cornell joined the Board or became employed by Target Corporation.

Michael J. Cavanagh, who served on the Board until October 2020, is the Senior Executive Vice President and Chief Financial Officer of Comcast Corporation. During 2019, the Company, its affiliates and their respective franchisees collectively paid approximately $42 million to affiliates of Comcast for broadband services. In addition, U.S. brand advertising cooperatives, to which each of the Company's brands and their franchisees contribute funds to purchase media for advertising, purchased approximately $72 million in advertising from affiliates of Comcast. In early 2020, the Board determined that these payments did not create a material relationship between the Company and Mr. Cavanagh or the Company and Comcast Corporation as the payments represented less than 2% of Comcast Corporation's revenues.

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 Chief Legal Officer, Scott A. Catlett. If any person believes that he or she should communicate with our Audit Committee Chair, Paget Alves, 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 (844) 418-4423. 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 *https://investors.yum.com/governance/governance-documents/*.

What are the Committees of the Board?

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

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2020
Audit: Paget L. Alves, *Chair* Tanya L. Domier Lauren Hobart P. Justin Skala Elane B. Stock Annie Young-Scrivner	• 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 Global 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 22	8

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. Alves, 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. Alves 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.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2020
Management Planning and Development: Christopher M. Connor, *Chair* Keith Barr Brian C. Cornell Mirian M. Graddick-Weir Thomas C. Nelson	• 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	5

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.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2020
Nominating and Governance: Mirian M. Graddick-Weir, *Chair* Brian C. Cornell 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	4

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

MATTERS REQUIRING SHAREHOLDER ACTION

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

Who are this year's nominees?

There are twelve (12) nominees recommended by the Nominating and Governance Committee of the Board of Directors for election this year to hold office until the 2022 Annual Meeting and until their respective successors are elected and qualified. Their biographies are provided above at pages 12 to 17. The biographies of each of the nominees contains information regarding the person's service as a director, business experience, public-company 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 above 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.

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 *https://investors.yum.com/governance/governance-documents/* and at page 19 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 2021. The Audit Committee of the Board of Directors has selected KPMG to audit our consolidated financial statements. During fiscal 2020, 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 attend 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 2020 and 2019?

The following table presents fees for professional services rendered by KPMG for the audit of the Company's annual financial statements for 2020 and 2019, and fees billed for audit-related services, tax services and all other services rendered by KPMG for 2020 and 2019.

	2020	2019
Audit fees(1)	$5,597,000	$ 6,628,000
Audit-related fees(2)	$ 529,000	$ 405,000
Tax fees(3)	$ 511,000	$ 223,000
All other fees	$ 0	$ 0
TOTAL FEES	$6,637,000	**$ 7,256,000**

(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 comfort letters and consents.

(2) Audit-related fees include fees associated with 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.

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. Any incremental audit or permitted non-audit services which are expected to exceed the relevant budgetary guideline must subsequently be pre-approved. 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.

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 *https://investors.yum.com/governance/committee-composition-and-charters/*.

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 35, 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 2022 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.

STOCK OWNERSHIP INFORMATION

Who are our largest shareholders?

This table shows ownership information for each YUM shareholder known to us to be the owner of 5% or more of YUM common stock. This information is presented as of December 31, 2020 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
T. Rowe Price Associates, Inc. 100 E. Pratt Street, Baltimore, MD 21202	30,619,571(1)	10.1%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	23,428,319(2)	7.77%
Blackrock Inc. 55 East 52nd Street New York, NY 10055	17,892,450(3)	5.9%
Magellan Asset Management Limited 19 Martin Place Sydney, NSW, 2000, Australia	16,956.927(4)	5.62%

(1) The filing indicates sole voting power for 9,977,017 shares, shared voting power for 0 shares, sole dispositive power for 30,619,571 shares and shared dispositive power for 0 shares.

(2) The filing indicates sole voting power for 0 shares, shared voting power for 494,666 shares, sole dispositive power of 22,109,570 shares and shared dispositive power for 1,318,749 shares.

(3) The filing indicates sole voting power for 15,105,990 shares, shared voting power for 0 shares, sole dispositive power for 17,892,450 shares and shared dispositive power for 0 shares.

(4) The filing indicates sole voting power for 13,666,472 shares, shared voting power for 0 shares, sole dispositive power for 16,956,927 shares and shared dispositive power for 0 shares.

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

This table shows the beneficial ownership of YUM common stock as of December 31, 2020 by

- each of our directors,
- each of the executive officers named in the Summary Compensation Table on page 55, and
- all directors and relevant 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 (nor the Directors and executive officers as a group) 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.

The table shows the number of shares of common stock and common stock equivalents beneficially owned as of December 31, 2020. Included are shares that could have been acquired within 60 days of December 31, 2020 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.

Name	Beneficial Ownership: Number of Shares Beneficially Owned[(1)]	Beneficial Ownership: Options/ SARs Exercisable within 60 Days[(2)]	Beneficial Ownership: Deferral Plans Stock Units[(3)]	Beneficial Ownership: Total Beneficial Ownership	Additional Underlying Stock Units[(4)]	Total
Paget Alves	6,309	—	—	6,309	5,725	12,034
Keith Barr	—	—	—	—	2,133	2,133
Christopher Connor	—	—	—	—	10,507	10,507
Brian C. Cornell	452	1,746	—	2,198	19,853	22,051
Tanya Domier[(5)]	4,957	—	—	4,957	5,620	10,577
Mirian M. Graddick-Weir	—	6,158	—	6,158	29,773	35,931
Lauren Hobart	—	—	—	—	243	243
Thomas C. Nelson	15,360	6,895	—	22,255	67,967	90,222
Justin Skala	5,224	1,257	—	6,481	9,344	15,825
Elane B. Stock	4,019	2,633	—	6,652	15,889	22,541
Annie Young-Scrivner	30	—	—	30	2,133	2,163
David Gibbs[(5)]	76,940	246,203	20,470	343,613	70,836	414,449
Christopher Turner	3,235	676	—	3,911	8,637	12,548
Tracy Skeans	8,204	48,088	9,557	65,849	6,105	71,954
Mark King	4,269	507	—	4,776	14,395	19,171
Anthony Lowings	46,560	100,223	1,668	148,451	240	148,691
All Directors and Executive Officers as a Group (19 persons)	198,890	542,897	40,752	782,539	310,081	1,092,620

(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:

- *Ms. Skeans, 2,651*
- *Mr. Lowings, 1,200*
- *all relevant executive officers as a group, 4,898 shares*

(2) The amounts shown include beneficial ownership of shares that may be acquired within 60 days pursuant to SARs awarded under our employee or director incentive compensation plans. 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 and include full value awards. 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) For Ms. Domier, these shares are held in a trust. For Mr. Gibbs, 65,893 of these shares are held in trusts.

DELINQUENT SECTION 16(a) REPORTS

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 2020.

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.

Proxy Statement

Table of Contents

I. Executive Summary

A. YUM 2020 Performance

2020 presented unprecedented challenges to our business that required the talents and diligence of the Company's leadership, employees and franchisee partners to overcome. Despite these challenges, our results demonstrated the Company's resilience and validated the strategies put in place during the transformation of YUM. We intensified our focus on leveraging our scale and reinforced our growth model, accelerating our investments in digital and technology to enhance the customer experience, off-premise capabilities and unit economics. In 2020, digital sales hit a record of $17 billion, about a 45% increase over the prior year, and exemplified the ability of our brands to quickly pivot to meet new consumer needs. In addition, we were able to complete the acquisition of The Habit Burger Grill in March, which added another exciting, growth-focused brand to our portfolio. As we have moved into 2021, we are more confident than ever in the ability of our teams and franchisees to compete and win in a rapidly changing world.

The Company's 2020 performance reflects the impact of the COVID-19 pandemic, which had significant negative effects on our performance, particularly during the second and third quarters. For the year, our system sales declined 4% (excluding foreign currency translation), including a decline in same-store sales growth of 6%. During the year we were able to deliver development growth of 183 net-new units. Our core operating profit decreased by approximately 8% during 2020 (see pages 32 and 33 in Item 7 of YUM's Form 10-K for the fiscal year ended on December 31, 2020 for a discussion of System Sales and Core Operating Profit).

Going forward, we will continue to rely on Our Recipe for Growth and Good. Under our Recipe for Growth, we will focus on our four key growth drivers which continue to guide our long-term strategy and form the basis of the Company's strategic plans to accelerate same-store sales growth and net-new restaurant development around the world. The Company remains focused on building the world's most loved, trusted and fastest growing restaurant brands by: (i) growing Unrivaled Culture and Talent to leverage our culture and people capability to fuel brand performance and franchise success; (ii) developing Unmatched Operating Capability by recruiting and equipping the best restaurant operators in the world to deliver great customer experiences; (iii) building Relevant, Easy and Distinctive Brands by innovating and elevating iconic restaurant brands people trust and champion; and (iv) achieving Bold Restaurant Development by driving market and franchise expansion with strong economics. By leveraging our Recipe for Good - our roadmap for socially responsible and sustainable stewardship of people, food and planet internally and across our supply chain and franchise system - we will elevate the importance of people and continue building an equitable and inclusive culture that, in turn, helps us better serve our customers and communities where we operate. We remain confident in our business model and in the strength of our iconic brands as we look to accelerate growth in 2021.

2020 Performance Highlights

Digital Sales	Restaurants Offering Delivery Globally	Restaurant Locations	Brand/Country Combinations
$17 billion	**35,000**	**50,353**	**290**
Approximately a **45% increase** over prior year	representing a **16% increase** year-over-year	Including The Habit Burger Grill	

Proxy Statement

B. Named Executive Officers

The Company's NEOs for 2020 are as follows:

Name	Title
David W. Gibbs	Chief Executive Officer
Chris Turner	Chief Financial Officer
Tracy L. Skeans(1)	Chief Operating Officer and Chief People Officer
Mark King	Chief Executive Officer of Taco Bell Division
Tony Lowings	Chief Executive Officer of KFC Division

(1) Effective January 29, 2021, Ms. Skeans was appointed Chief Operating Officer and Chief People Officer of the Company. Prior to that she served as the Company's Chief Transformation and People Officer.

C. Compensation Philosophy

The business performance of the Company is of the utmost importance in how our executives are compensated. Our compensation program is designed to both support our long-term growth model and 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

2020 Compensation Highlights

- In January of 2020, the Committee made the following decisions and took the following actions:
  - The Committee set our CEO target for total direct compensation (base salary, annual cash bonus and annual long-term incentive award value at grant date) at a level between the 25th and 50th percentile of our Executive Peer Group (defined at page 51) for the CEO role, to reflect newness in role;
  - The Committee set the equity mix for our NEOs' long-term incentive awards at 50% stock appreciation rights ("SARs") and 50% performance share units ("PSUs");
  - The Committee certified that our 2017 PSU awards under our Performance Share Plan paid out at 152.5% of target in 2020 based on the Company's Total Shareholder Return ("TSR") at the 75th percentile compared to the S&P 500 Consumer Discretionary Index and Earnings Per Share ("EPS") growth of 15.2%, for the 2017-2019 performance cycle (see discussion of PSUs at page 43); and

- The Committee certified that the 2016 Launch Grant PSU awards paid out at 100% of target in 2020 based on Company G&A expenses finishing at 1.7% of system sales as of year-end 2019 and the total number of company-owned units finishing at 856 as of the end of 2018.

- At our May 2020 Annual Meeting of Shareholders, shareholders approved our "Say on Pay" proposal in support of our executive compensation program, with 88% 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 2020 that served to reinforce our open-door policy. The efforts included contacting our largest 35 shareholders, representing ownership of approximately 50% of our shares (discussed further on page 49).

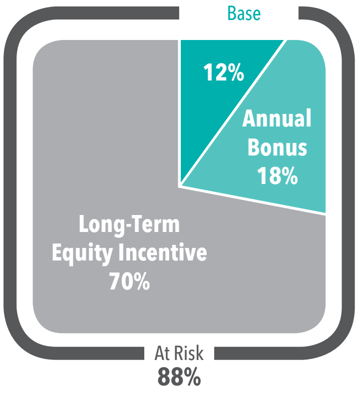
COVID-Related Compensation Changes for 2020

- **CEO Compensation**. In March 2020, the Company announced that Mr. Gibbs would forgo approximately $900,000 of his 2020 base salary so that this amount could be used to fund one-time bonuses for the Company's nearly 1,200 restaurant general managers across the KFC, Pizza Hut, Taco Bell and The Habit Burger Grill businesses. The forgone salary was also used to help fund the Yum Brand's Foundation's Global Employee Medical Relief Fund. This fund provided financial hardship aid to those directly impacted by the COVID-19 pandemic, including company and franchisee restaurant employees.
- **Discretionary Adjustments**. In recognition of business results achieved relative to the unforeseen impact that the COVID-19 pandemic had on our business, the Committee authorized certain discretionary adjustments to the team performance factor component of our bonus formula for most bonus-eligible employees, including the NEOs (discussed further on page 40). On the basis of similar considerations, the Committee also approved a one-time award of Company stock to Mr. Gibbs and Ms. Skeans (as discussed at page 44).

E. Relationship between Company Pay and Performance for the CEO

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 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. The discussion in this section is limited to Mr. Gibbs, our CEO for 2020. Our other NEOs' target compensation is subject to a substantially similar set of considerations, which are discussed in Section III, 2020 Named Executive Officer Total Direct Compensation and Performance Summary, found at pages 44 to 48 of this CD&A.

CEO Target Pay Mix - 2020

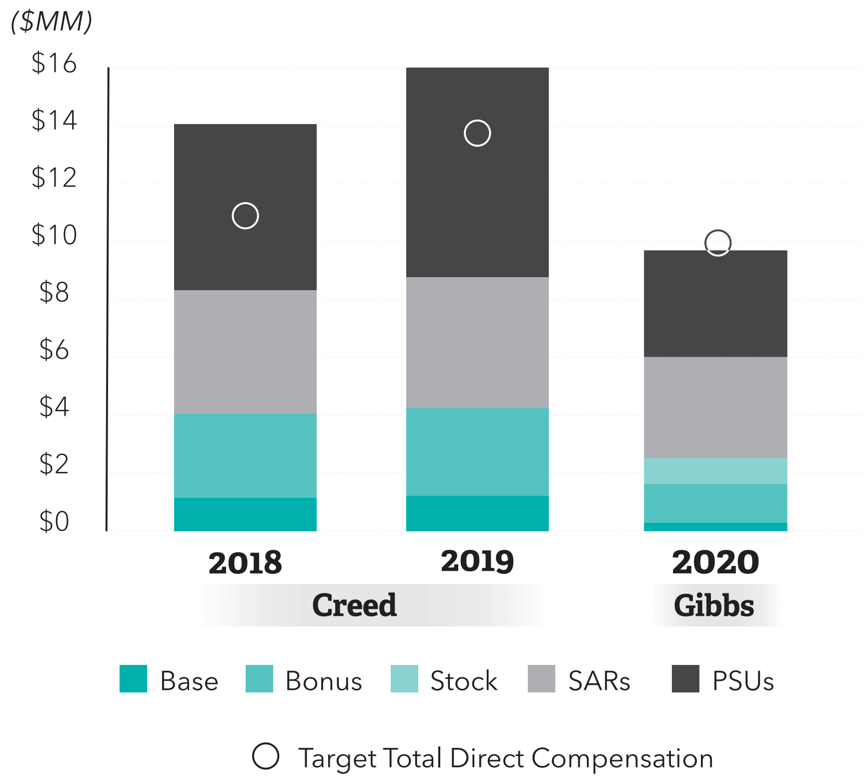


CEO Total Direct Compensation

The Committee sets the CEO's target for total direct compensation (base salary, annual cash bonus and annual long-term incentive award value at grant date) every year to align appropriately with market data of our Executive Peer Group, taking into account Company performance, the CEO's performance, time in role and other job-related factors. In 2020, Mr. Gibbs' target total direct compensation was set between the 25th and 50th percentiles of our Executive Peer Group, reflecting his newness in role. For 2020, 70% of our CEO's target pay was in the form of long-term equity incentive compensation.

CEO Total Direct Compensation vs. Performance

	2018	2019	2020
Adjusted Operating Profit/Core Operating Profit[1]	11%	11%	-7%
System Sales Growth[2]	5%	8%	-4%
Total Shareholder Return[3]	14%	11%	10%



(1) *Measures of results of operations for the purpose of evaluating performance against targets set under our YUM Leaders' Bonus Program included Adjusted Operating Profit Growth in 2018 and, for 2020 and 2019, Core Operating Profit Growth excluding the impact of a 53rd week in 2019.*

(2) *System sales growth excludes the impact of foreign currency translation and, for 2020 and 2019, the impact of a 53rd week in 2019.*

(3) *Total shareholder return is calculated as the change in YUM share price from the beginning of the respective year until the year-end, adjusted for dividends paid.*

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

Team Performance

The Committee carefully established team performance measures, targets and weights in January 2020 after receiving input and recommendations from management. The team performance targets were also reviewed by the Committee to ensure that the goals support the Company's overall strategic objectives. This process occurred prior to the onset of the COVID-19 pandemic in the United States and much of the world.

The performance targets were developed through the Company's annual financial planning process, which takes into account KFC, Pizza Hut and Taco Bell (each, a "Division") growth strategies, historical performance, and the expected future operating environment for each Division.

When setting targets for each specific team performance measure, the Company takes into account overall business goals and structures targets designed 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, absent the use of discretion by the Committee in extraordinary circumstances.

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 Committee may approve adjustments to Division targets or may exclude certain pre-established items from the financial results used to determine the annual bonus when doing so is consistent with the objectives and intent at the time the targets were originally set, in order to focus executives on the fundamentals of the Company's underlying business performance.

In recognition of business results achieved relative to the unforeseen impact that the COVID-19 pandemic had on our business, the Committee authorized certain discretionary adjustments to the team performance factor component of our bonus formula for most bonus-eligible employees, including the NEOs. For the reasons discussed in the following paragraph, the Committee adjusted the team performance factor for those bonus-eligible employees otherwise receiving a "0," including each NEO, to a 60, except with respect to Mr. King. As described further on page 42, Mr. King's team performance factor was adjusted to 70 rather than the earned 21 from the Taco Bell Division. The Committee determined that the payment of a discretionary bonus to all bonus-eligible employees, including the NEOs, was appropriate given the results achieved in 2020 towards stabilizing the business and positioning it for success coming out of the pandemic.

These results can be seen in the marked improvements made from the second quarter, when the pandemic had its greatest impact on our results. Same-store sales improved from a decline of 15% in Q2 to negative 1% in Q4, while core operating profit excluding special items improved from negative 25% to negative 5% (excluding the impact of a 53rd week in 2019) during the same time period. Results benefitted in part by strong operations, including a pivot to contactless options, which helped enable temporary store closures to improve from highs of nearly 20% of our system to approximately 2% by year end. Management's performance and these results, some of which are described below, were beneficial to shareholders as reflected in our stock price rebounding from a low of $54.95 per share in the second quarter to $108.56 at year end. Key actions taken by management during the pandemic included:

- **Ensuring Strong liquidity-** Solidifying the balance sheet and mitigating liquidity risks through strong cash management, including issuing $600 million in unsecured notes in April, 2020 (the first offering of its kind following the onset of the pandemic in the United States) and refinancing approximately $1 billion in other debt;
- **Protecting franchise partners-** Supporting our franchisees through strategic temporary deferral of certain payment obligations (the vast majority of which were repaid by year-end 2020) and capital commitment obligation deferrals, in addition to addressing franchisees at risk of financial distress or restructuring, including the restructuring of our largest franchisee in the U.S.;
- **Operational excellence-** Overseeing flawless supply chain execution, which allowed us to maintain the ability to continue to safely serve menu items to our worldwide customers, while also sourcing critical personal protective equipment to protect frontline workers;
- **Customer focus-** Adapting to new consumer expectations, enabling the rapid pivot to curbside pickup, delivery and other contactless options and operational adjustments to meet new safety standards;
- **Innovative technologies-** Accelerating key digital and technology initiatives, including rapid growth in digital sales, which resulted in all-time digital sales records for the Company in each of Q2, Q3, and Q4;
- **Strategic growth-** Completion of the acquisition and integration of The Habit Burger Grill, which added approximately 275 restaurant locations with exciting potential for global expansion;
- **Commitment to our people**- Developing new policies and implementing additional operational safeguards to protect employee health and safety, strengthening our culture and increasing communication amidst a work from home environment to maintain employee morale; and
- **Community engagement-** Supporting our communities by providing economic relief to restaurant employees who were adversely impacted by the pandemic and launching our Unlocking Opportunity Initiative to promote equity and inclusion, education, and entrepreneurship.

The adjustment to the team performance factor resulted in a bonus significantly below the target performance level (a 100% bonus payout) for each NEO. Nonetheless, it was intended to reward performance under unprecedented circumstances and a rapid effective response to unforeseen events. This adjustment in the team performance factor was also extended equally to all of the Company's bonus-eligible employees who did not otherwise earn a bonus under the formula set by the Committee in January 2020. This group of bonus-eligible employees includes a broad range of our employees, including those in junior positions and extending up through senior management. The Committee noted that year-over-year-bonus payouts for these employees under the YLB, including all the NEOs, were significantly lower and that the Company elected not to award merit salary increases for all employees for 2021. The Company believes this was the right balance of ensuring strong shareholder alignment and rewarding employees fairly for results described above. The team performance factor used for each NEO is more fully described in the table below.

Detailed Breakdown of 2020 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 YUM are profit growth, same-store sales growth and new restaurant development. Accordingly, prior to the onset of the COVID-19 pandemic, the Committee approved these performance measures for the Company's annual incentive plan and these measures were included at both the corporate and divisional levels. For Divisions, the team performances were weighted 75% on Division operating measures and 25% on YUM team performance. The Committee's discretionary adjustments to the Team Performance Factor component of our bonus formula are also set forth below.

Team Performance

NEO	Measures	Target	Actual	Earned Award as % of Target	Weighting	Earned Team Performance Factor	Discretionary Team Performance Factor
Gibbs Skeans Turner	Core Operating Profit Growth[1]	$2,057MM 7.2%	$1,779MM (7.2%)	0	50%	0	
	System Same-Store Sales Growth	2.6%	(6.2%)	0	25%	0	
	System Net New Units	2,120	183	0	25%	0	
	FINAL YUM TEAM FACTOR					**0**	**60**
Lowings	Core Operating Profit Growth[1]	$1,135MM 8.6%	$931MM (10.8%)	0	50%	0	
	System Same-Store Sales Growth	3.0%	(8.6%)	0	25%	0	
	System Net New Units	1,500	896	0	25%	0	
	Total Weighted Team Performance — KFC 75%					0	
	Total Weighted Team Performance — YUM 25%					0	
	FINAL KFC TEAM FACTOR					**0**	**60**
King	Core Operating Profit Growth[1]	$717MM 7.0%	$696MM 3.9%	55	50%	55	
	System Same-Store Sales Growth	3.25%	(0.7%)	0	25%	0	
	System Net New Units	330	64	0	25%	0	
	Total Weighted Team Performance — TB 75%					28	
	Total Weighted Team Performance — YUM 25%					0	
	FINAL TACO BELL TEAM FACTOR					**21**	**60**

(1) See pages 33 and 38 in Item 7 of YUM's Form 10-K for the fiscal year ended on December 31, 2020 for a discussion of Core Operating Profit in 2020. In this table, Core Operating Profit Growth excludes the impact of a 53rd week in 2019.

Individual Performance

Each NEO's individual performance factor is determined by the Committee based upon its subjective determination of the NEO's individual performance for the year, including consideration of specific objective individual performance goals set at the beginning of the year. The Committee's determinations with respect to the individual performance of our NEOs is set forth below from pages 44 to 48.

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 equity vehicles that motivate and balance the tradeoffs between short-term and long-term performance. Performance-based long-term equity compensation also serves as a retention tool.

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

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

Equity Mix

Each year, the Committee reviews the mix of long-term incentives. For 2020, 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 2020, the Committee determined a target grant value for each NEO (based on time in role, performance and market practice) and the split of that value between SARs and PSU grants. For each NEO, the target grant value was split 50% SARs and 50% PSUs. For each NEO, the breakdown between SARs award values and PSU award values can be found under the Summary Compensation Table, page 55 at columns e and f.

Stock Appreciation Rights Awards

The Committee believes that SARs reward long-term value-creation generated from sustained results. They are, therefore, strongly linked to and based on, the performance of Yum common stock. In 2020, we granted to each of our NEOs SARs which have ten-year terms and vest over 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 the share price above the awards' exercise price.

Performance Share Awards

Pursuant to the Performance Share Plan under our Long Term Incentive Plan ("LTIP"), we granted our NEOs PSU awards in 2020. These PSU awards are earned equally based on the Company's 3-year average TSR relative to the companies in the S&P 500 Consumer Discretionary Index and on compound annual 3-year growth of the Company's Earnings Per Share ("EPS"). Incorporating TSR and EPS into the annual PSU awards 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. 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 57. The Committee may, from time-to-time, grant PSU awards to eligible employees to incentivize various strategic initiatives, consistent with the terms of the LTIP.

For the performance period covering 2020 – 2022, each NEO will earn a percentage of his or her target PSU award, with 50% of the payout based on the achieved TSR percentile ranking and the other 50% based on EPS growth. Indicative payouts as a percentage of target are as set forth in the table below:

		Threshold	Target	Maximum
TSR Percentile Ranking	<30%	30%	50%	75%
Payout as % of Target	0%	35%	100%	200%
EPS Growth (3-year CAGR, ex foreign currency translation)	<6%	6%	10%	14%
Payout as % of Target	0%	35%	100%	200%

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.

In December 2020, the Committee reviewed the projected results of the PSU awards Mr. Gibbs and Ms. Skeans received in 2018 (covering the 2018 through 2020 performance period). This award was designed to be earned based on two metrics: (i) the Company's 3-year average TSR relative to the companies in the S&P 500 Consumer Discretionary Index and (ii) compound annual 3-year growth of the Company's EPS. For this performance period, the award provided that Mr. Gibbs and Ms. Skeans could earn a percentage of their target PSU award, with 50% of the payout based on the achieved TSR percentile ranking and the other 50% based on EPS growth. When reviewing performance for this award, the Committee noted that despite strong performance towards the performance targets prior to the onset of the pandemic, which, as of December 31, 2019, would have resulted in a payout at approximately 93% for the EPS portion of the award, the impact of the pandemic had so adversely affected the EPS metric that the EPS portion of the award would pay out at 0%, as of year-end 2020.

The Committee determined that Mr. Gibbs and Ms. Skeans should be compensated for the pre-pandemic performance with respect to the EPS metric of the award, given that the global disruption in 2020 could not have been reasonably accounted for when performance goals were set in 2018. The Committee felt this was appropriate in order to recognize Mr. Gibbs' and Ms. Skeans' dynamic leadership of the business through unprecedented turbulence, which was reflected in the Company's quick turnaround in performance, and to prevent Mr. Gibbs and Ms. Skeans from being unfairly penalized by the unanticipated impact of the pandemic on the Company's operating results. The Committee also took into the consideration that the Company's stock price had rebounded from the lows of the pandemic, to a price roughly equivalent to the pre-pandemic trading price, which reduced negative impact on shareholders. In addition to rewarding past performance, the Committee further determined that making a one-time award of Company common stock would recognize Mr. Gibbs' and Ms. Skeans' leadership in a time of crisis (as reflected in the detailed discussion of performance results under Team Performance, above at page 40), while also appropriately incentivizing their efforts to lead the Company's recovery and to be creative in navigating an evolving landscape, which the Committee believed would ultimately provide increased shareholder value. The shares received by Mr. Gibbs and Ms. Skeans were valued at $882,127 and $400,957, respectively (consistent with the payout that would have been received had performance as of December 31, 2019 been maintained).

III. 2020 Named Executive Officer Total Direct Compensation and Performance Summary

Below is a summary of each of our NEOs' total direct compensation – which generally includes base salary, annual cash bonus, and long-term incentive awards – and an overview of their 2020 performance relative to our annual and long-term incentive performance goals.

The process the Committee used to determine each officer's 2020 compensation is described more fully in "How Compensation Decisions Are Made" beginning on page 49.

CEO Compensation

David Gibbs
Chief Executive Officer

2020 Performance Summary

Our Board, under the leadership of the Committee Chair, approved Mr. Gibbs' goals for his first year as our Chief Executive Officer 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 which included business results, leadership in the development and implementation of Company strategies, and development of Company culture and talent. In addition, the Committee noted Mr. Gibbs' leadership during a global pandemic that significantly impacted restaurant and company operations worldwide.

The Committee determined that Mr. Gibbs' overall performance for 2020 merited an individual factor of 130. This individual factor was combined with YUM's awarded team factor of 60 (discussed at page 40) resulting in a below target annual cash bonus. This determination was based on the Committee's subjective assessment of Mr. Gibbs' performance against his previously set goals which included the following items and substantially reflect the impact of the pandemic (without assigning a weight to any particular item):

- Pivoting operations in the wake of operating limitations (e.g., dining room closures) to new channels that enabled continued sales without disruption (e.g., curbside pickup); produced record digital sales of $17 billion, approximately a 45% increase over the prior year;
- Developing and implementing new policies and additional operational safeguards to protect employee health;
- Avoiding potential disruptions in supply chain as a result of COVID-19 global pandemic;
- Mitigating significant permanent store-closure risks arising from lockdowns and full or partial closures or significant sales declines in various markets;
- Supporting employees and communities in response to the pandemic and social justice movement by taking actions to bring the Company's Recipe for Good to life;
- Making significant investments in technologies and new functions focused on analytics and innovation through G&A reallocations;
- Launching the Unlocking Opportunity initiative focused on equity and inclusion, education, and entrepreneurship, supported by a $100 million investment over five years; and
- Developing leadership, including development of Tracy Skeans which led to her promotion to Chief Operating Officer and Chief People Officer in early 2021, as well as fostering customer-focused employee culture.

2020 Committee Decisions

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

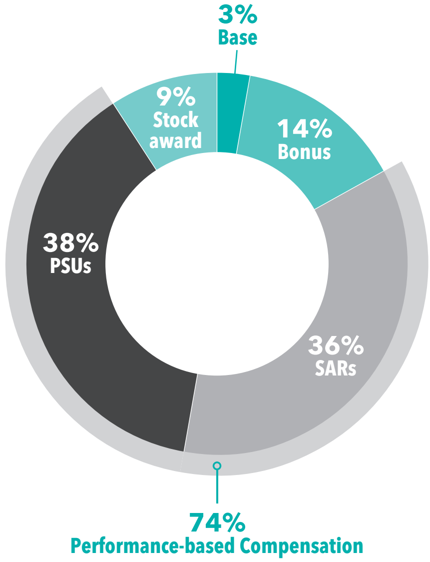
- Base salary was increased to $1,200,000;
- Annual cash bonus target percentage was increased to 150% of base salary; and
- Grant value of long-term incentive equity awards was increased to $7,000,000, recognizing his promotion into his new role and prior performance as Chief Operating Officer and his impact on the business.

These decisions positioned Mr. Gibbs' total target direct compensation at between the 25th and 50th percentiles of the Company's Executive Peer Group (defined at page 51).

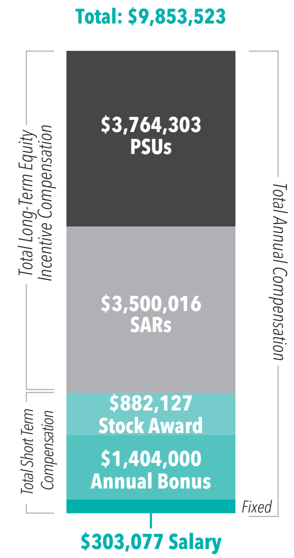
In March 2020, Mr. Gibbs voluntarily decided he would forgo approximately $900,000 of his 2020 base salary so that this amount could be used to fund one-time bonuses for the Company's nearly 1,200 restaurant general managers across the businesses. His forgone salary was also used to help fund the Yum Brands Foundation's Global Employee Medical Relief Fund, which provided financial hardship grants to those directly impacted by the COVID-19 pandemic, including company and franchise restaurant employees. The forgone salary will not be excluded from the calculation of Mr. Gibbs' annual incentive for 2020 or in the overall calculation of his retirement benefits.

The graphics below illustrate Mr. Gibbs' direct compensation:

CEO Awarded Compensation Mix



CEO Total Direct Compensation



Other NEO 2020 Total Direct Compensation

Chris Turner
Chief Financial Officer

2020 Performance Summary

The Committee determined that Mr. Turner's performance merited a 140 individual performance factor. The Committee recognized Mr. Turner's leadership in supporting the Company's technology teams in executing critical, rapid enhancements to the customer experience during the pandemic and enabling the Company to efficiently convert dine-in sales to off-premises. He was also recognized for leading a franchisee health initiative that supported franchisees throughout the pandemic and for successfully managing the Company's liquidity and balance sheet strength throughout the pandemic. The Committee also noted Mr. Turner's global responsibility for finance, corporate strategy, supply chain and information technology. Mr. Turner's individual factor was combined with an awarded team factor of 60 (discussed at page 40) to calculate his annual cash bonus.

2020 Committee Decisions

In November 2019, the Committee approved adjustments to Mr. Turner's compensation for 2020 to reflect his performance and time in the role. The adjustments are as follows:

- Base salary was increased to $850,000;
- Annual cash bonus target was increased to 100% of base salary; and
- Grant value of long-term incentive equity awards was increased to $2,000,000 to better align with market compensation norms and internal peer equity, as well as to reflect performance and his time in role.

These adjustments positioned Mr. Turner's 2020 total direct compensation at between the 25th and 50th percentiles of the Company's Executive Peer Group (defined at page 51) for his position.

Tracy L. Skeans

Chief Operating Officer and Chief People Officer

2020 Performance Summary

The Committee determined that Ms. Skeans' performance merited a 140 individual performance factor. The Committee recognized Ms. Skeans for providing strategic leadership in the Company's efforts to create COVID-19 response policies and in executing upon those policies, as well as for the roll-out of contactless delivery and contactless carryout across all of the Company's brands. She was also recognized for her leadership in the successfully integrating and onboarding The Habit Burger Grill and for her efforts in cultivating the Company's culture and talent.

In recognition of Ms. Skeans' increasing leadership role within the Company and continued strong performance, she was promoted to Chief Operating Officer and Chief People Officer of the Company, effective January 29, 2021. She now has global responsibility for leading cross-brand collaboration on operational execution, people capability and customer experience imperatives intended to fuel same-store sales and net-new unit growth around the world. She also oversees business transformation, operations, food safety, human resources, equity and inclusion and communications. Throughout 2020 she served as the Company's Chief Transformation and People Officer. Ms. Skeans' individual factor was combined with an awarded team factor of 60 (discussed at page 40) to calculate her annual cash bonus.

2020 Committee Decisions

In November 2019, the Committee approved adjustments to Ms. Skeans' compensation for 2020 to reflect certain additional and non-traditional responsibilities of her role, including oversight of the Company's food safety and communications teams, as well as to reflect her performance and time in the role. The adjustments are as follows:

- Base salary was increased to $750,000;
- Annual cash bonus target increased to 90% of base salary; and
- Grant value of long-term incentive equity awards was increased to $1,600,000.

These decisions positioned Ms. Skeans' total direct compensation at between the 50th and 75th percentiles of the Company's Executive Peer Group (defined at page 51) for her position, reflecting her time in role and expanded responsibilities.

The Committee also approved a 2020 CEO Award RSU grant with an economic value of $500,000, recognizing her leadership for accelerating diversity and inclusion initiatives, championing the use of repeatable models around the globe, and developing and implementing talent and leadership programs that drove attraction, retention and best-in-class engagement scores.

Mark King

Chief Executive Officer, Taco Bell Division

2020 Performance Summary

The Committee determined that Mr. King's performance merited a 140 individual performance factor. The Committee recognized Mr. King's leadership in quickly pivoting the Taco Bell business during the pandemic to accelerate the digital and delivery business. He was also recognized for the successful implementation of enhanced employee and customer safety protocols across the business. Mr. King's individual factor was combined with a team factor of 70 (discussed at page 40) to calculate his annual cash bonus, a portion of which was earned based on Taco Bell performance in the absence of Committee discretion.

2020 Committee Decisions

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

- Base salary was increased to $925,000;
- Annual cash bonus target remained at 100% of base salary; and
- Grant value of long-term incentive equity awards was set at $1,500,000 to align with market compensation norms and internal peer equity, as well as to reflect performance and his time in role.

Mr. King's 2020 total direct compensation was between the 50th and 75th percentiles of the Executive Peer Group (defined at page 51) for his position.

Tony Lowings
Chief Executive Officer, KFC Division

2020 Performance Summary

The Committee determined that Mr. Lowings' performance merited a 125 individual performance factor. The Committee recognized Mr. Lowings' leadership in the pandemic, particularly in the acceleration of restaurant efficiency, set-up and agreed upon operating standards. He was also recognized for KFC's significant progress towards digital and technology advancements. Mr. Lowings' individual factor was combined with an awarded team factor of 60 (discussed at page 40) to calculate his annual cash bonus.

2020 Committee Decisions

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

- Base salary was increased to $750,000;
- Annual cash bonus target percentage increased to 100% of base salary; and
- Grant value of long-term incentive equity awards was increased to $1,600,000 to better align with market compensation norms and internal peer equity, as well as to reflect performance and his time in role.

These decisions positioned Mr. Lowings' total direct compensation at between the 25th and 50th percentiles of the Executive Peer Group (defined at page 51) for his position.

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. Mr. Gibbs and Ms. Skeans are active participants in the Retirement Plan.

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 executive's separation of employment from the Company. For 2020, Messrs. Turner and King were eligible for the LRP. Under the LRP, Messrs. Turner and King received an annual allocation to their accounts equal to 4% of base salary and target bonus, and will receive an annual earnings credit that is equivalent to the Moody's Aa Corporate Bond Yield Average for maturities 20 years and above (currently 2.47%) on the balance.

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. Mr. Lowings is the only NEO who participates in the TCN. Under this plan, Mr. Lowings receives an annual contribution equal to 15% of 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 61.

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

The Company provides very limited number of perquisites to our NEOs. The CEO and his spouse were required to use charter or approved commercial aircraft for personal as well as business travel pursuant to the Company's executive security program established by the Board of Directors. Our program provides that any costs for the CEO's personal aircraft use of above $300,000 will be reimbursed to the Company in accordance with the requirements of the Federal Aviation Administration regulations. We do not provide tax gross-ups on the personal use of the charter or approved commercial aircraft. For 2020, the incremental cost of Mr. Gibbs personal use of charter or commercial aircraft was $230,030. Following the onset of the pandemic in 2020, the Committee authorized the CEO to approve personal travel on Company-provided aircraft by the other NEOs, in recognition of the importance of their safety and availability throughout the pandemic. The personal travel of the Non-CEO NEOs resulted in the following incremental costs in 2020: $34,350 for Ms. Skeans and $63,902 and $43,676 for Messrs. Turner and King, respectively.

V. How Compensation Decisions Are Made

Shareholder Outreach, Engagement and 2020 Vote on NEO Compensation

At our 2020 Annual Meeting of Shareholders, 88% of votes cast on our annual advisory vote on NEO compensation were in favor of our NEOs' compensation program, as disclosed in our 2020 proxy statement. During 2020, 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 that served to reinforce our open-door policy. The efforts included:

- Contacting our largest 35 shareholders, representing ownership of approximately 50% of our shares;
- Dialogue with proxy advisory firms;
- Investor road shows and conferences; and
- Presenting shareholder feedback to the Committee.

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 2020 voting results on NEO compensation, has influenced and reinforced a number of compensation design changes over the years, including:

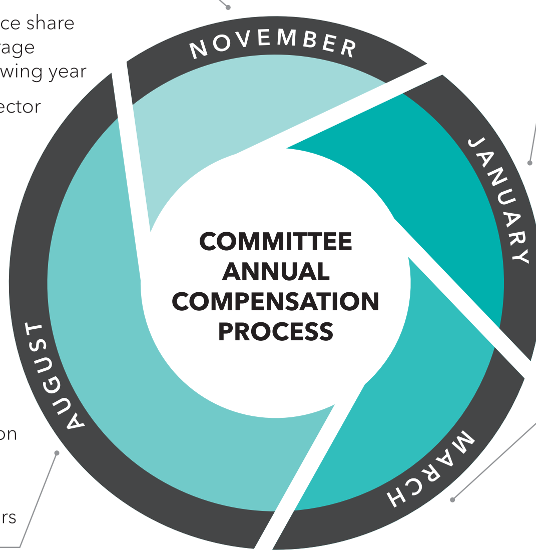
- Continued benchmarking of CEO compensation at near market median;
- Moved to two performance metrics under our annual PSU awards (TSR and EPS); and
- Changed PSU award metrics to include the Company's 3-year average TSR relative to the companies in the S&P 500 Consumer Discretionary Index, rather than the average relative to the entire S&P 500.

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 or her financial and strategic objectives, qualitative factors and the Company's overall performance. The Committee considers the target total direct 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, but adds additional meetings when necessary in order to address important business considerations, such as the pandemic.

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
- Reviews market analysis of Director compensation and makes recommendations to Board

January

- Evaluates and approves CEO and direct reports' performance against pre-established goals and compensation decisions
- Approves bonus and performance share plan 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

August

- Reviews compensation trends
- Mid-Year update to full Board on CEO's progress against goals
- Evaluates feedback from shareholders and proxy advisors

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; and
- 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 total target direct 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, specialty 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 many cases global reach.

Executive Peer Group

The Committee periodically reviews the peer group to ensure it reflects desired comparisons and appropriate size range. In August 2019, the Committee approved the peer group to be used for NEO pay determinations beginning in 2020 (the “Executive Peer Group”). The updates to the Executive Peer Group were made to better align the size of the peer group companies with YUM and include companies in relevant industry sectors. Many of these companies have a global reach and multiple brands. The Executive Peer Group used for 2020 pay determinations for all NEOs (including those made in November 2019 for Messrs. Gibbs and Turner and Ms. Skeans) is comprised of the following companies:

Chipotle Mexican Grill, Inc.	Gap, Inc.	Keurig Dr Pepper	McDonald’s Corporation	Starbucks Corporation
Colgate-Palmolive Company	General Mills, Inc.	Kimberly-Clark Corp.	Mondelez Int’l., Inc.	V.F. Corp.
Darden Restaurants, Inc.	Hertz Global Holdings, Inc.	L Brands, Inc.	Ralph Lauren Corporation	Wyndham Worldwide, Inc.
Domino’s Pizza, Inc.	Hilton Worldwide Holdings	Lululemon Athletica	Restaurant Brands International Inc.	
Estée Lauder Cos, Inc.	Kellogg Company	Marriott Int’l., Inc.	The Sherwin-Williams Company	

At the time the benchmarking analysis was prepared in August 2019, the Executive Peer Group’s median annual revenues were $13.2 billion, while YUM equivalent annual revenues were estimated at $13.8 billion (calculated as described below).

For companies with significant and global franchise operations, measuring size can be complex. Management responsibilities encompass more than just the revenues and operations directly owned and operated by the company and include responsibilities for managing relationships with franchisees and developing and implementing global growth strategies. Specific responsibilities include managing and implementing product introductions, and product specifications and supply, management of vendors, marketing, technological innovations and implementations, payment collections, risk management, including setting and monitoring food safety standards, protection of the Company’s trademarks and other intellectual property, new unit development, and customer satisfaction and overall operations improvements across the entire franchise system. As a result of accelerating growth in recent years, the Company’s leadership now oversees approximately 290 brand-country combinations and approximately 2,000 franchisees. To appropriately reflect this complexity in calibrating the size of our organization and underlying operating divisions during the 2019 benchmarking process, our philosophy was to add 25% of franchisee and licensee sales to the GAAP-reported Company sales to establish an appropriate revenue benchmark. The reason for this approach was twofold:

- Market-competitive compensation opportunities are related to scope of responsibility, often measured by company size, *i.e.*, revenues; and
- 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 2020, 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
✓	Have a "clawback" policy under which the Company may recoup 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 200 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 2020, all NEOs subject to guidelines met or exceeded their ownership guidelines.

NEO	Ownership Guidelines	Shares Owned[1]	Value of Shares[2]	Multiple of Salary
Gibbs	7x base salary	341,216	$37,042,409	30.9
Turner[3]	3x base salary	3,911	$ 424,578	0.5
Skeans	2x base salary	58,967	$ 6,401,458	8.5
King[3]	3x base salary	4,776	$ 518,483	0.6
Lowings	3x base salary	148,691	$16,141,895	21.5

(1) *Calculated as of December 31, 2020 and represents shares beneficially owned outright, shares underlying vested in-the-money SARs, and all RSUs awarded under the Company's EID Program.*

(2) *Based on YUM closing stock price of $108.56 as of December 31, 2020.*

(3) *Messrs. Turner and King both joined the Company in 2019 and have up to five years to reach the target levels of ownership set forth in our Ownership 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 67.

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 to vest in SARs granted at least one year prior to retirement, 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 (most recently in 2020) 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.

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

Christopher M. Connor, *Chair*
Keith Barr
Brian C. Cornell
Mirian M. Graddick-Weir
Thomas C. Nelson

The following tables provide information on the compensation of the Named Executive Officers ("NEOs") for our 2020 fiscal year. The Company's NEOs are our Chief Executive Officer, Chief Financial Officer and our three other most highly compensated executive officers for our 2020 fiscal year, determined in accordance with SEC rules.

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)	
David W. Gibbs	2020	303,077	1,404,000	4,646,430	3,500,016	—	4,517,703	260,225	14,631,451
Chief Executive	2019	984,615	—	7,393,577	2,225,003	2,399,800	3,988,755	151,402	17,143,152
Officer of YUM	2018	890,769	—	1,375,001	1,375,009	1,467,113	1,870,004	19,101	6,996,997
Chris Turner(8)	2020	848,077	714,000	1,075,610	1,000,015	—	404	167,796	3,805,902
Chief Financial Officer of YUM	2019	283,846	500,000	1,500,009	—	463,021	—	54,290	2,801,166
Tracy L. Skeans	2020	749,731	567,000	1,761,429	800,001	—	1,852,419	42,396	5,772,976
Chief Operating	2019	708,846	—	1,075,731	1,000,017	1,165,057	1,433,369	51,529	5,434,549
Officer and Chief People Officer of YUM	2018	664,231	—	625,015	1,625,010	824,766	325,022	8,665	4,072,709
Mark King(8)	2020	921,154	1,134,550	806,652	750,011	271,950	466	134,567	4,019,350
Chief Executive Officer of Taco Bell Division	2019	370,385	500,000	2,500,015	—	591,189	—	33,021	3,994,610
Tony Lowings(8)	2020	753,846	562,500	860,421	800,001	—	23,908	578,915	3,579,591
Chief Executive Officer of KFC Division	2019	699,789	—	806,874	1,750,030	1,464,120	11,975	262,690	4,995,478

(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 in this column for 2020 represent amounts paid to our NEOs under the Yum Leaders' Bonus Program as a result of discretionary adjustments to the team performance factor, which are described further in our Compensation Discussion and Analysis ("CD&A") at page 35.

(3) For Messrs. Turner, King and Lowings, amounts shown in this column represent the grant date fair values for performance share units (PSUs) granted in 2020, 2019 and/or 2018. For Mr. Gibbs and Ms. Skeans, amounts in this column represent the grant date fair values for performance share units (PSUs) granted in 2020, 2019 and 2018 and a discretionary stock award paid in December 2020, which is described further in CD&A at page 44. Further information regarding the 2020 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 2020 PSUs is 200% of target. For 2020, Mr. Gibbs' PSU maximum value at grant date fair value would be $7,528,606; Mr. Turner's' PSU maximum value would be $2,151,220; Ms. Skeans'' PSU maximum value would be $1,720,842; Mr. King's' PSU maximum value would be $1,613,304 and Mr. Lowings' PSU maximum value would be $1,720,842. For Ms. Skeans, this amount also includes the February 2020 CEO RSU award with a grant date fair value of $500,051.

(4) The amounts shown in this column represent the grant date fair values of the stock appreciation rights (SARs) awarded in 2020, 2019 and 2018, 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 at Note 15 to the Consolidated Financial Statements in Item 8 of YUM's Form 10-K for the fiscal year ended December 31, 2020. See the Grants of Plan-Based Awards table for details.

(5) Amounts in this column reflect the annual incentive awards earned for the 2020, 2019 and 2018 fiscal year performance periods, which were awarded by our Management Planning and Development Committee ("Committee") in January 2021, January 2020 and January 2019, respectively, under the Yum Leaders' Bonus Program, which is described further in our CD&A beginning at page 35 under the heading "Annual Performance-Based Cash Bonuses".

(6) *Amounts in this column represent for Mr. Gibbs and Ms. Skeans the amounts of aggregate change in actuarial present values of their accrued benefits under all actuarial pension plans (using interest rate and mortality assumptions consistent with those used in the Company's financial statements). For Mr. Gibbs and Ms. Skeans, the actuarial present value of their benefits under the pension plan increased $270,282 and $196,918, respectively, during the 2020 fiscal year. In addition, for Mr. Gibbs and Ms. Skeans, the actuarial present value of their benefits under the Yum! Brands Pension Equalization Plan ("PEP") increased $4,247,421 and $1,655,501 respectively, during the 2020 fiscal year. For Mr. Lowings, amounts in this column represent the above market earnings as established pursuant to SEC rules which have accrued to his account under the Third Country National Plan ("TCN") which is described in more detail beginning at page 63 under the heading "Nonqualified Deferred Compensation". For Messrs. Turner and King, amounts in this column represent the above market earnings as established pursuant to SEC rules which have accrued to his account under the Leadership Retirement Plan ("LRP") which is described in more detail beginning at page 63 under the heading "Nonqualified Deferred Compensation". Messrs. Turner and King were hired after September 30, 2001, and are ineligible for the Company's actuarial pension plans. Mr. Lowings worked outside of the United States prior to September 30, 2001 and is ineligible for the Company's actuarial pension plans. See the Pension Benefits Table at page 61 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. Turner, Lowings and King became NEOs in 2019. No amounts are reported for them for 2018 since they were not NEOs for those years.*

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 2020.

Name	Perquisites and other personal benefits ($)(1)	Tax Reimbursements ($)	Insurance premiums ($)(2)	LRP/TCN Contributions ($)(3)	Other ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Gibbs	242,910	—	17,315	—	—	260,225
Turner	96,320	—	3,476	68,000	—	167,796
Skeans	38,454	—	3,942	—	—	42,396
King	44,073	—	16,494	74,000	—	134,567
Lowings	334,574	—	12,535	230,288	1,518	578,915

(1) *Amounts in this column include executive physical examinations and charitable matching gifts. For Messrs. Gibbs, Turner, King and Ms. Skeans, amount in this column also includes personal use of charter and commercial aircraft. None of the amounts in this column individually exceeded the greater of $25,000 or 10% of the total amount of these perquisites and other personal benefits shown in this column for each NEO, except with respect to the cost of personal use of charter and commercial aircraft by Mr. Gibbs ($213,566), Mr. Turner ($63,902), Ms. Skeans ($28,033) and Mr. King ($43,381) and a charitable matching gift by Mr. Turner ($30,000). Ms. Skeans' and Messrs. Turner's and King's personal use of charter aircraft was approved by Mr. Gibbs and was necessitated by travel safety considerations brought on by the onset of the COVID-19 pandemic. For Mr. Lowings these amounts include a mobility premium ($247,321), and expenses incurred on account of his relocation to his home country and home country leave ($76,812).*

(2) *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 base salary plus target bonus.*

(3) *For Messrs. Turner and King, this column represents the Company's annual allocations to the LRP, an unfunded, unsecured account based retirement plan. For Mr. Lowings, this column represents the Company's annual allocation to the TCN, an unfunded, unsecured account based retirement plan.*

Grants of Plan-Based Awards

The following table provides information on SARs, RSUs, PSUs and other equity awards granted in 2020 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 55.

		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 ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock Units (#)(3)	All Other Option/ SAR Awards; Number of Securities Underlying Options (#)(4)	Exercise or Base Price of Option/ SAR Awards ($/Sh)(5)	Grant Date Fair Value ($)(6)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Gibbs	2/10/2020	0	1,800,000	5,400,000							
	2/10/2020								189,600	102.87	3,500,016
	2/10/2020				—	17,012	34,024			102.87	1,750,024
	2/10/2020				—	17,012	34,024			102.87	2,014,278
	12/15/2020							8,215		107.38	882,127
Turner	2/10/2020	0	850,000	2,550,000							
	2/10/2020								54,172	102.87	1,000,015
	2/10/2020					4,861	9,722			102.87	500,051
	2/10/2020					4,861	9,722			102.87	575,559
Skeans	2/10/2020	0	675,000	2,025,000	—						
	2/10/2020								43,337	102.87	800,001
	2/10/2020							4,861		102.87	500,051
	2/10/2020				—	3,889	7,777			102.87	400,010
	2/10/2020				—	3,889	7,777			102.87	460,412
	12/15/2020							3,734		107.38	400,957
King	2/10/2020	0	925,000	2,775,000					40,629	102.87	750,011
	2/10/2020					3,646	7,291			102.87	375,013
	2/10/2020					3,646	7,291			102.87	431,639
Lowings	2/10/2020	0	750,000	2,250,000							
	2/10/2020								43,337	102.87	800,001
	2/10/2020					3,889	7,777			102.87	400,010
	2/10/2020				—	3,889	7,777			102.87	460,412

(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 2020. The actual amount of annual incentive compensation awards earned are shown in column (g) of the Summary Compensation Table on page 55. The performance measurements, performance targets, and target bonus percentages are described in the CD&A beginning on page 35 under the discussion of annual incentive compensation.

(2) Reflects grants of PSU awards subject to performance-based vesting conditions in 2020. The PSU awards granted February 10, 2020 vest on December 31, 2022 and PSU award payouts are weighted 50% on the Company's achievement of specified relative total shareholder return ("TSR") rankings against the S&P 500 Consumer Discretionary Index and 50% on compound annual growth of the Company's Earnings Per Share ("EPS") during the performance period ending on December 31, 2022. With respect to the 50% weighted on a TSR percentile ranking for the Company, payouts are determined by comparing the Company's relative TSR ranking against the S&P 500 Consumer Discretionary Index as measured at the end of the performance period; if a 50% TSR percentile ranking target is achieved, this factor would provide for 100% weighting for the PSU payout with respect to this factor; if less than 30% TSR percentile ranking is achieved, this factor would provide for 0% weighting for the PSU payout with respect to this factor; if the Company's TSR percentile ranking is 75% or higher, it would provide for 200% of target weighting for the PSU payout with respect to this factor. With respect to the 50% weighted on the compound annual growth of the Company's EPS measured at the end of the performance period, if EPS growth of 10% is achieved, this factor would provide for 100% weighting for the PSU payout with respect to this factor; if less than 6% EPS growth is achieved, this factor would provide for 0% weighting for the PSU payout with respect to this factor; if Company EPS growth of 14% or higher is achieved, it would provide for weighting of 200% of target for the PSU payout with respect to this factor. The terms of the PSU awards provide that in case of a change in control during the first

year of the award, shares will be distributed assuming target performance was achieved subject to reduction to reflect the portion of the performance period following the change in control. In case of a change in control after the first year of the award, shares will be distributed assuming performance at the greater of target level or projected level at the time of the change in control subject to reduction to reflect the portion of the performance period following the change in control.

(3) *For Ms. Skeans amounts in this column reflect an immediately vested discretionary stock award paid in December 2020, which is described further in the CD&A at page 44 and a CEO Award RSU grant ($500,051) which becomes 100% vested on the fourth anniversary of the grant date. For Mr. Gibbs, amounts in this column reflect an immediately vested discretionary stock award paid in December 2020, which is described further in the CD&A at page 44.*

(4) *Amounts in this column reflect the number of SARs granted to executives during the Company's 2020 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 10, 2020. These SAR grants become exercisable in equal installments on the first, second, third and fourth anniversaries of 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 retire at least one year following the grant date will continue to vest following retirement through the fourth anniversary of the grant date. The SARs that vest in retirement must be exercised before the earlier of (i) the five year anniversary of the executive's retirement or (ii) the expiration dates of the SARs (generally 10 years from the grant date). Unvested SARs of executives who die will immediately vest and may be exercised by the executive's beneficiary before the earlier of (i) the five year anniversary of the executive's death or (ii) the expiration dates of the SARs (generally 10 years from the grant date). If an executive'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.*

(5) *The exercise price of the SARs granted in 2020 equals the closing price of YUM common stock on their grant date.*

(6) *Amounts in this column reflect the full grant date fair value of the PSU awards shown in column (g) 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. The fair values of PSU awards without market-based conditions 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. For SARs, fair value of $18.46 was calculated using the Black-Scholes method on the grant date. For additional information regarding valuation assumptions of SARs, see the discussion of stock awards and option awards contained at Note 16 to the Consolidated Financial Statements in Item 8 of YUM's Form 10-K for the fiscal year ended December 31, 2020.*

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, 2020.

		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)
Gibbs	2/4/2011*	3,768	—	$ 35.10	2/4/2021				
	2/8/2012*	24,501	—	$ 45.88	2/8/2022				
	2/6/2013*	37,398	—	$ 44.81	2/6/2023				
	2/6/2013*	37,398	—	$ 44.81	2/6/2023				
	2/5/2014*	40,718	—	$ 50.22	2/5/2024				
	2/5/2014*	33,932	—	$ 50.22	2/5/2024				
	2/6/2015*	61,968	—	$ 52.64	2/6/2025				
	2/5/2016*	77,878	—	$ 49.66	2/5/2026				
	5/20/2016*	31,838	—	$ 56.67	5/20/2026				
	2/10/2017*	58,098	19,367[i]	$ 68.00	2/10/2027				
	2/12/2018*	41,921	41,921[ii]	$ 78.07	2/12/2028				
	2/11/2019*	27,994	83,984[iii]	$ 93.26	2/11/2029				
	2/10/2020*		189,600[iv]	$ 102.87	2/10/2030				
	2/8/2012**	24,531	—	$ 19.46	2/8/2022				
	2/6/2013**	37,408	—	$ 19.00	2/6/2023				
	2/6/2013**	37,408	—	$ 19.00	2/6/2023				
	2/5/2014**	40,783	—	$ 21.30	2/5/2024				
	2/5/2014**	33,986	—	$ 21.30	2/5/2024				
	2/6/2015**	61,988	—	$ 22.32	2/6/2025				
	2/5/2016**	77,956	—	$ 21.06	2/5/2026				
	5/20/2016**	31,871	—	$ 24.03	5/20/2026				
						55,569	6,032,622	57,883	6,283,778
Turner	2/10/2020*		54,172[iv]	$ 102.87	2/10/2030				
						8,638	937,710	9,722	1,055,420
Skeans	2/6/2013*	5,647	—	$ 44.81	2/6/2023				
	2/5/2014*	5,769	—	$ 50.22	2/5/2024				
	2/5/2014*	6,786	—	$ 50.22	2/5/2024				
	2/6/2015*	8,455	—	$ 52.64	2/6/2025				
	2/5/2016*	20,283	—	$ 49.66	2/5/2026				
	2/5/2016*	10,134	—	$ 49.66	2/5/2026				
	2/10/2017*	15,652	6,900[i]	$ 68.00	2/10/2027				
	2/12/2018*	11,204	15,456[ii]	$ 78.07	2/12/2028				
	2/12/2018*	—	51,106[v]	$ 78.07	2/12/2028				
	2/11/2019*	10,703	35,713[iii]	$ 93.26	2/11/2029				
	2/10/2020*	—	43,337[iv]	$ 102.87	2/10/2030				
	2/5/2016**	2,557	—	$ 21.06	2/5/2026				
	2/5/2016**	13,288	—	$ 21.06	2/5/2026				
						4,959	538,309	18,500	2,008,360
King	2/10/2020*	—	40,629[iv]	$ 102.87	2/10/2030				
						14,395	1,562,741	7,291	791,511
Lowings	2/8/2012*	20,935	—	$ 45.88	2/8/2022				
	2/6/2013*	15,978	—	$ 44.81	2/6/2023				
	2/5/2014*	19,329	—	$ 50.22	2/5/2024				
	2/5/2014*	19,329	—	$ 50.22	2/5/2024				
	2/6/2015*	19,264	—	$ 52.64	2/6/2025				
	2/6/2015*	19,264	—	$ 52.64	2/6/2025				
	2/5/2016*	34,288	—	$ 49.66	2/5/2026				
	2/10/2017*	23,163	7,721[i]	$ 68.00	2/10/2027				
	2/12/2018*	12,099	12,100[ii]	$ 78.07	2/12/2028				
	2/11/2019*	9,436	28,310[iii]	$ 93.26	2/11/2029				
	2/11/2019*	—	50,328[vi]	$ 93.26	2/11/2029				
	2/10/2020*	—	43,337[iv]	$ 102.87	2/10/2030				
								11,438	1,241,709

Proxy Statement

* *YUM Awards*
** *YUM China Awards*
(1) *The actual vesting dates for unexercisable awards are as follows:*
  (i) *Remainder of unexercisable award will vest on February 10, 2021.*
  (ii) *One-half of the unexercisable award will vest on each of February 12, 2021 and 2022.*
  (iii) *One-third of the unexercisable award will vest on each of February 11, 2021, 2022 and 2023.*
  (iv) *One-fourth of the unexercisable award will vest on each of February 10, 2021, 2022, 2023 and 2024.*
  (v) *Unexercisable award will vest on February 12, 2022*
  (vi) *Unexercisable award will vest on February 11, 2023.*
(2) *For Messrs. Turner and King this column represents sign-on RSU award grants that vest one-third each year over 3 years. For Mr. Gibbs, it represents an RSU grant he received in connection with his promotion to Chief Operating Officer that is subject to five-year cliff vesting. For Ms. Skeans it represents a CEO Award RSU grant that is subject to four-year cliff vesting.*
(3) *The market value of the YUM awards are calculated by multiplying the number of shares covered by the award by $108.56, the closing price of YUM stock on the NYSE on December 31, 2020.*
(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, 2021 and 2022 if the performance targets are met. In accordance with SEC rules, the PSU awards are reported at their target payout value.*

Option Exercises and Stock Vested

The table below shows the number of shares of YUM and Yum China common stock acquired during 2020 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.

	Option/SAR Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c)	Number of Shares Acquired on Vesting (#)[1] (d)	Value realized on Vesting ($) (e)
Gibbs	79,150	5,333,046	14,838	1,610,813
Turner	—	—	4,277	388,500
Skeans	4,577	447,690	6,744	732,129
King	—	—	7,130	647,591
Lowings	24,809	2,317,081	—	—

(1) *For each of Mr. Gibbs and Ms. Skeans, this amount includes PSUs that vested on December 31, 2020 with respect to the 2018-2020 performance period and were paid out in 2021, as well as the one-time payment of Company common stock received by Mr. Gibbs and Ms. Skeans which is described at page 44 of the CD&A. For Messrs. Turner and King, this amount includes the vested portion of their sign-on RSU grants.*

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.

Name (a)	Plan Name (b)	Number of Years of Credited Service (#) (c)	Present Value of Accumulated Benefit ($) (d)	Payments During Last Fiscal Year ($) (e)
Gibbs	Qualified Retirement Plan	32	1,837,905	—
	PEP	32	14,965,581	—
Skeans	Qualified Retirement Plan	20	851,332	—
	PEP	20	4,331,427	—
Turner	—	—	—	—
King	—	—	—	—
Lowings	—	—	—	—

(i) *Messrs. Turner and King were hired after September 30, 2001, and are ineligible for the Company's actuarial pension plans. Mr. Lowings worked outside of the United States prior to September 30, 2001, and is ineligible for the Company's actuarial pension plans. As discussed at page 48, Mr. Lowings participates in the TCN and Messrs. Turner and King participate in 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 monthly 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 or her 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 or she 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.

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.

Normal Retirement Eligibility

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

The table below shows when each of the NEOs becomes 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 or she retired from the Company on December 31, 2020 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
David W. Gibbs	January 1, 2021	$ 2,049,734	$ 16,842,892	$ 18,892,626
Tracy L. Skeans	February 1, 2028	$ 1,798,791	$ 8,648,115	$ 10,446,906

(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, 2021. 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:

> 1⅔% 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, 2020) 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.

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, 2020, are shown in parentheses):

- YUM! Stock Fund (7.77%*)
- YUM! Matching Stock Fund (7.77%*)
- S&P 500 Index Fund (18.30%)
- Bond Market Index Fund (7.59%)
- Stable Value Fund (2.04%)

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 2020).

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

* *Assumes dividends are reinvested.*

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. 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. King and Turner will receive an annual earnings credit equal to the Moody's Aa Corporate Bond Yield Average for maturities 20 years and above (currently 2.47%) of their account balances. The Company's contribution ("Employer Credit") for 2020 was equal to 4% of salary plus target bonus for Messrs. Turner and King.

Distributions under LRP. Under the LRP, participants who became eligible to participate in the plan before January 1, 2019 and are age 55 or older are entitled to a lump sum distribution of their account balance in the quarter following their separation of employment. Alternatively, these participants may elect to be paid in 5 or 10-year installments following the attainment of age 55. If these participants are under age 55 with a vested LRP benefit that, combined with any other deferred compensation benefits covered under Code Section 409A exceeds $19,500, they will not receive a distribution until the calendar quarter that follows the participant's 55th birthday. Participants who become eligible to participate in LRP after January 1, 2019 (including Messrs. Turner and King) will receive a lump sum distribution following separation from employment.

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. Lowings receives an annual earnings credit equal to 5%. For Mr. Lowings, the Employer Credit for 2020 was equal to 15% of his salary plus target bonus.

Distributions under TCN. Under the TCN, participants age 55 or older with a balance of $19,500 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	Plan 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)
Gibbs	EID	—	—	411,250	—	3,783,871
	Total	—	—	411,250	—	3,783,871
Turner	EID	—	—	—	—	—
	LRP	—	68,000	651	—	84,251
	Total	—	68,000	651	—	84,251
Skeans	EID	—	—	48,328	—	465,132
	Total	—	—	48,328	—	465,132
King	EID	—	—	—	—	—
	LRP	—	74,000	751	—	92,751
	Total	—	74,000	751	—	92,751
Lowings	EID	—	—	21,708	—	260,582
	TCN	—	225,000	34,953	8,393	950,628
	Total	—	225,000	56,662	8,393	1,211,210

(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, and deferrals of base salary into the EID Program.

(2) Amounts in column (c) reflect Company contributions for EID, LRP and/or TCN allocation. See footnote 6 of the Summary Compensation Table for more detail.

(3) Amounts in column (d) reflect earnings during the last fiscal year on deferred amounts. All earnings are based on the investment alternatives offered under the EID Program or the earnings credit provided under the LRP or the TCN described in the narrative above this table. The EID Program earnings are market based returns and, therefore, are not reported in the Summary Compensation Table. For Messrs. Lowings, King and Turner, of their earnings reflected in this column, $23,908, $466 and $404, respectively, were deemed above market earnings accruing to their accounts under the TCN or LRP. For above market earnings on nonqualified deferred compensation, see the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table.

(4) All amounts shown in column (e) were distributed in accordance with the executive's deferral election, except in the case of the following amounts distributed to pay payroll taxes due upon their account balance under the EID Program, LRP or TCN for 2020.

Gibbs	—
Turner	—
Lowings	$8,393
King	—
Skeans	—

(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 2020 and prior years.

Gibbs	—
Turner	$ 91,804
Skeans	—
King	$104,466
Lowings	$465,071

Proxy Statement

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, 2020, 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, 2020, they could exercise the SARs that were exercisable on that date as shown at the Outstanding Equity Awards at Year-End table on page 59, 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, 2020, exercisable SARs would remain exercisable through the term of the award and unvested shares would continue to vest if the award was granted at least one year before retirement and vesting would be accelerated for all SARs granted in 2018, 2019 or 2020 in the event of death. Except in the case of a change in control or death, no SARs become exercisable on an accelerated basis. In the case of an involuntary termination of employment as of December 31, 2020, each NEO would receive the following: Mr. Gibbs $4,427,476, Mr. Turner $308,239, Ms. Skeans $3,657,030, Mr. King $231,179 and Mr. Lowings $2,131,842.

Executive Income Deferral Program. As described in more detail beginning at page 63, 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 65 includes each NEO's aggregate balance at December 31, 2020. 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 65.

In the case of an involuntary termination of employment as of December 31, 2020, each NEO would receive the following: Mr. Gibbs $3,783,871, Mr. Turner $0, Ms. Skeans $465,132, Mr. King $0 and Mr. Lowings $260,582. As discussed at page 66, these amounts reflect base salary or bonuses previously deferred by the executive and appreciation on these deferred amounts (see page 63 for discussion of investment alternatives available under the EID). Thus, these EID account balances represent deferred base salary or 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 who became eligible to participate in the plan before January 1, 2019 and are age 55 or older are entitled to a lump sum distribution of their account balance in the quarter following their separation of employment. Alternatively, these participants may elect to be paid in 5- or 10-year installments following the attainment of age 55. If these participants are under age 55 with a vested LRP benefit that, combined with any other deferred compensation benefits covered under Code Section 409A exceeds $19,500, they will not receive a distribution until the calendar quarter that follows the participant's 55th birthday. Participants who become eligible to participate in LRP after January 1, 2019 (including Messrs. Turner and King) will receive a lump sum distribution following separation from employment unless they elect to be paid in 5 or 10-year installments after attaining age 54. In case of termination of employment as of December 31, 2020, Mr. Turner would have received $84,251 and Mr. King would have received $92,751.

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, 2020, Mr. Lowings would have received $950,628.

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, 2020, 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 payouts had occurred on December 31, 2020, Messrs. Gibbs, Turner, King and Lowings and Ms. Skeans would have been entitled to $3,045,677, $358,872, $269,136, $890,404 and $1,091,440, respectively, assuming target performance.

Pension Benefits. The Pension Benefits Table on page 61 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, 2020. The table on page 62 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 56. If the NEOs had died on December 31, 2020, the survivors of Messrs. Gibbs, Turner, King and Lowings and Ms. Skeans would have received Company-paid life insurance of $3,000,000, $1,700,000, $1,500,000, $1,425,000 and $1,323,000, 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. Gibbs, Turner, King and Lowings and Ms. Skeans). 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 35 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 35 for more detail;
- RSUs under the Company's EID Program or otherwise held by the executive will automatically vest; and
- Pursuant to the Company's Performance Share Plan under the LTIP, all PSU awards 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 35 for more detail.

If a change in control and each NEO's involuntary termination had occurred as of December 31, 2020, the following payments or other benefits would have been made or become available.

	Gibbs $	Turner $	Skeans $	King $	Lowings $
Severance Payment	7,199,600	3,400,000	3,830,114	3,700,000	4,428,240
Annual Incentive	1,800,000	850,000	675,000	925,000	750,000
Accelerated Vesting of SARs	4,427,476	308,239	3,657,030	231,179	2,131,842
Accelerated Vesting of RSUs	6,032,622	937,710	538,309	1,562,741	—
Acceleration of PSU Performance/Vesting	3,045,677	358,872	1,091,440	269,136	890,404
Outplacement	25,000	25,000	25,000	25,000	25,000
TOTAL	**22,530,375**	**5,879,821**	**9,816,893**	**6,713,056**	**8,225,486**

CEO Pay Ratio

Each year the Company and our franchisees around the world create thousands of restaurant jobs, which are part-time, entry-level opportunities to grow careers at our KFC, Pizza Hut, Taco Bell and The Habit Burger Grill brands. As evidence of the opportunities these positions create, approximately 80% of our Company-owned Restaurant General Managers ("RGMs") located in the U.S. have been promoted from other positions in our restaurants and such RGMs often earn competitive pay greater than the average American household income. In the United States, approximately 85% of our Company-owned restaurant employees are part-time and at least 45% have been employed by the Company for less than a year.

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and applicable SEC rules, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Gibbs, our Chief Executive Officer (our "CEO").

To identify the 2020 median employee, we used the December 2020 base wages or base salary information for all employees who were employed by us on December 31, 2020, excluding our CEO. We included all full-time and part-time employees and annualized the employees' base salary or base wages to reflect their compensation for 2020. We believe the use of base wages or base salary for all employees is a consistently applied compensation measure.

As of December 31, 2020, our global workforce used for determining the pay ratio was approximately 38,000 employees (23,000 in the U.S. and 15,000 internationally).

After calculating employee compensation, our median employee was identified as a part-time KFC restaurant employee in the United States. After identifying the median employee, we calculated total annual compensation in accordance with the requirements of the Summary Compensation Table.

For 2020, the total compensation of our CEO, as reported in the Summary Compensation Table at page 55, was $14,631,451. The total compensation of our median employee was estimated to be $11,377. As a result, we estimate that our CEO to median employee pay ratio is 1286:1.

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology described above. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes, as of December 31, 2020, the equity compensation plans under which we may issue shares of stock to our directors, officers, current employees and former 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	7,213,951(1)	74.78(2)	23,669,978(3)
Equity compensation plans not approved by security holders	97,175(4)	51.59(2)	—
TOTAL	**7,311,126(1)**	**74.52(2)**	**23,669,978(3)**

(1) Includes 2,065,084 shares issuable in respect of RSUs, performance units and deferred units.

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

(3) Includes 11,834,989 shares available for issuance of awards of stock units, restricted stock, restricted stock units and performance share unit awards under the LTIP Plan.

(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 closing price of our stock on the date of the grant, 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 1999, and the plan as amended in 2003, 2008 and 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 then 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 (for purposes of this report, the "Committee") are Paget L. Alves, Tanya L. Domier, Lauren R. Hobart, P. Justin Skala, Elane B. Stock and Annie Young-Scrivner. Mr. Alves serves as chair of the Committee.

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. Alves, 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. Alves has accounting and related financial management expertise within the meaning of the listing standards of the NYSE and that each member of the Committee 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 *http://investors.yum.com/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.

The Committee met 8 times during 2020. 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. With respect to each 2020 fiscal reporting period, 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 2020?

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 shareholders, 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, 2020 for filing with the SEC.

Who prepared this report?

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

Paget L. Alves, Chairperson
Tanya L. Domier
Lauren R. Hobart
P. Justin Skala
Elane B. Stock
Annie Young-Scrivner

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 the Company. 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.computershare.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, Computershare, Inc., 462 South 4th Street, Suite 1600, Louisville, Kentucky 40202 or by logging onto our Transfer Agent's website at *www.computershare*.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 Computershare, Inc.

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 2022 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 2, 2021. 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 2022 Annual Meeting no later than the date specified in our bylaws. If the 2022 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. Assuming that our 2022 Annual Meeting is held within 30 days of the anniversary of this Annual Meeting, we must receive notice of your intention to introduce a nomination or other item of business at that meeting by February 10, 2022.

In addition, our bylaws provide for proxy access for director nominations by shareholders (as described at page 20). 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 2, 2021, and no later than December 2, 2021.

The Board is not aware of any matters that are expected to come before the 2021 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 chairperson 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.

Yum!

KFC

Pizza Hut

TACO BELL

the Habit BURGER GRILL

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

☑ Filed by the Registrant ☐ Filed by a Party other than the Registrant

Check the appropriate box:	
☐	Preliminary Proxy Statement
☐	CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))
☐	Definitive Proxy Statement
☑	Definitive Additional Materials
☐	Soliciting Material under §240.14a-12

YUM! BRANDS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):	
☑	**No fee required.**
☐	**Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.**
	(1) Title of each class of securities to which transaction applies:
	(2) Aggregate number of securities to which transaction applies:
	(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
	(4) Proposed maximum aggregate value of transaction:
	(5) Total fee paid:
☐	**Fee paid previously with preliminary materials.**
☐	**Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.**
	(1) Amount Previously Paid:
	(2) Form, Schedule or Registration Statement No.:
	(3) Filing Party:
	(4) Date Filed:

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, 2020
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	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	**YUM**	**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 every Interactive Data File required to be submitted 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 such files).	☑	☐

• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer: ☑	Accelerated Filer: ☐	Non-accelerated Filer: ☐	Smaller Reporting Company: ☐	Emerging Growth Company: ☐

• If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.	☐
• whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 5 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.	☑

	Yes	No
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☑

Table of Contents

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, 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 forward-looking 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, estimates, assumptions, projections and/or 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 they are made. 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 https://www.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 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.

Overview of Business

YUM has over 50,000 restaurants in more than 150 countries and territories primarily operating under the four concepts of KFC, Pizza Hut, Taco Bell and The Habit Burger Grill (the "Concepts"). The Company's KFC, Pizza Hut and Taco Bell brands are global leaders of the chicken, pizza and Mexican-style food categories, respectively. The Habit Burger Grill, a concept we acquired on March 18, 2020, is a fast-casual restaurant concept specializing in made-to-order chargrilled burgers, sandwiches and more. At December 31, 2020, 98% of our units are operated by independent franchisees or licensees under the terms of franchise or license agreements. 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.

The following is a summary of our Concepts' operations and a brief description of each Concept as of and for the year ended December 31, 2020:

	Number of Units	% of Units International	Number of Countries and Territories	% Franchised	System Sales[a][b] (in Millions)
KFC Division	25,000	84%	146	99%	$26,289
Pizza Hut Division	17,639	63%	110	99%	11,955
Taco Bell Division	7,427	8%	31	94%	11,745
Habit Burger Grill Division	287	3%	3	12%	370
YUM	50,353	65%	155	98%	$50,359

(a) Constitutes sales of all restaurants, both Company-owned and franchised. See further discussion of this performance metric within Part II, Item 7 of this Form 10-K.

(b) System sales of Habit Burger Grill are for the period from March 18, 2020 through December 31, 2020.

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 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.

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 the delivery, carryout and casual dining segments around the world.

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 specializes in Mexican-style food products, including various types of tacos, burritos, quesadillas, salads, nachos and other related items.

Habit Burger Grill

- The first Habit Burger Grill restaurant opened in 1969 in Santa Barbara, California. The Habit Burger Grill restaurant concept is built around a distinctive and diverse menu that includes chargrilled burgers and sandwiches made-to-order over an open flame and topped with fresh ingredients.

Business Strategy

Through our Recipe for Growth and Good we intend to unlock the growth potential of our Concepts and YUM, drive increased collaboration across our Concepts and geographies and consistently deliver better customer experiences, improved unit economics and higher rates of growth. Key enablers include accelerated use of technology and better leverage of our systemwide scale.

Our Recipe for Growth is based on four key drivers:

- Unrivaled Culture and Talent: Leverage our culture and people capability to fuel brand performance and franchise success
- Unmatched Operating Capability: Recruit and equip the best restaurant operators in the world to deliver great customer experiences
- Relevant, Easy and Distinctive Brands: Innovate and elevate iconic restaurant brands people trust and champion
- Bold Restaurant Development: Drive market and franchise expansion with strong economics and value

Our global citizenship and sustainability strategy, called the Recipe for Good, reflects our priorities for socially responsible growth, risk management and sustainable stewardship of our people, food and planet.

Information about Operating Segments

As of December 31, 2020, YUM consists of four 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
- The Habit Burger Grill Division which includes our worldwide operations of the Habit Burger Grill concept

Franchise Agreements

The franchise programs of the Company are designed to promote consistency and quality, and the Company is selective in granting franchises. The Company is focused on partnering with franchisees who have the commitment, capability and capitalization to grow our Concepts. Franchisees can range in size from individuals owning just one restaurant to large publicly-traded companies. The Company has franchise relationships that are particularly important to our business, such as our relationship with Yum China, our strategic alliance with Telepizza Group S.A., who is the master franchisee of Pizza Hut in Latin America (excluding Brazil) and portions of Europe and our relationship with certain large franchisees, such as Flynn Restaurant Group, an existing YUM franchisee, which recently announced its intention to acquire approximately 950 Pizza Hut U.S. restaurants which would make it the largest operator of Pizza Hut restaurants in the U.S.

The Company has successfully increased franchise restaurant ownership in recent years, and utilizes both store-level franchise and master franchise programs to grow our businesses. Of our over 49,000 franchised units at December 31, 2020, approximately 30% operate under our master franchise programs, including over 9,500 units in mainland China. The remainder of our franchise units operate under store-level franchise agreements. Under both types of franchise programs, franchisees supply capital by purchasing or leasing the land, building, equipment, signs, seating, inventories and supplies and, over the longer term, by reinvesting in the business. In certain historical refranchising transactions the Company may have retained ownership of land and building and continues to lease them to the franchisee. Store-level franchise agreements typically require payment to the Company of certain upfront fees such as initial fees paid upon opening of a store, fees paid to renew the term of the franchise agreement and fees paid in the event the franchise agreement is transferred to another franchisee. Franchisees also pay monthly continuing fees based on a percentage of their restaurants' sales (typically between 4% to 6%) and are required to spend a certain amount to advertise and promote the brand. Under master franchise arrangements, the Company enters into agreements that allow master franchisees to operate restaurants as well as sub-franchise restaurants within certain geographic territories. Master franchisees are typically responsible for overseeing development within their territories and performing certain other administrative duties with regard to the oversight of sub-franchisees. In exchange, master franchisees retain a certain percentage of fees payable by the sub-franchisees under their franchise agreements and typically pay lower fees for the restaurants they operate. Our largest master franchisee, Yum China, pays the Company a continuing fee of 3% on system sales of our Concepts in mainland China. The use by Yum China of certain of our material trademarks and service marks is governed by a master license agreement between Yum Restaurants Consulting (Shanghai) Company Limited ("YCCL"), a wholly-owned indirect subsidiary of Yum China, and YUM, through YRI China Franchising LLC, a subsidiary of YUM, effective from January 1, 2020, and previously through Yum! Restaurants Asia Pte. Ltd., another subsidiary of YUM, from October 31, 2016 to December 31, 2019.

The Company seeks to maintain strong and open relationships with our 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.

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 can feature dine-in, carryout, drive-thru and delivery services. Non-traditional units include express units and kiosks that 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.

Most restaurants in each Concept offer consumers the ability to dine in, carryout food and/or have the Concepts' food delivered either through store-level or third-party delivery services. In addition, Taco Bell and KFC offer a drive-thru option in many stores. Pizza Hut and Habit Burger Grill offer a drive-thru option on a much more limited basis.

Our restaurant operations and results were significantly impacted by a novel strain of coronavirus, COVID-19, in the year ended December 31, 2020. This included having a significant number of our open restaurants subject to dining room closures and other limitations on access. In response, we accelerated our deployment of digital and technology initiatives to enhance the customer experience and our off-premise capabilities. This included increasing our focus on driving digital sales where customers utilize ordering interaction that is primarily facilitated by automated technology. In 2020, our system restaurants generated digital sales of $17 billion, which represented an approximate 45% increase over 2019. Additionally, the number of restaurants that now offer delivery increased to over 35,000 restaurants, which represents over 70% of our global system.

Restaurant management structure varies by Concept and unit size. Generally, each 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.

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. 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 in practice. The Company does not typically experience significant continuous shortages of supplies, and alternative sources for most of these supplies are generally available.

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"), a third party which is responsible for purchasing certain restaurant products and equipment. Additionally, The Habit Burger Grill entered into a purchasing agreement with RSCS effective July 31, 2020. 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 our 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 restaurants. Outside the U.S., we and our Concepts' franchisees primarily use decentralized sourcing and distribution systems involving many different global, regional and local suppliers and distributors. Our international franchisees generally select and manage their own third-party suppliers and distributors, subject to our internal standards. All suppliers and distributors are expected to provide products and/or services that comply with all applicable laws, rules and regulations in the state and/or country in which they operate as well as comply with our internal standards.

Advertising and Promotional Programs

Company-owned and franchise restaurants are required to spend a percentage of their respective restaurants' sales on advertising programs with the goal of increasing sales and enhancing the reputation of the Concepts. Advertising may be conducted nationally, regionally and locally. When multiple franchisees operate in the same country or region, the national and regional advertising spending is typically conducted by a cooperative to which the franchisees and Company-owned restaurants, if any, contribute funds as a percentage of restaurants' sales. The contributions are primarily used to pay for expenses relating to purchasing media for advertising, market research, commercial production, talent payments and other support functions for the respective Concepts. We have the right to control the advertising activities of certain advertising cooperatives, typically in markets where we have Company-owned restaurants, through our majority voting rights.

Trademarks and Patents

The Company and its Concepts own numerous registered trademarks and service marks. The Company believes that many of these marks, including our Kentucky Fried Chicken®, KFC®, Pizza Hut®, Taco Bell® and The Habit® marks, have significant value and material importance to our business. The Company's policy is to pursue registration of important marks whenever feasible and to oppose vigorously any infringement of our marks.

The use of certain of these marks by franchisees has been authorized in our franchise agreements. Under current law and with proper use, the Company's rights in our marks can generally last indefinitely. The Company also has certain patents on restaurant equipment which, while valuable, are not currently considered material to our 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 those in the QSR segment), and is intensely competitive with respect to price and quality of food products, new product development, digital engagement, advertising levels and promotional initiatives, customer service reputation, restaurant location and attractiveness and maintenance of properties. Competition has also increased from and been enabled by delivery aggregators and other food delivery services in recent years, particularly in urbanized areas, which trend has accelerated following the onset of the COVID-19 pandemic. Our Concepts also face 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. The retail food 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. Within the retail food industry, each of our Concepts competes with international, national and regional chains as well as locally-owned establishments, 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.

Environmental Matters

The Company is not aware of any federal, state or local environmental laws or regulations that will materially affect our earnings or competitive position, or result in material capital expenditures. However, the Company cannot predict the effect on our operations due to possible future environmental legislation or regulations. During 2020, 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, as well as our franchisees, are subject to various federal, state and local laws affecting our business, including laws and regulations concerning information security, privacy, labor and employment, health, marketing, food labeling, competition, public accommodation, sanitation and safety. Each of our and our Concepts' franchisees' restaurants in the U.S. must comply with licensing requirements and regulations promulgated 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 requirements and regulations or by any difficulty, delay or failure to obtain required licenses or approvals.

International Operations. Our and our Concepts' franchisees' restaurants outside the U.S. are subject to national and local laws and regulations which have similarities to those affecting U.S. restaurants but may differ among jurisdictions. The restaurants outside the U.S. are also subject to tariffs and regulations on imported commodities and equipment, laws regulating foreign investment and anti-bribery and anti-corruption laws.

See Item 1A "Risk Factors" of this Form 10-K for a discussion of risks relating to federal, state, local and international regulation of our business.

Human Capital Management

Overview

As of December 31, 2020, the Company and its subsidiaries employed approximately 38,000 persons, including approximately 23,000 employees in the U.S. and approximately 15,000 employees outside the U.S. Approximately 90% and 85% of our U.S. and international employees, respectively, work in restaurants while the remainder work in our restaurant-support centers. In the U.S., approximately 85% of our Company-owned restaurant employees are part-time and at least 45% have been employed by the Company for less than a year. Some of our International employees are subject to labor council relationships whose terms vary due to the diverse countries in which the Company operates.

In addition to the persons employed by the Company and its subsidiaries, our approximately 2,000 franchisees around the world are estimated to employ over 1 million people working in and supporting the approximately 49,000 restaurants they operate. Each year YUM and our franchisees around the world create thousands of restaurant jobs, which are part-time, entry-level opportunities to grow careers at our KFC, Pizza Hut, Taco Bell and The Habit Burger Grill brands. As evidence of the opportunities these positions create, approximately 80% of our Company-owned Restaurant General Managers ("RGMs") located in the U.S. have been promoted from other positions in our restaurants and such RGMs often earn competitive pay greater than the average American household income.

Human capital management considerations are integral to our Recipe for Growth and Good strategy, the drivers of which include leveraging our culture and people capability to fuel brand performance and franchise success, as well as recruiting and equipping the best restaurant operators in the world to deliver great customer experiences. Our investment in people includes creating a culture of engagement that attracts, retains and grows the best people and creates high performance in our restaurants. We are also highly focused on building an inclusive culture among our employees, franchisees, suppliers and partners to reflect the diversity of our customers and communities. Our commitments and progress towards executing this strategy are reflected below.

Culture & Talent

We believe that our culture and talent provide us with a competitive advantage with respect to the performance of our business. Our areas of focus in this regard include the following:

- Measuring YUM employee engagement regularly. For example, every other year we conduct a global employee engagement survey of all employees working in our restaurant support centers. The most recent survey conducted was in 2019 and reflected an engagement level among our employees significantly exceeding the average engagement levels of benchmarked companies.
- Providing YUM employees with training and development that builds world-class leaders and drives business results. We promote these efforts through initiatives such as our leadership development program (Heartstyles), our unconscious bias program (Inclusive Leadership) and training programs with respect to our compliance polices, including our Code of Conduct. We also intend to make available the Heartstyles program to our franchisees so that their employees may benefit as well.
- Enabling a culture that fuels results and cross-brand collaboration on operational execution, people capability and customer experience initiatives across our system.
- Assessing progress towards lowering turnover and increasing retention rates, particularly at the restaurant-employee level.

Equity, Inclusion & Belonging

In connection with our focus on equity, inclusion and belonging, our areas of focus include the following:

- Continually building upon ongoing inclusion efforts to help ensure our workplaces are environments where all people can be successful.
- Significantly increasing the number of women in our senior leadership globally, with a goal of achieving gender parity by 2030. In 2019, approximately 40% of our global leadership roles were held by women and approximately half of our global above-restaurant workforce were women.
- Increasing representation of Black and Latinx U.S. associates among our executive and management ranks, franchisees and suppliers over the next 10 years to match the combined demographics of those groups within the U.S. We intend to further this goal through an increased focus on coaching capability, sponsorship programs and customized individual development plans. Moreover, we have joined We Are All Human's Hispanic Promise, a national pledge to hire, promote, retain and celebrate Hispanics in the workplace. We also plan to enhance our relationship with the Consortium for Graduate Studies in Management, which brings outstanding underrepresented talent of color and companies like YUM together to fill critical organizational roles.
- Continuing to roll out Inclusive Leadership training and anti-racism training across our system. We intend to expand our Inclusive Leadership training to employees and franchisees around the world and have started development of an online module of this training program to help provide even greater access.

COVID-19 Response

In connection with navigating the COVID-19 pandemic, we have been heavily focused on the health and safety of the employees, customers and franchisees of our Concepts. Our response efforts during the pandemic have included the following:

- Supporting impacted employees through establishment of a global medical relief fund through Yum! Brands Foundation, Inc. for Company-owned and franchise restaurant team members diagnosed with COVID-19 or acting as the primary caregiver for someone diagnosed with COVID-19.
- Assisting franchisees through a global franchise health and COVID-19 support team for business continuity and providing assistance to franchisees who were in good standing and needed more access to capital, primarily through deferrals of capital obligations for remodels and new development. Additionally, where necessary, we provided grace periods for near-term payments due to YUM.
- Keeping restaurants open safely through increased use of low contact options such as delivery, drive-thru and curbside pickup, providing for contactless delivery, increased cleaning and sanitization and providing for personal protective equipment, temperature checks and counter shields.

Available Information

The Company makes available, through the Investor Relations section of its internet website at https://www.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 https://www.sec.gov.

Our Corporate Governance Principles and our Code of Conduct are also located within the Investor Relations section of the Company's website. The references to the Company's website address in this Form 10-K do not constitute incorporation by reference of the information contained on the website and should not be considered part of this Form 10-K. 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, expectations and historical trends. Any of the following risk factors, either by itself or together with other risk factors, could materially adversely affect our business, results of operations, cash flows and/or financial condition.

Risks Related to COVID-19, Health Epidemics and Food Safety

The novel coronavirus (COVID-19) global pandemic has had, and is expected to continue to have, an adverse effect on our business and results of operations.

In late 2019, COVID-19 was first detected and in March 2020, the World Health Organization declared COVID-19 a global pandemic. During 2020, COVID-19 spread throughout the U.S. and the rest of the world, and governmental authorities implemented measures to reduce the spread of COVID-19. These measures include restrictions on travel outside the home or other limitations on business and other activities, as well as encouraging social distancing. Moreover, COVID-19 cases increased in late 2020 and early 2021 in the U.S.

and various other regions of the world in which we have operations, which resulted in some governmental authorities re-imposing restrictions on business and other activities that were previously lifted or reduced.

Developments related to COVID-19 have had and are expected to continue to have an adverse effect on our business and results of operations. The impacts of COVID-19 have included the ongoing loss of revenues due to reduced and limited store-level operations, continued or increased full or partial dining room closures, other restrictions on our business and operations, continued delays in reopening, and an increase in the number of permanent restaurant closures during the year ended December 31, 2020. The impact on our sales in each of our markets has been dependent on, among other factors, the timing, severity and duration of the outbreak, measures implemented by government authorities to reduce the spread of COVID-19, and our reliance on dine-in sales in the market. Additionally, we and our franchisees have made operational changes intended to safeguard employees and customers in response to COVID-19, including increased cleaning and sanitization, installation of counter screens and purchasing personal protective equipment, which have increased and may continue to increase restaurant operating costs and impact restaurant-level margins and return on invested capital. Our and our franchisees restaurants may experience interruptions of food and other supplies as well as labor shortages as a result of COVID-19, thereby disrupting our and our franchisees operations and impacting same-store sales negatively.

Our success is heavily reliant on our Concepts' franchisees, and the COVID-19 pandemic has caused and may continue to cause financial distress for certain franchisees, particularly those located in areas most significantly impacted by the COVID-19 pandemic. As a result of this distress, our franchisees may not be able to meet their financial obligations to us as they come due, including the payment of royalties, rent, or other amounts due to the Company. This has led to, and may continue to lead to, write-offs of amounts we have currently due from our franchisees beyond amounts we have reserved, as well as decreased future collections from franchisees. In certain instances we offered grace periods to our franchisees, who were in good standing with the Company and needed greater access to capital, for certain near-term payments due to us. Offering grace periods negatively impacts the Company's cash flows in the short-term, and if grace periods are necessitated in the future there is no guarantee that our franchisees will ultimately pay amounts due. Additionally, our franchisees may not be able to make payments to landlords, distributors and key suppliers, as well as payments to service any debt they may have outstanding. Franchisee financial distress has also led to, and may continue to lead to, permanent store closures and delayed or reduced new franchisee development, which may further harm our results and liquidity. Further, in some cases, we are contingently liable for franchisee lease obligations, and a failure by a franchisee to perform its obligations under such lease could result in direct payment obligations for YUM.

We are unable to fully predict the impact that COVID-19 will have on our and our franchisees' operations going forward due to various uncertainties, including the severity and duration of the outbreak, the timing and availability of effective medical treatments and vaccines, the timing and effectiveness of the ongoing rollout of vaccines, the extent to which COVID-19 may cause customers to continue to be reluctant to return to in-restaurant dining or otherwise change their consumption patterns (including after the COVID-19 pandemic has ended), additional actions that may be taken by governmental authorities, and the length and severity of ongoing negative economic conditions in the U.S. and globally arising from the COVID-19 pandemic. Moreover, if conditions related to the COVID-19 pandemic result in significant disruptions to capital and financial markets, or negatively impact our credit ratings, our cost of borrowing, our ability to access capital on favorable terms and our overall liquidity and capital structure could be adversely impacted. Finally, the negative economic conditions arising from the COVID-19 pandemic have resulted in the impairment of the value of certain of our restaurant assets as well as the goodwill impairment charge we incurred with respect to our Habit Burger Grill reporting unit in the first quarter of 2020. If such conditions persist and continue to adversely affect our business, this could give rise to impairment in the value of other tangible or intangible assets. Conversely, for our restaurants that prominently feature drive-thru, carryout and delivery options, COVID-19 has in many cases contributed to an increase in sales during 2020. If the impact of COVID-19 recedes, in-person dining restrictions are lifted or lessened and the restaurant industry in general returns to more normal operations, the benefits to sales experienced by certain of our restaurants, including our Pizza Hut delivery restaurants, could wane and our results could be negatively impacted.

Food safety and food-borne illness concerns may have an adverse effect on our business.

Food-borne illnesses, such as E. coli, Listeria, Salmonella and Trichinosis, 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. Furthermore, due to the COVID-19 pandemic, there are now stricter health regulations and guidelines and increased public concern over food safety standards and controls. 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 the retail food 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, governmental investigations or actions, and damages. If a customer of one of our Concepts' restaurants becomes ill from food borne illnesses or as a result of food safety issues, restaurants in our system may be temporarily closed, which could disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. In addition, instances or allegations of food-borne illness or food safety issues, real or perceived, involving our restaurants, restaurants of competitors, or our 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 either our or our Concepts' franchisees' revenues and profits. 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 the outbreak of a health epidemic or pandemic may have an adverse effect on our business.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic or pandemic (in addition to the current COVID-19 pandemic, as discussed above), including arising from various strains of avian flu or swine flu, such as H1N1, particularly if located in regions from which we derive a significant amount of revenue or profit. The occurrence of such an outbreak 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 could severely disrupt our or our franchisees' operations and have a material adverse effect on our business, financial condition and results of operations.

In addition, 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, or other illnesses such as hepatitis A or norovirus, 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. Because poultry is a menu offering for our Concepts, this would likely result in lower revenues and profits for us and our Concepts' franchisees. Avian flu outbreaks could also adversely affect the price and availability of poultry, which could negatively impact profit margins and revenues for us and our Concepts' franchisees.

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 government authorities impose mandatory closures, seek voluntary closures, impose restrictions on operations of restaurants, or restrict the import or export of products, or if suppliers issue mass recalls of products. 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 adversely affect our business and operating results.

Risks Related to our Business Strategy and reliance upon Franchisees

Our operating results and growth strategies are closely and increasingly tied to the success of our Concepts' franchisees.

The vast majority (98%) of our restaurants are operated by our Concepts' franchisees, and our percentage of franchise-owned restaurants has increased in recent years. Our refranchising efforts have increased our dependence on the financial success and cooperation of our Concepts' franchisees. In addition, our long-term growth depends on maintaining the pace of our net system unit growth rate. Nearly all of this unit growth is expected to result from new unit openings by our Concepts' franchisees. We also rely on master franchisees, who have rights to license to sub-franchisees the right to develop and operate restaurants, to achieve our expectations for new unit development. If our Concepts' franchisees and master franchisees do not meet our expectations for new unit development, we may not achieve our desired growth.

We have limited control over how our Concepts' franchisees' businesses are run, and their inability to operate successfully could adversely affect our operating results through decreased fees paid to us for royalties, advertising funds contributions, and other discrete services we may provide to our Concept's franchisees (e.g. management of e-commerce platforms). If our Concepts' franchisees fail to adequately capitalize their businesses or 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, or the inability to meet development targets or obligations. If a significant franchisee of one of our Concepts becomes, or a significant number of our Concepts' franchisees in the aggregate become, financially distressed, our operating results could be impacted through reduced or delayed fee payments that cause us to record bad debt expense, reduced advertising fund contributions, and reduced new unit development. For example, NPC International, Inc. ("NPC"), which had been our largest Pizza Hut U.S. franchisee, filed voluntary petitions in July 2020 to restructure under Chapter 11 of the U.S. Bankruptcy Code. In connection with this bankruptcy filing, we consented to the closure of up to 300 mutually selected underperforming units, primarily dine-in locations. Furthermore, the COVID-19 pandemic has caused and may continue to cause financial distress for some portion of our Concepts' franchisees. In addition, we are secondarily liable on certain of our Concepts' franchisees' restaurant lease agreements, including lease agreements that we have guaranteed or assigned to franchisees in connection with the refranchising of certain Company-owned restaurants. Our operating results could be impacted by any increased rent obligations for such leased properties to the extent our Concepts' franchisees default on such lease agreements. In addition, the failure of our Concepts' franchisees to attract and retain quality personnel or adequately engage in succession planning may adversely affect their restaurant operations and the development of new restaurants, which in turn could hurt our business.

Our success also depends on the willingness and ability of our Concepts' franchisees to implement marketing programs and major initiatives such as restaurant remodels or equipment or technology upgrades, which may require 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 key elements 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) may be attributed by guests to our Concepts' entire brand and could have a negative impact on our business.

Our reliance on master franchise arrangements can decrease our level of control over our Concepts' restaurants and increase certain risks arising from franchise operations. For example, we rely on our master franchisees to monitor and enforce sub-franchisee compliance with our operating standards, and a failure to comply with such standards could adversely affect our business.

The financial performance of certain of our Concepts' franchisees has an outsized impact on our operating results.

We have franchise relationships that are particularly important to our business, such as our relationship with Yum China. In connection with the spin-off of our China business in 2016 into an independent publicly-traded company (the "Separation" or "Yum China spin-off"), we entered into a Master License Agreement 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 mainland China. Following the

Separation, Yum China became, and continues to be, our largest franchisee. Our financial results are significantly affected by Yum China's results as we are entitled to receive a 3% sales-based royalty on all Yum China system sales related to our Concepts.

In addition to Yum China, we have other significant relationships on which our success is dependent, including our strategic alliance with Telepizza Group S.A., which is the master franchisee of Pizza Hut in Latin America (excluding Brazil) and portions of Europe, and our relationship with certain large franchisees, such as Flynn Restaurant Group, an existing YUM franchisee which recently announced its intention to acquire approximately 950 Pizza Hut U.S. restaurants which would make it the largest operator of Pizza Hut restaurants in the U.S. Any failure to realize the expected benefits of such franchise relationships may adversely impact our business and operating results.

We may not achieve our target development goals, including as the result of the COVID-19 pandemic, and new restaurants may not be profitable.

Our growth strategy depends on our and our Concepts' franchisees' ability to increase the number of restaurants around the world. However, we had fewer net restaurant openings and greater permanent restaurant closures during 2020 compared to our recent history and expectations as the result of the COVID-19 pandemic. Additionally, we experienced higher closures in the Pizza Hut system during 2020 as a result of our previously announced efforts to accelerate the transformation of the Pizza Hut restaurant estate to a more modern and delivery-based business and other business model pressures impacting certain Pizza Hut restaurants. 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. Effectively managing growth can be challenging, particularly as we expand into new markets internationally, and 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 trade or economic policies or sanctions, our ability to attract new franchisees, construction and development costs of new restaurants, 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 management teams and restaurant crews, and meet construction schedules.

Expansion into markets could also be affected by our Concepts' franchisees' willingness to invest capital or 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, or if the perceived return on invested capital is not sufficiently attractive, the expected growth of our system could slow and our future revenues and operating cash flows could be adversely impacted.

In addition, the development of 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.

We may not realize the anticipated benefits from past or potential future acquisitions, investments or other strategic transactions.

From time to time we evaluate and may complete mergers, acquisitions, divestitures, joint ventures, strategic partnerships, minority investments (which may include minority investments in third parties, such as franchisees or master franchisees) and other strategic transactions, including our acquisition of The Habit Restaurants, Inc. completed in March 2020, our strategic alliance with Telepizza Group S.A. effectuated in December 2018, and our acquisition of QuikOrder, LLC completed in December 2018.

Past and potential future strategic transactions may involve various inherent risks, including, without limitation:

- expenses, delays or difficulties in integrating acquired companies, joint venture operations, strategic partnerships or investments into our organization, including the failure to realize expected synergies and/or the inability to retain key personnel;
- diversion of management's attention from other initiatives and/or day-to-day operations to effectively execute our growth strategy;
- inability to generate sufficient revenue, profit, and cash flow from acquired companies, joint ventures, strategic partnerships or investments;
- the possibility that we have acquired substantial contingent or unanticipated liabilities in connection with acquisitions or other strategic transactions; and
- the possibility that investments we have made may decline significantly in value, which could lead to the potential impairment of the carrying value of goodwill associated with acquired businesses.

Past and potential future strategic transactions may not ultimately create value for us and may harm our reputation and materially adversely affect our business, financial condition and results of operations.

Risks Related to Operating a Global Business

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.

A significant portion of our total business is conducted in mainland China, particularly with respect to our KFC Concept. Yum China's business is exposed to risks in mainland China, which include, among others, potential political, financial or social instability, changes in economic conditions (including consumer spending, unemployment levels and wage and commodity inflation), consumer preferences, the regulatory environment (including uncertainties with respect to the interpretation and enforcement of Chinese laws, rules and regulations), the effect of the COVID-19 pandemic and related Chinese governmental restrictions. Further, any significant or prolonged deterioration in U.S.–China relations, including as the result of current U.S.–China tensions, could adversely affect our Concepts in mainland China. Chinese law regulates Yum China's business conducted within mainland China. Our royalty income from the Yum China business is therefore subject to numerous uncertainties based on the policies of the Chinese government, as they may change from time to time. If Yum China's business is harmed or development of our Concepts' restaurants is slowed in mainland China due to any of these factors, it could negatively impact the royalty paid by Yum China to us, which would negatively impact our financial results or our growth prospects.

Our relationship with Yum China is governed primarily 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 mainland 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 mainland China. Such interruption could cause 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 and the businesses of our Concepts' franchisees are increasingly exposed to risks inherent in international operations. These risks, which can vary substantially by country, include political, financial or social instability or conditions, geopolitical events, corruption, anti-American sentiment, social and ethnic unrest, and terrorism, as well as changes in economic conditions (including consumer spending, unemployment levels and wage and commodity inflation), the regulatory environment (including the risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation and enforceability of legal requirements and the enforceability of contract rights and intellectual property rights), income and non-income based tax rates and laws, the impact of import restrictions or controls, sanctions, foreign exchange control regimes (including restrictions on currency conversion), natural disasters, the impact of labor costs and conditions, consumer preferences and the laws and policies that govern foreign investment in countries where our Concepts' restaurants are operated. For example, we have been subject to a regulatory enforcement action in India alleging violation of foreign exchange laws for failure to satisfy conditions of certain operating approvals, such as minimum investment and store build requirements as well as limitations on the remittance of fees outside of the country (See Note 20). In addition, we and our franchisees do business in jurisdictions that may be subject to trade or economic sanction regimes and such sanctions could be expanded. 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 or our franchisees' businesses, as well as damage to our and our Concepts' brands' images and reputations, all of which could harm our profitability and growth prospects.

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. Any significant fluctuation in the value of currencies of countries in which we or our franchisees operate, and in particular RMB in China, could materially impact the U.S. dollar value of royalty payments made to us, which could result in lower revenues. 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 governments in certain countries where our Concepts operate, including China, restrict the conversion of local currency into foreign currencies and, in certain cases, the remittance of currency out of the country. 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 royalty, which could impact our liquidity.

Risks Related to Technology, Data Privacy and Intellectual Property

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, vendors and franchisees. In addition, our vendors and/or franchisees receive and maintain certain personal, financial and other information about our employees and customers. The use and handling, including security, of this information is regulated by evolving and increasingly demanding laws and regulations in various jurisdictions, as well as by certain third-party contracts and industry standards. We have experienced cyber- attacks and security breaches from time to time. The number and frequency of these cyber-attacks and/or security breaches varies between periods but could be exacerbated by an increase in the use of our digital commerce platforms. 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 or fail to meet industry standards and this information is obtained by unauthorized persons or used inappropriately, it could result in liabilities and penalties and could damage our reputation, cause interruption of normal business performance, 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. For example, the General Data Protection

Regulation ("GDPR"), which was adopted by the European Union effective May 2018, requires companies to meet new requirements regarding the handling of personal data and is subject to changing requirements, which could increase Company and franchisee resources necessary to comply. In addition, the State of California enacted the California Consumer Privacy Act (the "CCPA"), which became effective January 2020, requiring companies that process information on California residents to, among other things, provide new disclosures and options to consumers about data collection, use and sharing practices. Further, the CCPA has been subject to revision and amendments, including significant modifications made by the California Privacy Rights Act ("CPRA"), which was recently approved by California voters as a ballot initiative in November 2020 and will take effect January 1, 2022. The updates and modifications to the CCPA, as well as requirements under the GDPR may require us to modify our data processing practices and policies and to incur substantial costs and expenses to comply. Moreover, each of the GDPR and the CCPA confer a private right-of-action on certain individuals and associations. Our failure or the failure of our franchisees to adhere to or successfully implement appropriate processes to adhere to the requirements of GDPR, CCPA and other evolving laws and regulations in this area could result in financial penalties, legal liability and could damage our and our Concepts' brands' reputations.

In addition, several other states have introduced or passed similar legislation to the CCPA and CPRA which may impose varying standards and requirements on our data collection, use and processing activities. The Federal Trade Commission and many state attorneys general are also interpreting federal and state consumer protection laws to impose standards for the collection, use, dissemination and security of data. Furthermore, various international jurisdictions, where our Concepts have operations, have significantly strengthened their data privacy laws, rules and regulations. If more restrictive or inconsistent legal requirements are adopted by international, state and/or federal authorities in the future and/or regulators' enforcement priorities shift, compliance costs and potential liability could increase for the Company and our Concepts' franchisees, which could cause reputational harm and have an adverse effect on our business.

Unreliable or inefficient restaurant or consumer-facing technology or the failure to successfully implement technology initiatives in the future could adversely impact operating results and the overall consumer experience.

We and our Concepts' franchisees rely heavily on information technology systems in the conduct of our business, some of which are managed, hosted, provided and/or used by third parties, including, for example, point-of-sale processing in our restaurants, management of our supply chain, and various other processes and procedures. These systems are subject to damage, interruption or failure due to theft, fire, power outages, telecommunications failure, computer viruses, security breaches, malicious cyber-attacks or other catastrophic events. Certain technology systems may also be unreliable or inefficient, and technology vendors may limit or terminate product support and maintenance, which could impact the reliability of critical systems' operations. If our or our Concepts' franchisees' information technology systems are damaged or fail to function properly, we may incur substantial costs to repair or replace them, and may experience loss of critical data and interruptions or delays in our ability to manage inventories or process transactions, which could result in lost sales, customer or employee dissatisfaction, or negative publicity that could adversely impact our reputation, results of operations and financial condition.

We and our Concepts' franchisees rely on technology not only to efficiently operate our restaurants but also to drive the customer experience, sales growth and margin improvement. Our continued growth will be dependent on our initiatives to implement proprietary and third-party technology solutions and gather and leverage data to enhance restaurant operations and improve the customer experience. It may be difficult to recruit and retain qualified individuals for these efforts due to intense competition for qualified technology systems' developers necessary to innovate, develop and implement new technologies for our growth initiatives, including increasing our digital relationship with customers. Our strategic technology initiatives may not be implemented in a timely manner or may not achieve the desired results. Even if we effectively implement and manage our technology initiatives, there is no guarantee that this will result in sales growth or margin improvement. Additionally, developing and implementing the evolving technology demands of the consumer may place a significant financial burden on us and our Concepts' franchisees, and our Concepts' franchisees may have differing views on investment priorities. Moreover, our failure to adequately invest in new technology or adapt to technological advancements and industry trends, particularly with respect to digital commerce capabilities, could result in a loss of customers and related market share. If our Concepts' digital commerce platforms do not meet customers' expectations in terms of security, speed, attractiveness or ease of use, customers may be less inclined to return to such digital commerce platforms, which could negatively impact our business.

There are risks associated with our increasing dependence on digital commerce platforms to maintain and grow sales. Such platforms may experience disruptions, which could harm our ability to compete and conduct our business.

Customers are increasingly using e-commerce websites and apps, both domestically and internationally, such as pizzahut.com, Pizza Hut, KFC, Taco Bell and The Habit Burger Grill apps, as well as apps owned by third-party delivery aggregators and third-party mobile payment processors, to order and pay for our Concepts' products. Moreover, the COVID-19 pandemic has resulted in an increase in the use of store-level or third-party delivery services by our Concepts, and many restaurants in each of our Concepts now offer consumers the ability to have the Concept's food delivered through third-party delivery services. As a result, our Concepts and our Concepts' franchisees are increasingly reliant on digital ordering and payment as a sales channel. These digital ordering and payment platforms could be damaged or interrupted by power loss, technological failures, user errors, cyber-attacks, other forms of sabotage, inclement weather or natural disasters. The digital ordering platforms relied upon by our Concepts have experienced interruptions and could experience further interruptions, which could limit or delay customers' ability to order through such platforms or make customers less inclined to return to such platforms. The rapid acceleration in growth of digital sales has placed additional stress on those platforms that are more reliant upon legacy technology, such as certain platforms used by Pizza Hut, which may result in more frequent and potentially more severe interruptions. Moreover, our reliance on multiple digital commerce platforms to support our global footprint, multiple Concepts and highly franchised business model could increase our vulnerability to cyber-attacks and/or security breaches and could necessitate additional expenditures as we endeavor to consolidate and standardize such platforms.

Yum China, our largest franchisee, utilizes third-party mobile payment apps such as Alipay and WeChat as a means through which to generate sales and process payments. Should customers become unable to access mobile payment apps in China or should the relationship between Yum China and one or more third-party mobile payment processors become interrupted, our results of operations could be negatively impacted. In particular, political tensions between the U.S. and China escalated in 2020, with a number of actions taken by the U.S. government, such as the Clean Network program announced on August 5, 2020, to protect U.S. telecommunication and technology infrastructure, and two executive orders issued by President Trump on August 6, 2020, to ban, within 45 days of such date, any person or property subject to the jurisdiction of the U.S. from any transaction related to WeChat, to the extent that any such transaction is identified by the Secretary of Commerce as being subject to the prohibitions stated in the executive orders. While the directives issued by the Secretary of Commerce arising from the executive orders only identified prohibited transactions that are limited to the territory of the U.S. and therefore are not expected to impact Yum China's operations in China, we cannot foresee whether and how similar or additional policy actions taken by the U.S. or Chinese governments will impact our business and financial performance. If Yum China's ability to use WeChat or other third-party mobile payment apps in its operations is restricted, its business, operations, financial condition and results of operations could be materially and adversely affected, which could have a negative impact on the royalty paid to us.

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 and given users the ability to more effectively organize collective actions such as boycotts and other brand-damaging behaviors. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests and/or may be inaccurate. The dissemination of information online could harm our business, 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 Concepts' respective competitors, could lead to a decline in brand value, customer visits and revenue. In addition, laws and regulations, including Federal Trade Commission enforcement, are rapidly evolving to govern social media platforms and communications. A failure of us, our employees, our franchisees or third parties acting at our direction to abide by applicable laws and regulations in the use of social media could adversely impact our Concepts' brands, our reputation and our business, or subject us or our franchisees to fines or other penalties. 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.

Failure to protect our service marks or other intellectual property could harm our Concepts' Brands and overall business.

We regard our registered service marks (e.g., Yum®, KFC®, Pizza Hut®, Taco Bell®, and The Habit®), and other service marks and trademarks related to our restaurant businesses, as having significant value and being important to our marketing efforts. Our service marks and trademarks create brand awareness and help build goodwill among our customers. Thus, we rely on a combination of legal 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 potential infringement. Many of our trademarks and service marks are registered in the U.S. and/or 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 or companies. 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 Concepts' brands and adversely affect our business and goodwill. In addition, effective intellectual property protection may not be available in every country in which our Concepts have, or may in the future open or franchise, a restaurant and the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the U.S. There can be no assurance that the steps we have taken to protect our intellectual property or the legal protections which may be available will be adequate, and defending or enforcing our trademarks, service marks and other intellectual property could result in the expenditure of significant resources or result in significant harm to our business, reputation, financial condition, and overall operations. We may also face claims of infringement that could interfere with the use of the proprietary know-how, recipes, or trade secrets used in our business. Defending against such claims is 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.

Risks Related to Our Supply Chain and Employment

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 although certain products have limited suppliers, which increases our reliance on those 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 Concepts' restaurants have happened from time to time and could adversely affect the availability, quality and cost of items we use and the operations of our restaurants, which in turn could lead to restaurant closures and/or a decrease in sales. Future shortages or disruptions could be caused by inclement weather, natural disasters, pandemics (including the COVID-19 pandemic), inaccurate forecasting of customer demand, problems in production or distribution, restrictions on imports or exports including due to trade disputes or restrictions, the inability of vendors to obtain credit, political instability in the countries in which the suppliers and distributors are located, the financial instability of suppliers and distributors, suppliers' or distributors' failure to meet our standards or requirements, transitioning to new suppliers or distributors, 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, product recalls, 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 addition, in the U.S., the Company and the Company's KFC, Pizza Hut and Taco Bell franchisee groups are members of Restaurant Supply Chain Solutions, LLC ("RSCS"), which is a third-party responsible for purchasing certain restaurant products and equipment. The Habit Burger Grill entered into a purchasing agreement with RSCS in 2020. McLane Foodservice, Inc. ("McLane") serves as the largest distributor for the Company's KFC, Pizza Hut and Taco Bell Concepts in the U.S. Any failure or inability of our significant suppliers or distributors, including RSCS or McLane to meet their respective service requirements, could result in shortages or interruptions in the availability of food and other supplies.

The loss of key personnel, labor shortages or difficulty finding qualified employees could slow our growth, harm our business and reduce our profitability.

Much of our future success depends on the continued availability and service of senior management personnel. The loss of any of our executive officers or other key senior management personnel could harm our business.

In addition, our 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 franchisee management, restaurant managers and other crew members. The market for qualified employees in the retail food industry is very competitive. Our and our Concepts' franchisees may experience a shortage of labor for positions in our restaurants, including due to concern over exposure to COVID-19 and other factors that could decrease the pool of available qualified employees for key functions.

Any future inability to recruit and retain qualified individuals may delay our planned use, development or deployment of technology or the planned openings of new restaurants by us and our Concepts' franchisees which could have a material adverse impact on the operation of our Concepts' existing restaurants. In addition, strikes, work slowdowns or other job actions may become more common. In the event of a strike, work slowdown or other labor unrest, the ability to adequately staff our Concepts' 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 and our franchisees' 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 and our franchisees' operating results. Such increases in costs could result from general economic or competitive conditions or from government imposition of higher minimum wages at the federal, state or local level, including the potential increase in the federal minimum wage in the U.S. proposed by the new presidential administration. Moreover, there may be a long-term trend toward higher wages in developing markets. Any increase in such operating expenses could adversely affect our and our Concepts' franchisees' profit margins. In addition, competition for qualified employees could 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.

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

Our and our Concepts' franchisees' businesses depend on reliable sources of large quantities of raw materials such as proteins (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, taxes and tariffs (including as a result of trade disputes), industry demand, food safety concerns, product recalls, governmental regulation and other factors, all of which are beyond our control and in many instances are unpredictable. As a result, the historical prices of raw materials used in the operation of our Concepts' restaurants have fluctuated. We cannot assure that we or our Concepts' franchisees will continue to be able to purchase raw materials at reasonable prices, or that the cost of raw materials 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, our and our franchisees' profit margins and return on invested capital may be adversely impacted.

Risks Related to our Concepts' Brands and Reputation

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

Although we monitor and regulate franchisee activities through our Concepts' 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 Concepts' 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 (including with respect to additional sanitation protocols and guidelines in connection with the COVID-19 pandemic), engage in quality control or maintain product consistency, or through the participation in improper or objectionable business practices. Moreover, unauthorized third parties, including our Concepts' current and former franchisees, may use our intellectual property to trade on the goodwill of our Concepts' brands, resulting in consumer confusion or brand dilution. Any reduction of our Concepts' brands' goodwill, consumer confusion, or brand 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 our corporate reputation and the value and perception of our brands. Brand value is based in part on consumer perceptions on a variety of subjective qualities. Those perceptions are affected by a variety of factors, including the nutritional content and preparation of our food, the ingredients we use, and the manner in which we source the commodities we use. Consumer acceptance of our offerings is subject to change for a variety of reasons, and some changes can occur rapidly. For example, nutritional, health and other scientific studies and conclusions, which constantly evolve and may have contradictory implications, drive popular opinion, litigation and regulation (including initiatives intended to drive consumer behavior) in ways that may affect perceptions of our Concepts' brands generally or relative to available alternatives. In addition, the restaurant industry globally has been subject to claims that the menus and practices of restaurant chains have led to customer health issues, including weight gain and other adverse effects. Publicity about these matters (particularly directed at the quick service and fast-casual segments of the retail food industry) may harm our Concepts' reputations and adversely affect our business. Moreover, these types of claims could lead to an increase in the regulation of the content or marketing of our products, including legislation or regulation seeking to tax and/or regulate high-fat foods, foods with high sugar and salt content, or foods otherwise deemed to be "unhealthy," which could in turn increase costs of compliance and remediation to us and our franchisees.

In addition, business or other incidents, whether isolated or recurring, and whether originating from us, our Concepts' restaurants, franchisees, competitors, governments, suppliers or distributors, can significantly reduce brand value and consumer perception, particularly if the incidents receive considerable publicity or result in litigation or investigations. Moreover, our success depends in large part upon our ability to maintain our corporate reputation. For example, the reputation of 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 or by claims or perceptions that we, founders of our Concepts, our Concepts' franchisees or other business partners have acted or are acting in an unethical, illegal, racially-biased or socially irresponsible manner or are not fostering an inclusive and diverse environment, regardless of whether such claims or perceptions are true. Our corporate reputation could also suffer from negative publicity or consumer sentiment regarding Company action or brand imagery, a real or perceived failure of corporate governance, or misconduct by any Company officer or any employee or representative of us or a franchisee. For example, 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.

There has been an increased public focus, including from U.S. and foreign governmental and nongovernmental authorities, on environmental sustainability matters, including with respect to climate change, greenhouse gases, water resources, packaging and waste, animal health and welfare, deforestation and land use. We endeavor to conduct our business in a manner which reflects our priority of sustainable stewardship, including with respect to environmental sustainability matters, and we are working to manage the risks and costs to us, our franchisees and our supply chain associated with these types of environmental sustainability matters. In addition, as the result of such heightened public focus on environmental sustainability matters, we may face increased pressure to provide expanded disclosure, make or expand commitments, set targets, or establish additional goals and take actions to meet such goals, in connection with such environmental sustainability matters. These matters and our efforts to address them could expose us to market, operational, reputational and execution costs or risks.

Risks Related to Government Regulation and Litigation

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 regulatory claims or disputes, consumer, personal injury, claims from franchisees 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 these types of lawsuits are subject to inherent uncertainties (some of which are beyond the Company's control). Unfavorable rulings or developments may also occur. In addition, the restaurant industry globally 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, and we may become subject to such claims in the future. Moreover, regardless of whether any such lawsuits have merit, or whether we are ultimately held liable or settle, such litigation may be expensive to defend, may divert resources and management attention away from our operations, and may negatively impact our results of operations. 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 Concepts' reputations, which in turn could adversely affect our results of operations.

Changes in, or noncompliance with, governmental regulations may adversely affect our business operations, growth prospects or financial condition.

The Company, and our Concepts and their franchisees, are subject to numerous laws and regulations around the world. These laws and regulations 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 provide protection 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, and overtime, and the Family and Medical Leave Act as well as a variety of similar state laws which provide protected leave rights to employees.
- Federal and state employment laws related to workplace health and safety, non-discrimination, non-harassment, whistleblower protections, and other terms and conditions of employment.
- Laws and regulations in government-mandated health care benefits such as the Patient Protection and Affordable Care Act in the U.S.
- Laws and regulations relating to nutritional content, nutritional labeling, product safety, product marketing and menu labeling.
- Uncertainties and effects of laws and regulations associated with the implementation of the UK's withdrawal of membership from the European Union (referred to as "Brexit"), including those relating to tax and trade.
- 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 regulating the use of certain "hazardous equipment", building and zoning, and fire safety and prevention.
- Laws and regulations relating to union organizing rights and activities, such as the proposed Protecting the Right to Organize Act (the "PRO Act") in the U.S.
- Laws relating to information security, privacy (including the European Union's GDPR and California's CCPA and CPRA), 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, including with respect to climate change.
- Federal and state immigration laws and regulations in the U.S.
- Regulations, health guidelines and safety protocols related to the COVID-19 pandemic.

Compliance with new or existing laws and regulations could impact our or our Concepts' franchisees' operations. The compliance costs associated with these laws and regulations could be substantial. In addition, if any governmental authority were to adopt and implement a broader standard for determining when two or more otherwise unrelated employers may be found to be a joint employer of the same employees under laws such as the National Labor Relations Act in a manner that is applied generally to franchise relationships (which broader standards in the past have been adopted by U.S. governmental agencies such as the National Labor Relations Board), this could cause us or our Concepts to be liable or held responsible for unfair labor practices and other violations and could subject our Concepts to other liabilities, and/or require our Concepts to conduct collective bargaining negotiations, regarding employees of totally separate, independent employers, most notably our Concepts' franchisees. Further, a California law enacted in 2019 adopted an employment classification test to be used when determining employee or independent contractor status which establishes a high threshold to obtain independent contractor status. The proposed federal PRO Act under review by Congress in the U.S. could have similar effects in addition to weakening state "right to work" laws, which could result in increased labor disputes and costs borne by our franchisees and us. These laws and any similar laws enacted at the federal, state or local level, could increase our and our franchisees' labor costs and decrease profitability or could cause employees of our franchisees to be deemed employees of our Concepts.

Any failure or alleged failure to comply with applicable 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 Concepts' reputations 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. There can be no assurance that our employees, contractors, agents, franchisees 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 Concepts' reputations and adversely affect our revenues and results of operations.

Tax matters, including changes in tax rates or laws, disagreements with taxing authorities, imposition of new taxes and our restructurings could impact our results of operations and financial condition.

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 ongoing and/or 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. Our accruals for tax liabilities are based on past experience, interpretations of applicable law, and judgments about potential actions by tax authorities, but such accruals require significant judgment which may be incorrect and may result in payments greater than the amounts accrued. If the IRS or another taxing authority disagrees with our tax positions, we could face additional tax liabilities, including interest and penalties. Payment of 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 laws and regulation and the interpretation of tax laws and regulations worldwide. Changes in laws, 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 results of operations and financial condition. Changes in tax laws or regulations may arise as a result of tax policies proposed by the recently elected U.S. presidential administration. Changes in tax laws may also arise as a result of tax policy guidance issued by the Organisation for Economic Co-operation and Development ("OECD"), a coalition of member nations including the United States. The OECD guidance, referred to as the Base Erosion and Profit Shifting ("BEPS") Action Plan, does not have the force of law, but certain countries may enact tax legislation, modify tax treaties, and/or increase audit scrutiny based on the BEPS guidance. To the extent BEPS principles are adopted by major jurisdictions in which we or our Concepts operate, it could increase our taxes and have a material adverse impact on our results of operations and financial position. We have in the past and may in the future adapt our entity and operating structure in response to and in compliance with changes in tax laws, regulations, or interpretation of existing laws and regulations. Such restructurings could result in material incremental tax costs associated with restructuring transactions or operations of the structure. In addition, public perception that we are not paying a sufficient amount of taxes could damage our Concepts' reputations, which could harm our profitability.

Risks Related to the Yum China Spin-Off

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 qualified 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 connection with 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, 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.

Risks Related to Consumer Discretionary Spending and Macroeconomic Conditions

Our business may be adversely impacted by changes in consumer discretionary spending and economic conditions in the U.S. and international markets.

As a restaurant company dependent upon consumer discretionary spending, we (and our franchisees) are sensitive to changes in or uncertainty regarding macroeconomic conditions in the U.S. and in other regions of the world where our Concepts and Concepts' franchisees operate. Some of the factors that impact discretionary consumer spending include unemployment and underemployment rates, fluctuations in the level of disposable income, the price of gasoline and other inflationary pressures, stock market performance and changes in the level of consumer confidence. These and other macroeconomic factors could have an adverse effect on our or our franchisees' sales, profitability or development plans, which could harm our financial condition and operating results. In this regard, we and our franchisees have been adversely impacted by, and may continue to be adversely impacted by, ongoing negative macroeconomic conditions in the U.S. and other regions of the world where our Concepts and Concepts' franchisees operate arising from the COVID-19 pandemic, including elevated unemployment and underemployment levels, and decreased consumer spending and consumer confidence, In addition, our business in the U.S. and international regions could be adversely impacted by various factors (which may be beyond our control), including natural disasters, geopolitical events, terrorism, political, financial or social instability, terrorism, boycott, social unrest, or other events that lead to avoidance of public places or restrictions on public gatherings such as in our and our franchisees' restaurants.

Risks Related to Competition

The retail food industry is highly competitive.

Our Concepts' restaurants compete with international, national and regional restaurant chains as well as locally-owned restaurants, and the retail food industry in which our Concepts operate is highly competitive with respect to price and quality of food products, new product development, digital engagement, advertising levels and promotional initiatives (including the frequent use by our competitors of price discounting, such as through value meal menu options, coupons and other methods), customer service, reputation, restaurant location, and attractiveness and maintenance of properties. In addition, our Concepts compete within the retail food industry for management and hourly personnel, suitable real estate sites, and qualified franchisees. If consumer or dietary preferences change, if our marketing efforts and/or launch of new products are unsuccessful, or if our Concepts' restaurants are unable to compete successfully with other retail food outlets in new and existing markets, our and our franchisees' businesses could be adversely affected. Moreover, the COVID-19 pandemic has resulted in a disruption of consumer routines, the implementation of employer "work-from-home" policies, reduced business and recreational travel and changes in consumer behavior, and it is difficult to fully assess the impacts of such developments on us or our Concepts, or the extent to which any such consumer patterns may continue after the COVID-19 pandemic has ended. 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 increased in recent years, particularly in urbanized areas, and this trend, which has accelerated following the onset of the COVID-19 pandemic, is expected to continue to increase. Increased competition could have an adverse effect on sales, profitability or development plans, which could harm our or our franchisees' financial condition and operating results.

Risks Related to Our Indebtedness

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.

As of December 31, 2020, our total outstanding short-term borrowings and long-term debt was approximately $10.8 billion. Subject to the limits contained in the agreements governing our outstanding indebtedness, we may incur additional debt from time to time, which would increase 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, including ongoing adverse economic conditions arising from the COVID-19 pandemic;

- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, dividends, share repurchases or other corporate purposes;
- increasing our vulnerability to a downgrade of our credit rating, which could adversely affect our cost of funds, liquidity and access to capital markets;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- 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;
- increasing our exposure to the risk of discontinuance, replacement or modification of certain reference rates, including as the result of the upcoming discontinuance of LIBOR, which are used to calculate applicable interest rates of our indebtedness and certain derivative instruments that hedge interest rate risk;
- 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 as the result of the terms of our indebtedness, 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 primarily 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 conditions related to the COVID-19 pandemic result in significant disruptions to capital and financial markets, our cost of borrowing, our ability to access capital on favorable terms and our overall liquidity could be adversely impacted. If our business does not generate sufficient cash flow from operations 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 2020 fiscal year and that remain unresolved.

ITEM 2. Properties.

As of year end 2020, the Company's Concepts owned land, building or both for 333 restaurants worldwide in connection with the operation of our 1,098 Company-owned restaurants. These restaurants are further detailed as follows:

- The KFC Division owned land, building or both for 70 restaurants.
- The Pizza Hut Division owned land, building or both for 3 restaurants.
- The Taco Bell Division owned land, building or both for 260 restaurants.

The Company currently also owns land, building or both related to approximately 500 franchise restaurants and leases land, building or both related to approximately 350 franchise restaurants, not included in the property counts above, that it leases or subleases to franchisees, principally in the U.S., United Kingdom, Australia and Germany.

Company-owned restaurants in the U.S. with leases are generally leased for initial terms of 10 to 20 years and generally have renewal options. Company-owned restaurants outside the U.S. with leases have initial lease terms and renewal options that vary by country.

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. The Habit Burger Grill Division leases its corporate headquarters in Irvine, California. 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, governments and others related to operational, foreign exchange, tax, franchise, 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 significant 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 19, 2021, and their ages and current positions as of that date are as follows:

David Gibbs, 57, is Chief Executive Officer of YUM a position he has held since January 2020. Prior to that, he served as President and Chief Operating Officer from August 2019 to December 2019, as President, Chief Financial Officer and Chief Operating Officer from January 2019 to August 2019 and as President and Chief Financial Officer from May 2016 to December 2018. Prior to these positions, 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.

Scott Catlett, 44, is Chief Legal and Franchise Officer and Corporate Secretary of YUM. He has served in this position since July 2020. Prior to that, he served as General Counsel and Corporate Secretary of YUM from July 2018 to June 2020 and he served as Vice President and Deputy General Counsel of YUM from November 2015 to June 2018. From September 2007 to October 2015 Mr. Catlett held various YUM positions including Vice President & Associate General Counsel.

Mark King, 61, is Chief Executive Officer of Taco Bell Division, a position he has held since August 2019. Before joining YUM, Mr. King served as President, adidas Group North America from June 2014 to June 2018 and as Chief Executive Officer of TaylorMade-adidas Golf from 2003 to 2014.

Tony Lowings, 62, is Chief Executive Officer of KFC Division, a position he has held since January 2019. Prior to that, he served as President and Chief Operations Officer of KFC Division from August 2018 to December 2018. From November 2016 to July 2018 he served as Managing Director of Asia-Pacific and from February 2013 to October 2016 as Managing Director of KFC SOPAC (Australia and New Zealand). Mr. Lowings served in various positions including Chief Operations Officer of YRI and Managing Director of Latin America and the Caribbean for KFC, Pizza Hut and Taco Bell and General Manager of KFC and Pizza Hut in Australia and New Zealand from January 2010 to January 2013.

David Russell, 51, is Senior Vice President, Finance and Corporate Controller of YUM. He has served as YUM's Corporate Controller since February 2011 and as Senior Vice President, Finance since February 2017. Prior to serving as Corporate Controller, Mr. Russell served in various positions at the Vice President level in the YUM Finance Department, including Controller-Designate from November 2010 to February 2011 and Vice President, Assistant Controller from January 2008 to December 2010.

Tracy Skeans, 48, is Chief Operating Officer and Chief People Officer of YUM. She has served as Chief Operating Officer since January 2021 and Chief People Officer since January 2016. She also served as Chief Transformation Officer from November 2016 to December 2020. 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 July 2009 to September 2011, she served as Director of Human Resources for Pizza Hut U.S and was on the Pizza Hut U.S. Finance team from September 2000 to June 2009.

Arthur Starrs, 44, is Chief Executive Officer of Pizza Hut Division, a position he has held since August 2019. He served as President of Pizza Hut U.S. from May 2016 to July 2019 and he served as General Manager and Chief Financial Officer of Pizza Hut U.S. from November 2013 to April 2016.

Christopher Turner, 46, is Chief Financial Officer of YUM, a position he has held since August 2019. Before joining YUM, he served as Senior Vice President and General Manager in PepsiCo's retail and e-commerce businesses with Walmart in the U.S. and more than 25 countries and across PepsiCo's brands from December 2017 to July 2019. Prior to leading PepsiCo's Walmart business, he served in various positions including Senior Vice President of Transformation for PepsiCo's Frito-Lay North America business from July 2017 to December 2017 and Senior Vice President of Strategy for Frito-Lay from February 2016 to June 2017. Prior to joining PepsiCo, he was a partner in the Dallas office of McKinsey & Company, a strategic management consulting firm.

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.

Market Information and Dividend Policy

The Company's Common Stock trades under the symbol YUM and is listed on the New York Stock Exchange ("NYSE").

As of February 12, 2021, there were 39,395 registered holders of record of the Company's Common Stock.

In 2020, the Company declared and paid four cash dividends of $0.47 per share. Future decisions to pay cash dividends continue to be at the discretion of the Board of Directors and will be dependent on our operating performance, financial condition, capital expenditure requirements and other factors that the Board of Directors considers relevant.

Issuer Purchases of Equity Securities

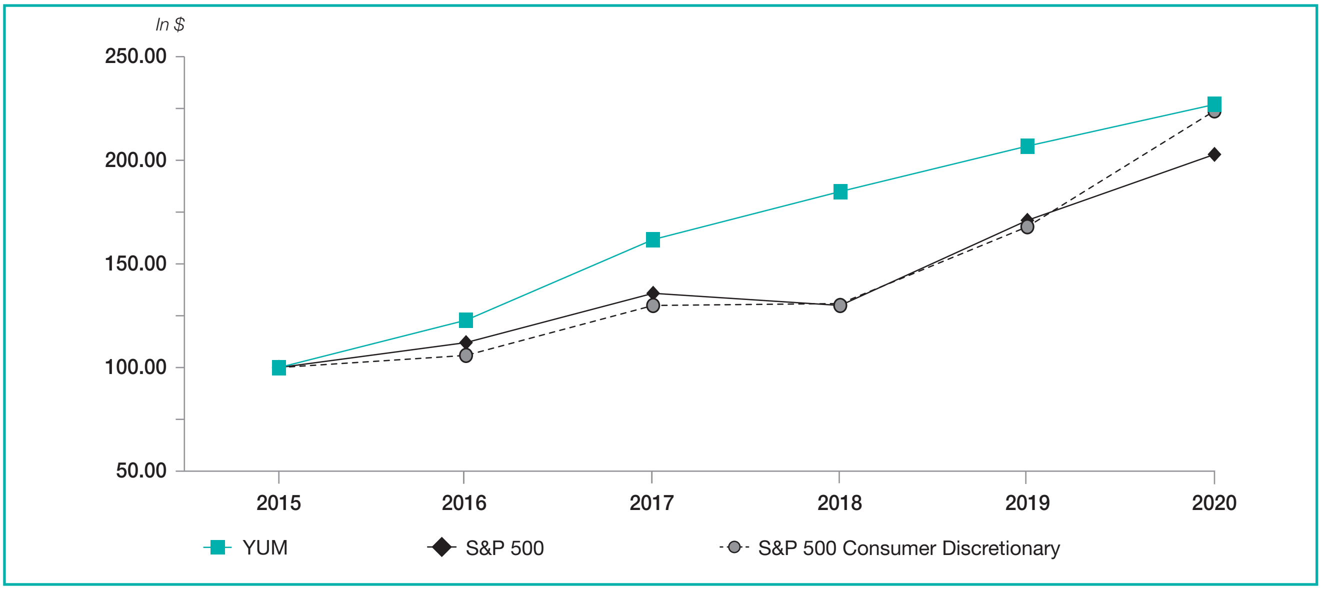
The following table provides information as of December 31, 2020, with respect to shares of Common Stock repurchased by the Company during the quarter then ended.

Fiscal Periods	**Total number of shares purchased *(thousands)***	**Average price paid per share**	**Total number of shares purchased as part of publicly announced plans or programs *(thousands)***	**Approximate dollar value of shares that may yet be purchased under the plans or programs *(millions)***
10/1/20 – 10/31/20	160	$ 93.48	160	$ 1,985
11/1/20 – 11/30/20	1,224	$ 101.49	1,224	$ 1,861
12/1/20 – 12/31/20	1,034	$ 107.10	1,034	$ 1,750
Total	2,418		2,418	

On November 21, 2019, our Board of Directors authorized share repurchases through June 2021 of up to $2 billion (excluding applicable transaction fees) of our outstanding Common Stock. As of December 31, 2020, we have remaining capacity to repurchase up to $1.75 billion of Common Stock under this 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 Index and the S&P 500 Consumer Discretionary Sector Index, a peer group that includes YUM, for the period from December 31, 2015 to December 31, 2020. The graph assumes that the value of the investment in our Common Stock and each index was $100 at December 31, 2015, and that all cash dividends were reinvested.



	12/31/2015	12/30/2016	12/29/2017	12/31/2018	12/31/2019	12/31/2020
YUM	$ 100	$ 123	$ 162	$ 185	$ 207	$ 227
S&P 500	$ 100	$ 112	$ 136	$ 130	$ 171	$ 203
S&P Consumer Discretionary	$ 100	$ 106	$ 130	$ 131	$ 168	$ 224

Source of total return data: Bloomberg

Form 10-K

ITEM 6. Selected Financial Data.

SELECTED FINANCIAL DATA

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions, except per share and unit amounts)	2020	2019	2018	2017	2016
Income Statement Data					
Revenues					
Company sales	$ 1,810	$ 1,546	$ 2,000	$ 3,572	$ 4,189
Franchise and property revenues	2,510	2,660	2,482	2,306	2,167
Franchise contributions for advertising and other services	1,332	1,391	1,206	—	—
Total	5,652	5,597	5,688	5,878	6,356
Refranchising (gain) loss	(34)	(37)	(540)	(1,083)	(163)
Operating Profit	1,503	1,930	2,296	2,761	1,682
Investment (income) expense, net	(74)	67	(9)	(5)	(2)
Other pension (income) expense	14	4	14	47	32
Interest expense, net	543	486	452	445	307
Income from continuing operations before income taxes	1,020	1,373	1,839	2,274	1,345
Income from continuing operations	904	1,294	1,542	1,340	1,018
Income from discontinued operations, net of tax	N/A	N/A	N/A	N/A	625
Net Income	904	1,294	1,542	1,340	1,643
Basic earnings per share from continuing operations	2.99	4.23	4.80	3.86	2.58
Basic earnings per share from discontinued operations	N/A	N/A	N/A	N/A	1.59
Basic earnings per share	2.99	4.23	4.80	3.86	4.17
Diluted earnings per share from continuing operations	2.94	4.14	4.69	3.77	2.54
Diluted earnings per share from discontinued operations	N/A	N/A	N/A	N/A	1.56
Diluted earnings per share	2.94	4.14	4.69	3.77	4.10
Diluted earnings per share from continuing operations excluding Special Items	3.62	3.55	3.17	2.96	2.46
Cash Flow Data					
Provided by operating activities	$ 1,305	$ 1,315	$ 1,176	$ 1,030	$ 1,248
Capital spending	160	196	234	318	427
Proceeds from refranchising of restaurants	19	110	825	1,773	370
Repurchase shares of Common Stock	239	815	2,390	1,960	5,403
Dividends paid on Common Stock	566	511	462	416	744
Balance Sheet Data					
Total assets	$ 5,852	$ 5,231	$ 4,130	$ 5,311	$ 5,453
Long-term debt	10,272	10,131	9,751	9,429	9,059
Total debt	10,725	10,562	10,072	9,804	9,125
Other Data					
Number of units at year end					
Franchise	49,255	49,257	47,268	43,603	40,834
Company	1,098	913	856	1,481	2,841
System	50,353	50,170	48,124	45,084	43,675
System net new unit growth	—%	4%	7%	3%	3%

	2020	2019	2018	2017	2016
System and same-store sales					
KFC Division System sales	$26,289	$27,900	$26,239	$24,515	$23,242
System sales growth (decline)	(6)%	6%	7%	5%	3%
System sales growth, ex FX and 53rd week	(5)%	9%	6%	6%	6%
Same-store sales growth	(9)%	4%	2%	3%	2%
Pizza Hut Division System sales	$11,955	$12,900	$12,212	$12,034	$12,019
System sales growth (decline)	(7)%	6%	1%	—%	—%
System sales growth, ex FX and 53rd week	(6)%	7%	1%	2%	1%
Same-store sales growth (decline)	(6)%	—%	—%	—%	(2%)
Taco Bell Division System sales	$11,745	$11,784	$10,786	$10,145	$ 9,660
System sales growth	—%	9%	6%	5%	6%
System sales growth, ex FX and 53rd week	1%	8%	6%	7%	5%
Same-store sales growth	(1)%	5%	4%	4%	2%
Shares outstanding at year end	300	300	306	332	355
Cash dividends declared per common share	$ 1.88	$ 1.68	$ 1.44	$ 0.90	$ 1.73
Market price per share at year end	$108.56	$100.73	$ 91.92	$ 81.61	$ 63.33

The table above reflects the impact of the adoption of new lease accounting standards in fiscal year 2019 and the impact of the adoption of new revenue recognition accounting standards in fiscal year 2018.

System sales growth and unit growth measures in 2020 reflect the addition of 276 units through our acquisition of The Habit Restaurants, Inc. in March 2020. System sales growth measures in 2019 and System unit growth in 2018 reflect the addition of approximately 1,300 Telepizza units in December 2018. See additional discussion of the acquisition of The Habit Restaurants, Inc. and the Telepizza strategic alliance within our MD&A.

Fiscal years for our U.S. and certain international subsidiaries that operate on a weekly periodic calendar include 52 weeks in 2020, 2018 and 2017 and 53 weeks in 2019 and 2016. Refer to Note 2 in our Consolidated Financial Statements for additional details related to our fiscal calendar, including the impact of the 53rd week on our results in 2019. In 2019, the 53rd week added $24 million to Operating Profit. In 2016, the 53rd week added $28 million to Operating Profit.

Discontinued operations in 2016 reflects the spin-off of our China business into an independent, publicly-traded company (the "Separation").

The non-GAAP measure of Diluted earnings per share from continuing operations excluding Special Items is discussed in further detail in our MD&A within Part II, Item 7.

System sales growth, System sales growth excluding the impacts of foreign currency translation ("FX") and 53rd week, Same-store sales growth and System net new unit growth are performance metrics and discussed in further detail in our MD&A within Part II, Item 7.

See discussion of our 2020, 2019 and 2018 Special Items in our MD&A. Special Items in 2017 positively impacted Operating Profit by $1,001 million and positively impacted Net Income by $288 million, primarily due to $1,083 million in Refranchising gains, partially offset by $31 million in costs associated with the Pizza Hut U.S. Transformation Agreement, $23 million in costs associated with YUM's Strategic Transformation Initiatives, $18 million in share-based compensation charges related to the Separation, $17 million in costs associated with the KFC U.S. Acceleration Agreement, $434 million recognized in our Income tax provision as a result of the Tax Cuts and Jobs Act of 2017 and a $23 million charge within Other Pension (income) expense primarily due to an adjustment of certain historical deferred vested pension liability balances as a result of the completion of a pension data review and reconciliation. Special Items in 2016 positively impacted Operating Profit by $35 million and positively impacted Net Income by $33 million, primarily due to $163 million in Refranchising gains, partially offset by $67 million in costs associated with YUM's Strategic Transformation Initiatives, $30 million in share-based compensation charges related to the Separation, $26 million in costs associated with the KFC Acceleration Agreement and $26 million incurred within Other Pension (income) expense primarily due to a settlement charge associated with an option for certain employees to voluntarily elect an early payout of their pension benefits.

Selected financial data for year 2016 have been recast from that originally presented to present a change in our reporting calendar and the retroactive adoption of an accounting standard related to the presentation of net periodic pension cost and net periodic postretirement benefit cost.

The selected financial data should be read in conjunction with the Consolidated Financial Statements.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction and Overview

The following Management's Discussion and Analysis ("MD&A"), should be read in conjunction with the Consolidated Financial Statements ("Financial Statements") in Item 8 and the Forward-Looking Statements and the Risk Factors set forth in Item 1A. All Note references herein refer to the Notes to the Financial Statements. Tabular amounts are displayed in millions of U.S. dollars except per share and unit count amounts, or as otherwise specifically identified. Percentages may not recompute due to rounding.

Yum! Brands, Inc. and its subsidiaries (collectively referred to herein as the "Company", "YUM", "we", "us" or "our") franchise or operate a system of over 50,000 restaurants in more than 150 countries and territories, primarily under the concepts of KFC, Pizza Hut, Taco Bell and The Habit Burger Grill (collectively, the "Concepts"). The Company's KFC, Pizza Hut and Taco Bell brands are global leaders of the chicken, pizza and Mexican-style food categories, respectively. The Habit Burger Grill, a concept we acquired on March 18, 2020, is a fast-casual restaurant concept specializing in made-to-order chargrilled burgers, sandwiches and more. Of the over 50,000 restaurants, 98% are operated by franchisees.

As of December 31, 2020, YUM consists of four 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
- The Habit Burger Grill Division which includes our worldwide operations of the Habit Burger Grill concept

Through our Recipe for Growth and Good we intend to unlock the growth potential of our Concepts and YUM, drive increased collaboration across our Concepts and geographies and consistently deliver better customer experiences, improved unit economics and higher rates of growth. Key enablers include accelerated use of technology and better leverage of our systemwide scale.

Our Recipe for Growth is based on four key drivers:

- Unrivaled Culture and Talent: Leverage our culture and people capability to fuel brand performance and franchise success
- Unmatched Operating Capability: Recruit and equip the best restaurant operators in the world to deliver great customer experiences
- Relevant, Easy and Distinctive Brands: Innovate and elevate iconic restaurant brands people trust and champion
- Bold Restaurant Development: Drive market and franchise expansion with strong economics and value

Our global citizenship and sustainability strategy, called the Recipe for Good, reflects our priorities for socially responsible growth, risk management and sustainable stewardship of our people, food and planet.

On October 11, 2016, YUM announced our transformation plans to drive global expansion of our KFC, Pizza Hut and Taco Bell brands ("YUM's Strategic Transformation Initiatives") following the spin-off of our China business into an independent publicly-traded company under the name of Yum China Holdings, Inc. ("Yum China"). At this time, we established transformation goals to be met by the end of 2019 including becoming:

- More Focused. By focusing on four growth drivers similar to those that make up our Recipe for Growth above we accelerated system sales growth to 8% in 2019 (excluding the impacts of the 53rd week and foreign currency translation).
- More Franchised. The Company successfully increased franchise restaurant ownership to 98% as of the end of 2018.
- More Efficient. The Company revamped its financial profile, improving the efficiency of its organization and cost structure globally, by:
  - Reducing annual capital expenditures associated with Company-operated restaurant maintenance and other projects and funded additional capital for new Company units through the refranchising of existing Company units. Capital spending in 2019 net of refranchising proceeds was $86 million.
  - Lowering General and administrative expenses ("G&A") to 1.7% of system sales in 2019; and
  - Maintaining an optimized capital structure of ~5.0x Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") net leverage.

From 2017 through 2019, we returned $6.5 billion to shareholders through share repurchases and cash dividends. We funded these shareholder returns through a combination of refranchising proceeds, free cash flow generation and maintenance of our ~5.0x EBITDA consolidated net leverage. We generated pre-tax proceeds of $2.8 billion through our refranchising initiatives to achieve targeted franchise ownership of 98%. Refer to the Liquidity and Capital Resources section of this MD&A for additional details.

As a result of the impacts on our business due to the COVID-19 pandemic, certain measures we established as part of our transformation goals were negatively impacted in 2020. For the full year 2020, G&A, excluding the impact of Special Items, represented 1.9% of consolidated system sales, primarily due to sales pressures resulting from the COVID-19 pandemic. While we took certain austerity measures to reduce G&A spending such as lower travel related costs and a reduction of our Chief Executive Officer's salary, these reductions were offset by accelerated digital and technology spending to enhance our customer experience and off-premise capabilities. We expect our G&A as a percentage of consolidated system sales to move back toward our historical target of 1.7% as sustained growth resumes. Additionally, during 2020 our EBITDA was negatively impacted by the impacts of the COVID-19 pandemic, which increased our consolidated leverage, net of available cash. We currently estimate we will grow back into our ~5.0x EBITDA consolidated net leverage by second quarter 2021.

Going forward, we expect to:

- Maintain a capital structure of ~5.0x EBITDA consolidated net leverage;
- Invest capital in a manner consistent with an asset light, franchisor model; and
- Allocate G&A in an efficient manner that provides leverage to operating profit growth while at the same time opportunistically investing in strategic growth initiatives.

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:

- Same-store sales growth is the estimated percentage change in system sales of all restaurants that have been open and in the YUM system for one year or more, including those temporarily closed. From time-to-time restaurants may be temporarily closed due to remodeling or image enhancement, rebuilding, natural disasters, health epidemic or pandemic, landlord disputes or other issues. Throughout 2020 we had a significant number of restaurants that were temporarily closed, including restaurants closed due to government and landlord restrictions, as a result of COVID-19. The system sales of restaurants we deem temporarily closed remain in our base for purposes of determining same-store sales growth and the restaurants remain in our unit count (see below). We believe same-store sales growth is useful to investors because our results are heavily dependent on the results of our Concepts' existing store base. Additionally, same-store sales growth is reflective of the strength of our Brands, the effectiveness of our operational and advertising initiatives and local economic and consumer trends. In 2020, when calculating same-store sales growth we also included in our prior year base the sales of stores that were added as a result of our acquisition of The Habit Restaurants, Inc. on March 18, 2020, and that were open for one year or more. In 2019, when calculating same-store sales growth we also included in our prior year base the sales of stores that were added as a result of the Telepizza strategic alliance in December 2018 and that were open for one year or more. See additional discussion of the acquisition of The Habit Restaurants, Inc. and Telepizza strategic alliance within this MD&A.
- Net new unit growth reflects new unit openings offset by permanent store closures, by us and our franchisees. To determine whether a restaurant meets the definition of a unit we consider whether the restaurant has operations that are ongoing and independent from another YUM unit, serves the primary product of one of our Concepts, operates under a separate franchise agreement (if operated by a franchisee) and has substantial and sustainable sales. We believe net new unit growth is useful to investors because we depend on net new units for a significant portion of our growth. Additionally, net new unit growth is generally reflective of the economic returns to us and our franchisees from opening and operating our Concept restaurants.
- System sales, System sales excluding the impacts of foreign currency translation ("FX"), and System sales excluding FX and the impact of the 53rd week in 2019 for our U.S. subsidiaries and certain international subsidiaries that operate on a weekly period calendar. System sales reflect the results of all restaurants regardless of ownership, including Company-owned and franchise restaurants. Sales at franchise restaurants typically generate ongoing franchise and license fees for the Company at a rate of 3% to 6% of sales. Increasingly, customers are paying a fee to a third party to deliver or facilitate the ordering of our Concepts' products. We also include in System sales any portion of the amount customers pay these third parties for which the third party is obligated to pay us a license fee as a percentage of such amount. Franchise restaurant sales and fees paid by customers to third parties to deliver or facilitate the ordering of our Concepts' products are not included in Company sales on the Consolidated Statements of Income; however, any resulting franchise and license fees we receive 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 our primary revenue drivers, Company and franchise same-store sales as well as net unit growth.
- 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. Restaurant profit is useful to investors as it provides a measure of profitability for our Company-owned restaurants.

In addition to the results provided in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"), the Company provides the following non-GAAP measurements.

- Diluted Earnings Per Share excluding Special Items (as defined below);
- Effective Tax Rate excluding Special Items;
- Core Operating Profit and Core Operating Profit excluding the impact of the 53rd week in 2019. Core Operating Profit excludes Special Items and FX and we use Core Operating Profit for the purposes of evaluating performance internally.

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 these non-GAAP measurements provide additional information to investors to facilitate the comparison of past and present operations.

Special Items are not included in any of our Division segment results as the Company does not believe they are indicative of our ongoing operations due to their size and/or nature. Our chief operating decision maker does not consider the impact of Special Items when assessing segment performance.

Certain performance metrics and non-GAAP measurements are presented excluding the impact of FX. These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the FX impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

For 2019 we provided Core Operating Profit excluding the impact of the 53rd week and System sales excluding FX and the impact of the 53rd week to further enhance the comparability given the 53rd week that was part of our fiscal calendar in 2019.

Results of Operations

Summary

All comparisons within this summary are versus the same period a year ago and unless otherwise stated include the impact of a 53rd week in 2019. For discussion of our results of operations for 2019 compared to 2018, refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of our Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 19, 2020.

For 2020, GAAP diluted EPS decreased 29% to $2.94 per share, and diluted EPS, excluding Special Items, increased 2% to $3.62 per share.

2020 financial highlights:

	% Change				
	System Sales, ex FX	**Same-Store Sales**	**Net New Units**	**GAAP Operating Profit**	**Core Operating Profit**
KFC Division	(5)	(9)	+4	(12)	(12)
Pizza Hut Division	(7)	(6)	(6)	(9)	(9)
Taco Bell Division	Even	(1)	+1	+2	+2
Worldwide	(4)	(6)	Even	(22)	(8)

	Results Excluding 53rd Week in 2019 (% Change)	
	System Sales, ex FX	**Core Operating Profit**
KFC Division	(5)	(11)
Pizza Hut Division	(6)	(8)
Taco Bell Division	+1	+4
Worldwide	(3)	(7)

Additionally:

- During the year, net units increased by 183 units (including our acquisition of The Habit Burger Grill in the first quarter of 2020).
- During the year, we repurchased 2.4 million shares totaling $250 million at an average price of $103.
- During the year, we recognized pre-tax investment income of $69 million related to the change in fair value of our investment in Grubhub, Inc. common stock that we sold in the third quarter of 2020, which added $0.17 to diluted EPS for the year. When coupled with $77 million of pre-tax investment expense in 2019, which resulted in a negative $0.19 impact to diluted EPS, our Grubhub investment favorably impacted year-over-year diluted EPS growth by $0.36.
- Foreign currency translation impacted Divisional Operating Profit unfavorably for the year by $9 million.

Worldwide

GAAP Results

	Amount			% B/(W)	
	2020	2019	2018	2020	2019
Company sales	$ 1,810	$ 1,546	$ 2,000	17	(23)
Franchise and property revenues	2,510	2,660	2,482	(6)	7
Franchise contributions for advertising and other services	1,332	1,391	1,206	(4)	15
Total revenues	$ 5,652	$ 5,597	$ 5,688	1	(2)
Restaurant profit	$ 304	$ 311	$ 366	(2)	(15)
Restaurant margin %	16.8%	20.1%	18.3%	(3.3) ppts.	1.8 ppts.
G&A expenses	$ 1,064	$ 917	$ 895	(16)	(2)
Franchise and property expenses	145	180	188	20	4
Franchise advertising and other services expense	1,314	1,368	1,208	4	(13)
Refranchising (gain) loss	(34)	(37)	(540)	(9)	(93)
Other (income) expense	154	4	7	NM	NM
Operating Profit	$ 1,503	$ 1,930	$ 2,296	(22)	(16)
Investment (income) expense, net	(74)	67	(9)	NM	NM
Other pension (income) expense	14	4	14	NM	71
Interest expense, net	543	486	452	(12)	(8)
Income tax provision	116	79	297	(48)	74
Net Income	$ 904	$ 1,294	$ 1,542	(30)	(16)
Diluted EPS[(a)]	$ 2.94	$ 4.14	$ 4.69	(29)	(12)
Effective tax rate	11.4%	5.7%	16.2%	(5.7) ppts.	10.5 ppts.

(a) See Note 4 for the number of shares used in this calculation.

Performance Metrics

				% Increase (Decrease)	
Unit Count	**2020**	**2019**	**2018**	**2020**	**2019**
Franchise	49,255	49,257	47,268	—	4
Company-owned	1,098	913	856	20	7
Total	50,353	50,170	48,124	—	4

	2020	2019	2018
Same-Store Sales Growth (Decline) %	(6)	3	2
System Sales Growth (Decline) %, reported	(4)	7	5
System Sales Growth (Decline) %, excluding FX	(4)	9	5
System Sales Growth (Decline) %, excluding FX and 53rd week	(3)	8	N/A

Our system sales breakdown by Company and franchise sales was as follows:

	Year		
	2020	**2019**	**2018**
Consolidated			
GAAP Company sales[(a)]	$ 1,810	$ 1,546	$ 2,000
Franchise sales	48,549	51,038	47,237
System sales	50,359	52,584	49,237
Foreign Currency Impact on System sales[(b)]	(199)	(1,169)	N/A
System sales, excluding FX	50,558	53,753	49,237
Impact of 53rd week	N/A	454	N/A
System sales, excluding FX and 53rd Week	$ 50,558	$ 53,299	$ 49,237
KFC Division			
GAAP Company sales[(a)]	$ 506	$ 571	$ 894
Franchise sales	25,783	27,329	25,345
System sales	26,289	27,900	26,239
Foreign Currency Impact on System sales[(b)]	(192)	(898)	N/A
System sales, excluding FX	26,481	28,798	26,239
Impact of 53rd week	N/A	167	N/A
System sales, excluding FX and 53rd Week	$ 26,481	$ 28,631	$ 26,239
Pizza Hut Division			
GAAP Company sales[(a)]	$ 76	$ 54	$ 69
Franchise sales	11,879	12,846	12,143
System sales	11,955	12,900	12,212
Foreign Currency Impact on System sales[(b)]	(5)	(259)	N/A
System sales, excluding FX	11,960	13,159	12,212
Impact of 53rd week	N/A	103	N/A
System sales, excluding FX and 53rd Week	$ 11,960	$ 13,056	$ 12,212
Taco Bell Division			
GAAP Company sales[(a)]	$ 882	$ 921	$ 1,037
Franchise sales	10,863	10,863	9,749
System sales	11,745	11,784	10,786
Foreign Currency Impact on System sales[(b)]	(2)	(12)	N/A
System sales, excluding FX	11,747	11,796	10,786
Impact of 53rd week	N/A	184	N/A
System sales, excluding FX and 53rd Week	$ 11,747	$ 11,612	$ 10,786
Habit Burger Grill Division[(c)]			
GAAP Company sales[(a)]	$ 346	N/A	N/A
Franchise sales	24	N/A	N/A
System sales	370	N/A	N/A
Foreign Currency Impact on System sales[(b)]	—	N/A	N/A
System sales, excluding FX	$ 370	N/A	N/A

(a) *Company sales represents sales from our Company-operated stores as presented on our Consolidated Statements of Income.*

(b) *The foreign currency impact on System sales is presented in relation only to the immediately preceding year presented. When determining applicable System sales growth percentages, the System sales excluding FX for the current year should be compared to the prior year System sales prior to adjustment for the prior year FX impact.*

(c) *System sales for the Habit Burger Grill Division is shown since our March 18, 2020 acquisition date.*

Non-GAAP Items

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

	2020	2019	2018
Core Operating Profit Growth %	(8)	12	—
Core Operating Profit Growth %, excluding 53rd week	(7)	11	N/A
Diluted EPS Growth %, excluding Special Items	2	12	7
Effective Tax Rate excluding Special Items	15.9%	19.8%	20.4%

	Year		
Detail of Special Items	**2020**	**2019**	**2018**
Refranchising gain (loss)[(a)]	$ 8	$ 12	$ 540
Costs associated with acquisition and integration of Habit Burger Grill (See Note 3)	(9)	(1)	—
Impairment of Habit Burger Grill goodwill (See Note 3)	(144)	—	—
Unlocking Opportunity Initiative contribution (See Note 5)	(50)	—	—
COVID-19 relief contribution (See Note 5)	(25)	—	—
Charges associated with resource optimization (See Note 5)	(36)	—	—
Costs associated with Pizza Hut U.S. Transformation Agreement[(b)]	(5)	(13)	(6)
YUM's Strategic Transformation Initiatives[(c)]	—	—	(8)
Other Special Items Income (Expense)[(d)]	(6)	(9)	4
Special Items Income (Expense) – Operating Profit	(267)	(11)	530
Charges associated with resource optimization – Other Pension Expense (See Note 5)	(2)	—	—
Interest expense, net[(d)] (See Note 5)	(34)	(2)	—
Special Items Income (Expense) before Income Taxes	(303)	(13)	530
Tax Benefit (Expense) on Special Items[(e)]	65	(30)	(96)
Tax Benefit – Intra-entity transfer of intellectual property[(f)]	28	226	—
Tax Benefit – U.S. Tax Act[(g)]	—	—	66
Special Items Income (Expense), net of tax	$ (210)	$ 183	$ 500
Average diluted shares outstanding	307	313	329
Special Items diluted EPS	$ (0.68)	$ 0.59	$ 1.52

Reconciliation of GAAP Operating Profit to Core Operating Profit and Core Operating Profit, excluding 53rd Week	**Year 2020**	**2019**	**2018**
Consolidated			
GAAP Operating Profit	$ 1,503	$ 1,930	$ 2,296
Special Items Income (Expense) – Operating Profit	(267)	(11)	530
Foreign Currency Impact on Divisional Operating Profit(h)	(9)	(46)	N/A
Core Operating Profit	1,779	1,987	1,766
Impact of 53rd Week	N/A	24	N/A
Core Operating Profit, excluding 53rd Week	$ 1,779	$ 1,963	$ 1,766
KFC Division			
GAAP Operating Profit	$ 922	$ 1,052	$ 959
Foreign Currency Impact on Divisional Operating Profit(h)	(9)	(39)	N/A
Core Operating Profit	931	1,091	959
Impact of 53rd Week	N/A	8	N/A
Core Operating Profit, excluding 53rd Week	$ 931	$ 1,083	$ 959
Pizza Hut Division			
GAAP Operating Profit	$ 335	$ 369	$ 348
Foreign Currency Impact on Divisional Operating Profit(h)	—	(7)	N/A
Core Operating Profit	335	376	348
Impact of 53rd Week	N/A	3	N/A
Core Operating Profit, excluding 53rd Week	$ 335	$ 373	$ 348
Taco Bell Division			
GAAP Operating Profit	$ 696	$ 683	$ 633
Foreign Currency Impact on Divisional Operating Profit(h)	—	—	N/A
Core Operating Profit	696	683	633
Impact of 53rd Week	N/A	13	N/A
Core Operating Profit, excluding 53rd Week	$ 696	$ 670	$ 633
Habit Burger Grill Division			
GAAP Operating Profit	$ (22)	N/A	N/A
Foreign Currency Impact on Divisional Operating Profit(h)	—	N/A	N/A
Core Operating Profit	$ (22)	N/A	N/A
Reconciliation of Diluted EPS to Diluted EPS excluding Special Items			
Diluted EPS	$ 2.94	$ 4.14	$ 4.69
Special Items Diluted EPS	(0.68)	0.59	1.52
Diluted EPS excluding Special Items	$ 3.62	$ 3.55	$ 3.17
Reconciliation of GAAP Effective Tax Rate to Effective Tax Rate, excluding Special Items			
GAAP Effective Tax Rate	11.4%	5.7%	16.2%
Impact on Tax Rate as a result of Special Items(e)(f)(g)	(4.5)%	(14.1)%	(4.2)%
Effective Tax Rate excluding Special Items	15.9%	19.8%	20.4%

(a) Due to their size and volatility we have reflected as Special Items those refranchising gains and losses that were recorded in connection with our previously announced plans to have at least 98% franchise restaurant ownership by the end of 2018. As such, refranchising gains and losses recorded during 2020 as Special Items primarily include true-ups to refranchising gains and losses recorded prior to December 31, 2018. Refranchising gains and losses recorded during 2019 as Special Items primarily include gains or losses associated with sales of underlying real estate associated with stores that were franchised as of December 31, 2018, or true-ups to refranchising gains and losses recorded prior to December 31, 2018.

During the years ended December 31, 2020, 2019 and 2018, we recorded net refranchising gains of $8 million, $12 million and $540 million, respectively, that have been reflected as Special Items.

Additionally, during the years ended December 31, 2020, and 2019 we recorded refranchising gains of $26 million and $25 million, respectively, that have not been reflected as Special Items as such amounts are considered indicative of our expected ongoing refranchising activity. These net gains relate to the refranchising of restaurants in 2020 and 2019 that were not part of our aforementioned plans to achieve 98% franchise ownership.

(b) *In May 2017, we reached an agreement with our Pizza Hut U.S. franchisees that improved brand marketing alignment, accelerated enhancements in operations and technology and that included a permanent commitment to incremental advertising as well as digital and technology contributions by franchisees. In connection with this agreement, we recognized charges of $5 million, $13 million and $6 million in the years ended December 31, 2020, 2019 and 2018, respectively, related to operating investments required as part of this agreement. The majority of these costs were recorded within Franchise and property expenses. Based on their nature and the significance in related spending in 2017, these charges have been reflected as Special Items.*

(c) *In October 2016, we announced our strategic transformation plans to drive global expansion of the KFC, Pizza Hut and Taco Bell brands ("YUM's Strategic Transformation Initiatives") following the then anticipated spin-off of our China business (the "Separation") on October 31, 2016, into an independent, publicly-traded company under the name of Yum China Holdings, Inc. ("Yum China"). Major features of the Company's strategic transformation plans involved being more focused on the development of our three brands, increasing our franchise ownership and creating a leaner, more efficient cost structure. We incurred charges of $8 million related to our Strategic Transformation Initiatives in the year ended December 31, 2018, primarily recorded in G&A, including contract termination costs and relocation and severance costs for restaurant-support center employees. Due to the scope of these initiatives as well as the significance in related spending in 2017 and 2016, these charges were recognized as Special Items.*

(d) *During the second quarter of 2019, we recorded charges of $8 million and $2 million to Other (income) expense and Interest expense, net, respectively, related to cash payments in excess of our recorded liability to settle contingent consideration associated with our 2013 acquisition of the KFC Turkey and Pizza Hut Turkey businesses. Consistent with prior adjustments to the recorded contingent consideration we have reflected this as a Special Item.*

(e) *Tax Benefit (Expense) on Special Items was determined based upon the impact of the nature, as well as the jurisdiction of the respective individual components within Special Items. Additionally, we increased our Income tax provision by $34 million in the fourth quarter of 2019 to record a reserve against and by $19 million in the second quarter of 2018 to correct an error related to the tax recorded on a prior year divestiture, the effects of which were previously recorded as a Special Item.*

(f) *In the fourth quarter of 2019, we completed intra-entity transfers of certain intellectual property rights. As a result of the transfer of certain of these rights, largely to subsidiaries in the United Kingdom ("UK"), we received a step-up in tax basis to current fair value under applicable tax law. To the extent this step-up in tax basis will be amortizable against future taxable income, we recognized one-time deferred tax benefits of $3 million and $226 million as a Special Item in the quarters ended December 31, 2020 and December 31, 2019, respectively. During the quarter ended September 30, 2020, the UK Finance Act 2020 was enacted resulting in an increase in the UK corporate tax rate from 17% to 19%. As a result, in the quarter ended September 30, 2020, we remeasured the related deferred tax asset originally recorded in the fourth quarter of 2019. This remeasurement resulted in the recognition of an additional $25 million deferred tax benefit as a Special Item in the quarter ended September 30, 2020.*

(g) *In 2018, we recorded a $35 million decrease related to our provisional tax expense recorded in the fourth quarter of 2017 associated with the Tax Cuts and Jobs Act of 2017 ("Tax Act") that was reported as a Special Item. We also recorded a Special Items tax benefit of $31 million in 2018 related to 2018 U.S. foreign tax credits that became realizable directly as a result of the impact of deemed repatriation tax expense associated with the Tax Act.*

(h) *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 year Operating Profit, prior to adjustment for the prior year FX impact.*

Items Impacting Reported Results and/or Expected to Impact Future Results

The following items impacted reported results in 2020 and/or 2019 and/or are expected to impact future results. See also the Detail of Special Items section of this M&DA for other items similarly impacting results.

COVID-19

In late 2019, a novel strain of coronavirus, COVID-19, was first detected and in March 2020, the World Health Organization declared COVID-19 a global pandemic. Throughout 2020, COVID-19 has spread throughout the U.S. and the rest of the world and governmental authorities have implemented measures to reduce the spread of COVID-19. These measures include restrictions on travel outside the home and other limitations on business and other activities as well as encouraging social distancing. As a result of COVID-19, we and our franchisees have experienced significant store closures and instances of reduced store-level operations, including reduced operating hours and dining-room closures.

Our results were significantly impacted by the impacts of COVID-19 in the year ended December 31, 2020, as evidenced by our worldwide same-store sales decline of 6%. The impact on our sales in each of our markets has been dependent on the timing, severity and duration of the outbreak, measures implemented by government authorities to reduce the spread of COVID-19, as well as our reliance on dine-in sales in the market. Overall, our sales declines have been primarily driven by temporary store closures, which peaked in early April at about 11,000 restaurants. From that date, temporarily closed restaurants gradually reopened until, as of the end of our third quarter, we had approximately 1,100 units temporarily closed. We continued to see reopenings through the balance of the fourth-quarter; however, due to the second-wave impacts of COVID-19, including increased government restrictions, temporary closures climbed back to approximately 1,000 as of February 4, 2021. As a result, roughly 98% of our system is currently open in a full or limited capacity. Geographies experiencing temporary closures have evolved and we are now seeing more closures in Europe, Canada and the Middle East, offset by some re-openings in Latin America and India. Assets located in malls, transportation centers, airports and other similar locations continue to be pressured, making up many of the temporary closures. In addition to the loss of sales due to restaurants being temporarily closed, we have also lost sales due to the significant number of our open restaurants subject to dining room closures or other limitations on access. We have been able to mitigate the loss of sales due to dining room closures or other limitations on access through the strength of our off-premise channels, aided by increasing consumer access to our brands via digital channels. Our worldwide same-store sales decline of 1% for the fourth quarter of 2020 represents an improvement from the same-store sales declines of 7%, 15% and 2% in the respective first, second and third quarters of 2020.

The COVID-19 situation is ongoing, and its dynamic nature makes it difficult to forecast any impacts on the Company's 2021 results. The ultimate pace of recovery will largely depend on the pace of restaurant reopenings and the continuation of current sales trends, although we expect continuing adverse impacts from COVID-19. In addition, for our restaurants that prominently feature drive-thru, carryout and delivery options, COVID-19 has in many cases contributed to an increase in sales during 2020. If the impact of COVID-19 recedes, in-person dining restrictions are lifted or lessened and the restaurant industry in general returns to more normal operations, the benefits to sales experienced by certain of our restaurants, including our Pizza Hut delivery restaurants, could wane and our results could be negatively impacted. As 98% of our restaurants are operated by approximately 2,000 independent franchisees across the world, we are closely monitoring the impact of COVID-19 on our franchisees' financial condition.

Net New Unit Growth

In addition to the restaurants that have been, or continue to be, temporarily closed during 2020, the uncertainties associated with COVID-19 contributed to fewer new restaurant openings and increased permanent restaurant closures during 2020 versus both our recent history and expectations. In addition to permanent closures due to the impacts of COVID-19, the Pizza Hut system also experienced increased permanent closures of certain asset types primarily due to business model pressures as discussed in the following paragraph. For the year ended December 31, 2020, our Concepts collectively opened 2,423 new units while permanently closing 2,516 units.

While net new unit growth at each of KFC, Taco Bell and The Habit Burger Grill was lower than expected in 2020, each Concept realized positive net new unit growth for the year. Pizza Hut experienced a net new unit decline of 1,064 restaurants in 2020, largely due to 1,745 global closures, including 867 closures in the U.S., nearly 300 of which were stores operated by NPC International, Inc. ("NPC") as discussed in the following paragraph. These global closures, which were largely underperforming or low volume casual dining-based and license units, have hastened the transition of the Pizza Hut system to a more delivery-focused and modern estate, which we believe will optimize our ability to grow the Pizza Hut system going forward. However, these and continued closures within our Pizza Hut Division will present a headwind to the Division's net unit and operating profit growth in 2021.

NPC, our largest Pizza Hut U.S. franchisee, filed voluntary petitions on July 1, 2020, to restructure under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas. In connection with the bankruptcy filing, we consented to up to 300 mutually selected closures of underperforming units, primarily dine-in assets. These units were largely closed during the quarter ended September 30, 2020. In January 2021, Flynn Restaurant Group, an existing YUM franchisee, announced its intention to acquire NPC's approximately 950 remaining Pizza Hut U.S. restaurants.

Investment in Grubhub, Inc. ("Grubhub")

In April of 2018 we purchased 2.8 million shares of Grubhub common stock for $200 million. In the quarter ended September 30, 2020, we sold our entire investment in Grubhub and received proceeds of $206 million. While we held our investment in Grubhub common stock we recognized changes in the fair value in our investment in our Consolidated Statements of Income. For the years ended December 31, 2020, 2019 and 2018, we recognized pre-tax investment income of $69 million, pre-tax investment expense of $77 million and pre-tax investment income of $14 million, respectively.

The Habit Restaurants, Inc. Acquisition

On March 18, 2020, we acquired The Habit Restaurants, Inc. for total cash consideration of $408 million, net of cash acquired. We have reflected the ongoing results of Habit Burger Grill's operations from March 18, 2020 through December 31, 2020, in our Financial Statements. These ongoing results had an insignificant impact on our consolidated results of operations. Additionally, we have included the system sales of Habit Burger Grill for the period from March 18, 2020 through December 31, 2020, in our consolidated system sales and reflected Habit Burger Grill's same-store sales results for this same period in our consolidated same-store sales results, as applicable, for the year ended December 31, 2020. Consolidated system sales in 2020, excluding the impact of FX and the lapping of the 53rd week in 2019, were positively impacted by one percentage point due to the inclusion of Habit Burger Grill while consolidated same-store sales results were not impacted.

As a result of the impacts of COVID-19 on the results of Habit Burger Grill's operations, as well as general market conditions, we recorded an after-tax impairment charge of $107 million in the first quarter of 2020 related to the goodwill arising from the preliminary purchase price allocation associated with the acquisition. As we continued to refine our preliminary purchase price allocation for Habit in the quarter ended September 30, 2020, the after-tax impairment charge was adjusted upward by $4 million. We have reflected this impairment as a Special Item, resulting in a Special Item EPS charge for the year ended December 31, 2020, of approximately $0.36. See Note 3.

Extra Week in 2019

Fiscal 2019 included a 53rd week for all of our U.S. and certain international subsidiaries that operate on a period calendar. 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 for the year ended December 31, 2019. The 53rd week in 2019 favorably impacted Diluted EPS by $0.05 per share.

	KFC Division	Pizza Hut Division	Taco Bell Division	Total
Revenues				
Company sales	$ 8	$ 1	$ 15	$ 24
Franchise and property revenues	9	5	10	24
Franchise contributions for advertising and other services	5	5	8	18
Total revenues	$ 22	$ 11	$ 33	$ 66
Operating Profit				
Franchise and property revenues	$ 9	$ 5	$ 10	$ 24
Franchise contributions for advertising and other services	5	5	8	18
Restaurant profit	1	—	5	6
Franchise and property expenses	—	(1)	—	(1)
Franchise advertising and other services expenses	(5)	(5)	(8)	(18)
G&A expenses	(2)	(1)	(2)	(5)
Operating Profit	$ 8	$ 3	$ 13	$ 24

KFC Division

The KFC Division has 25,000 units, 84% of which are located outside the U.S. Additionally, 99% of the KFC Division units were operated by franchisees as of the end of 2020.

				% B/(W) 2020			% B/(W) 2019		
	2020	2019	2018	Reported	Ex FX	Ex FX and 53rd Week in 2019	Reported	Ex FX	Ex FX and 53rd Week in 2019
System Sales	$ 26,289	$ 27,900	$ 26,239	(6)	(5)	(5)	6	10	9
Same-Store Sales Growth %				(9)	N/A	N/A	4	N/A	N/A
Company sales	$ 506	$ 571	$ 894	(11)	(9)	(8)	(36)	(33)	(34)
Franchise and property revenues	1,295	1,390	1,294	(7)	(6)	(5)	7	11	10
Franchise contributions for advertising and other services	471	530	456	(11)	(10)	(9)	16	21	20
Total revenues	$ 2,272	$ 2,491	$ 2,644	(9)	(8)	(7)	(6)	(2)	(3)
Restaurant profit	$ 67	$ 87	$ 119	(24)	(24)	(22)	(26)	(23)	(24)
Restaurant margin %	13.2%	15.3%	13.3%	(2.1) ppts.	(2.4) ppts.	(2.4) ppts.	2.0 ppts.	2.0 ppts.	2.0 ppts.
G&A expenses	$ 346	$ 346	$ 350	—	(1)	(1)	1	(1)	(1)
Franchise and property expenses	91	89	107	(2)	(2)	(3)	17	13	13
Franchise advertising and other services expense	465	520	452	11	9	8	(15)	(20)	(19)
Operating Profit	$ 922	$ 1,052	$ 959	(12)	(12)	(11)	10	14	13

				% Increase (Decrease)	
Unit Count	**2020**	**2019**	**2018**	**2020**	**2019**
Franchise	24,710	23,759	22,297	4	7
Company-owned	290	345	324	(16)	6
Total	25,000	24,104	22,621	4	7

Company sales and Restaurant margin percentage

In 2020, the decrease in Company sales, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by refranchising and company same-store sales declines of 6%, partially offset by net new unit growth.

In 2020, the decrease in Restaurant margin percentage was driven by transaction declines and increased restaurant costs, including one-time bonuses and other costs incurred as a result of COVID-19, partially offset by the favorable impact of higher guest check.

Franchise and property revenues

In 2020, the decrease in Franchise and property revenues, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by franchise same-store sales declines of 9%, partially offset by net new unit growth.

G&A

In 2020, the increase in G&A, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by higher professional fees, higher share-based compensation and higher salaries, partially offset by lower travel related costs and lower incentive compensation.

Operating Profit

In 2020, the decrease in Operating Profit, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by same-store sales declines, partially offset by net new unit growth.

Pizza Hut Division

The Pizza Hut Division has 17,639 units, 63% of which are located outside the U.S. Over 99% of the Pizza Hut Division units were operated by franchisees as of the end of 2020. The Pizza Hut Division uses multiple distribution channels including delivery, dine-in and express (e.g. airports) and includes units operating under both the Pizza Hut and Telepizza brands.

On December 30, 2018, the Company consummated a strategic alliance with Telepizza Group S.A. ("Telepizza"), to be the master franchisee of Pizza Hut in Latin America and portions of Europe, which added approximately 1,300 Telepizza units to our Pizza Hut Division unit count on December 30, 2018. The addition of the Telepizza units positively impacted 2019 Pizza Hut Division system sales growth, excluding the impacts of foreign currency and 53rd week, by 5 percentage points. The impact to Operating Profit for the year ended December 31, 2019, as a result of the strategic alliance was not significant.

				% B/(W) 2020			% B/(W) 2019		
	2020	2019	2018	Reported	Ex FX	Ex FX and 53rd Week in 2019	Reported	Ex FX	Ex FX and 53rd Week in 2019
System Sales	$ 11,955	$ 12,900	$ 12,212	(7)	(7)	(6)	6	8	7
Same-Store Sales Growth (Decline) %				(6)	N/A	N/A	—	N/A	N/A
Company sales	$ 76	$ 54	$ 69	42	41	42	(23)	(21)	(21)
Franchise and property revenues	552	597	598	(8)	(8)	(7)	—	1	1
Franchise contributions for advertising and other services	374	376	321	(1)	(1)	1	17	18	16
Total revenues	$ 1,002	$ 1,027	$ 988	(2)	(2)	(1)	4	5	4
Restaurant profit	$ 3	$ 3	$ —	72	67	69	NM	NM	NM
Restaurant margin %	5.1%	4.2%	(0.1)%	0.9 ppts.	0.7 ppts.	0.8 ppts.	4.3 ppts.	4.2 ppts.	4.1 ppts.
G&A expenses	$ 215	$ 202	$ 197	(7)	(7)	(8)	(2)	(3)	(2)
Franchise and property expenses	17	39	45	56	56	54	12	11	13
Franchise advertising and other services expense	365	367	328	—	—	(1)	(12)	(12)	(11)
Operating Profit	$ 335	$ 369	$ 348	(9)	(9)	(8)	6	8	7

				% Increase (Decrease)	
Unit Count	**2020**	**2019**	**2018**	**2020**	**2019**
Franchise	17,559	18,603	18,369	(6)	1
Company-owned	80	100	62	(20)	61
Total	17,639	18,703	18,431	(6)	1

Company sales

In 2020, the increase in Company sales, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by the acquisition of stores in the UK in the quarter ended September 30, 2019, and company same-store sales growth of 4%.

Franchise and property revenues

In 2020, the decrease in Franchise and property revenues, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by franchise same-store sales declines of 6% and net new unit declines.

G&A

In 2020, the increase in G&A, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by higher share-based compensation, higher professional fees, higher incentive compensation and higher headcount, partially offset by lower travel related costs.

Operating Profit

In 2020, the decrease in Operating Profit, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by same-store sales declines, higher G&A, net new unit declines, and the write-off of software no longer being used, partially offset by recoveries on past due receivables.

Taco Bell Division

The Taco Bell Division has 7,427 units, 92% of which are in the U.S. The Company owned 7% of the Taco Bell units in the U.S. as of the end of 2020.

				% B/(W) 2020			% B/(W) 2019		
	2020	**2019**	**2018**	**Reported**	**Ex FX**	**Ex FX and 53rd Week in 2019**	**Reported**	**Ex FX**	**Ex FX and 53rd Week in 2019**
System Sales	$ 11,745	$ 11,784	$ 10,786	—	—	1	9	9	8
Same-Store Sales Growth %				(1)	N/A	N/A	5	N/A	N/A
Company sales	$ 882	$ 921	$ 1,037	(4)	(4)	(3)	(11)	(11)	(13)
Franchise and property revenues	662	673	590	(2)	(2)	—	14	14	12
Franchise contributions for advertising and other services	487	485	429	—	—	2	13	13	11
Total revenues	$ 2,031	$ 2,079	$ 2,056	(2)	(2)	(1)	1	1	—
Restaurant profit	$ 225	$ 221	$ 244	2	2	4	(9)	(9)	(11)
Restaurant margin %	25.5%	24.0%	23.5%	1.5 ppts.	1.5 ppts.	1.6 ppts.	0.5 ppts.	0.5 ppts.	0.4 ppts.
G&A expenses	$ 158	$ 181	$ 177	13	13	12	(2)	(3)	(2)
Franchise and property expenses	33	38	28	16	15	15	(33)	(33)	(32)
Franchise advertising and other services expense	484	481	428	(1)	(1)	(2)	(12)	(12)	(11)
Operating Profit	$ 696	$ 683	$ 633	2	2	4	8	8	6

				% Increase (Decrease)	
Unit Count	**2020**	**2019**	**2018**	**2020**	**2019**
Franchise	6,952	6,895	6,602	1	4
Company-owned	475	468	470	1	—
Total	7,427	7,363	7,072	1	4

Company sales and Restaurant margin percentage

In 2020, the decrease in Company Sales, excluding the impact of lapping the 53rd week in 2019, was driven by company same-store sales declines of 3% and refranchising offset by net new unit growth.

In 2020, the increase in restaurant margin percentage was driven by the favorable impact of higher guest check, lower restaurant operating costs such as labor and repairs and maintenance costs due to dining room closures as a result of COVID-19 and lower advertising costs, partially offset by transaction declines and a COVID-19 related bonus for restaurant employees.

Franchise and property revenues

In 2020, Franchise and property revenues were flat for the year, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, as net new unit growth was offset by franchise same-store sales declines of 1%.

G&A

In 2020, the decrease in G&A, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by lower incentive compensation, lower travel related costs, decreased professional fees and decreased salaries, partially offset by higher share-based compensation.

Operating Profit

In 2020, the increase in Operating Profit, excluding the impacts of foreign currency translation and lapping the 53rd week in 2019, was driven by lower G&A costs, net new unit growth and lower restaurant operating costs partially offset by same-store sales declines and higher restaurant asset impairment charges.

Habit Burger Grill Division

The Habit Burger Grill Division has 287 units, the vast majority of which are in the U.S. The Company owned 91% of the Habit Burger Grill units in the U.S. as of December 31, 2020. From March 18, 2020, the date we acquired The Habit Burger Grill, through December 31, 2020, we reported a same-store sales decline of 11%. Total revenues and Operating loss were $347 million and $22 million, respectively, for the period from March 18, 2020 through December 31, 2020. During this period we also opened 14 gross new restaurants.

Corporate & Unallocated

				% B/(W)	
(Expense)/Income	**2020**	**2019**	**2018**	**2020**	**2019**
Corporate and unallocated G&A	$ (312)	$ (188)	$ (171)	(66)	(10)
Unallocated Company restaurant expenses	—	—	3	NM	(95)
Unallocated Franchise and property expenses	(4)	(14)	(8)	68	(72)
Unallocated Refranchising gain (loss) (See Note 5)	34	37	540	(9)	(93)
Unallocated Other income (expense)	(146)	(9)	(8)	NM	NM
Investment income (expense), net (See Note 5)	74	(67)	9	NM	NM
Other pension income (expense) (See Note 15)	(14)	(4)	(14)	NM	71
Interest expense, net	(543)	(486)	(452)	(12)	(8)
Income tax provision (See Note 18)	(116)	(79)	(297)	(48)	74
Effective tax rate (See Note 18)	11.4%	5.7%	16.2%	(5.7) ppts.	10.5 ppts.

Corporate and unallocated G&A

In 2020, the increase in Corporate and unallocated G&A expense was driven by charitable contributions of $50 million related to our "Unlocking Opportunity Initiative" and $25 million related to COVID-19 relief (see Note 5). The increase was also driven by costs associated with a voluntary early retirement program offered to our U.S. based employees and a related worldwide severance program (see Note 5), higher professional fees including costs associated with the acquisition of The Habit Burger Grill and higher share-based compensation, partially offset by lower expenses related to our incentive and deferred compensation programs.

Unallocated Franchise and property expenses

Unallocated Franchise and property expenses reflect charges related to the Pizza Hut U.S. Transformation Agreement and/or the KFC U.S. Acceleration Agreement.

Unallocated Other income (expense)

Unallocated Other income (expense) for the year ended December 31, 2020, includes a charge of $144 million related to the impairment of Habit Burger Grill goodwill (see Note 3). The year ended December 31, 2019, includes a settlement of contingent consideration charge of $8 million associated with our 2013 acquisition of the KFC Turkey and Pizza Hut Turkey businesses (see Note 8).

Interest expense, net

The increase in Interest expense, net for 2020 was driven by increased outstanding borrowings and $34 million of premiums paid and other costs associated with extinguishment of debt (see Note 5), partially offset by a decrease in the rate on our floating rate debt.

Consolidated Cash Flows

Net cash provided by operating activities was $1,305 million in 2020 compared to $1,315 million in 2019. The decrease was largely driven by a decrease in Operating Profit before Special Items and higher charitable contributions reflected as Special Items, partially offset by lower advertising spending.

Net cash used in investing activities was $335 million in 2020 compared to $88 million in 2019. The increase was primarily driven by the acquisition of The Habit Restaurants, Inc. and lower refranchising proceeds in the current year, partially offset by proceeds from the sale of our investment in Grubhub, Inc. common stock and lower capital spending.

Net cash used in financing activities was $738 million in 2020 compared to $938 million in 2019. The decrease was primarily driven by lower share repurchases, partially offset by lower net borrowings.

Consolidated Financial Condition

Our Consolidated Balance Sheet was impacted by the acquisition of The Habit Restaurants, Inc. (See Note 3).

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated by operations and our revolving facilities. As of December 31, 2020, we had Cash and cash equivalents of $730 million. We have historically generated substantial cash flows from our extensive franchise operations, which require a limited YUM investment, and from the operations of our Company-owned stores. Our annual operating cash flows have historically been in excess of $1 billion. Decreases in operating cash flows from the operation of fewer Company-owned stores in recent years due to refranchising have been offset, and are expected to continue to be offset, with savings generated from decreased capital investment and G&A required to support company operations.

We believe that our existing cash on hand, cash from operations and availability under our Revolving Facility (as defined below), will be sufficient to fund our operations, anticipated capital expenditures and debt repayment obligations over the next twelve months. Our balance sheet often reflects a working capital deficit, which is not uncommon in our industry and is also historically common for YUM. Our royalty receivables from franchisees are generally due within 30 days of the period in which the related sales occur and Company sales are paid in cash or by credit card (which is quickly converted into cash). Substantial amounts of cash received have historically been either returned to shareholders or invested in new restaurant assets which are non-current in nature. 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.

During 2020 net cash provided by operating activities was negatively impacted by lower Operating Profit due in large part to the impacts of the COVID-19 pandemic. In light of the impacts on our business from the COVID-19 pandemic, the Company took the following steps to bolster our cash balance and increase our liquidity position during 2020.

- During the first quarter of 2020, we suspended our share repurchase program, pursuant to which the Company's Board of Directors previously authorized repurchases of up to $2 billion of the Company's common stock through June 30, 2021, (the "Share Repurchase Program"). Commensurate with the performance of the business, health of our balance sheet and liquidity position, including our repayment of remaining borrowings under our Revolving Facility during the quarter ended September 30, 2020, and our confidence that we will grow back into our ~5.0x EBITDA consolidated net leverage target by second-quarter 2021, we resumed share repurchases in the fourth quarter of 2020.
- On March 24, 2020, Pizza Hut Holdings, LLC, KFC Holding Co. and Taco Bell of America, LLC (collectively, the "Borrowers"), each a wholly-owned subsidiary of Yum! Brands, Inc., borrowed $525 million under our existing Revolving Facility. This borrowing, together with $425 million borrowed under the Revolving Facility on March 18, 2020, to fund amounts associated with the acquisition of The Habit Restaurants, Inc., resulted in an aggregate of $950 million outstanding under the Revolving Facility as of March 31, 2020. In the second and third quarters of 2020 we made repayments of $375 million and $575 million, respectively, and as of both December 31, 2020 and September 30, 2020, our Revolving Facility was undrawn. The current interest rate for borrowings under the Revolving Facility is LIBOR plus 1.50%.
- On April 1, 2020, Yum! Brands, Inc. issued $600 million aggregate principal amount of 7.75% YUM Senior Unsecured Notes due April 1, 2025. See Note 11 for more detail.
- On September 25, 2020, Yum! Brands, Inc. issued $1,050 million aggregate principal amount of 3.625% YUM Senior Unsecured Notes due March 15, 2031. The net proceeds from the issuance, together with cash on hand, were used to repay $1,050 million aggregate principal amount of Subsidiary Senior Unsecured Notes due in 2024. See Note 11 for more detail.

Debt Instruments

As of December 31, 2020, approximately 93%, including the impact of interest rate swaps, of our $10.7 billion of total debt outstanding, excluding finance leases and debt issuance costs and discounts, is fixed with an effective overall interest rate of approximately 4.7%. We are currently managing towards a capital structure which reflects consolidated leverage, net of available cash, in-line with our target of ~5.0x 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. We have credit ratings of BB (Standard & Poor's)/Ba2 (Moody's) with a balance sheet consistent with highly-levered peer restaurant franchise companies.

The following table summarizes the future maturities of our outstanding long-term debt, excluding finance leases and debt issuance costs and discounts, as of December 31, 2020.

	2021	2022	2023	2024	2025	2026	2027	2028	2030	2031	2037	2043	Total
Securitization Notes	$ 29	$ 29	$ 1,281	$ 16	$ 16	$ 921	$ 6	$ 571					$ 2,869
Credit Agreement	76	395	20	20	1,836								2,347
Subsidiary Senior Unsecured Notes						1,050	750						1,800
YUM Senior Unsecured Notes	350		325		600				800	1,050	325	275	3,725
Total	$ 455	$ 424	$ 1,626	$ 36	$ 2,452	$ 1,971	$ 756	$ 571	$ 800	$ 1,050	$ 325	$ 275	$ 10,741

Securitization Notes include four senior secured notes issued by Taco Bell Funding, LLC (the "Issuer") totaling $2.9 billion with fixed interest rates ranging from 4.318% to 4.970%. The Securitization Notes are secured by substantially all of the assets of the Issuer and the Issuer's special purpose, wholly-owned subsidiaries (collectively with the Issuer, 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 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.

Credit Agreement includes senior secured credit facilities consisting of a $431 million Term Loan A facility (the "Term Loan A Facility"), a $1.9 billion Term Loan B facility (the "Term Loan B Facility") and a $1.0 billion revolving facility (the "Revolving Facility") issued by the Borrowers. Our Revolving Facility was undrawn as of December 31, 2020. The interest rates applicable to the Term Loan A Facility and Revolving Facility range from 1.25% to 1.75% plus LIBOR or from 0.25% to 0.75% plus the Base Rate, at the Borrowers' election, based upon the total net leverage ratio of the Borrowers and the Specified Guarantors (as defined in the Credit Agreement). The interest rates applicable to the Term Loan B Facility are 1.75% plus LIBOR or 0.75% plus the Base Rate, at the Borrowers' election. 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 include $1,050 million aggregate principal amount of 5.25% Subsidiary Senior Unsecured Notes due 2026 and $750 million aggregate principal amount of 4.75% Subsidiary Senior Unsecured Notes due 2027. 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.

YUM Senior Unsecured Notes include seven series of senior unsecured notes issued by Yum! Brands, Inc. totaling $3.7 billion with fixed interest rates ranging from 3.625% to 7.75%. Our YUM Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of any of our indebtedness or the failure to pay principal of such indebtedness above certain thresholds will constitute an event of 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.

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

Contractual Obligations

Our significant contractual obligations and payments as of December 31, 2020, included:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations[a]	$ 14,037	$ 945	$ 2,993	$ 3,249	$ 6,850
Finance leases[b]	102	9	19	16	58
Operating leases[b]	1,225	128	256	218	623
Purchase obligations[c]	473	230	141	67	35
Benefit plans and other[d]	197	29	36	34	98
Total contractual obligations	$ 16,034	$ 1,341	$ 3,445	$ 3,584	$ 7,664

(a) *Amounts include maturities of debt outstanding as of December 31, 2020, and expected interest payments on those outstanding amounts on a nominal basis. The estimated interest payments related to the variable rate portion of our debt are based on current LIBOR interest rates. See Note 11.*

(b) *These obligations, which are shown on a nominal basis and represent the non-cancellable term of the lease, relate primarily to approximately 800 Company-owned restaurants and 350 units that we sublease land, building or both to our franchisees. 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 cancellable without penalty. Purchase obligations relate primarily to marketing, information technology and supply 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, 2020, the Plan was in a net underfunded position of $20 million. The UK pension plans were in a net overfunded position of $78 million at our 2020 measurement date.

We do not anticipate making any significant contributions to the Plan in 2021. 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 2021 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 $3 million in 2020 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. See Note 20.

We have not included in the contractual obligations table $64 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.

As discussed further in Note 20, on January 29, 2020, we received an order from the Special Director of the Directorate of Enforcement in India imposing a penalty on Yum! Restaurants India Private Limited of approximately Indian Rupee 11 billion, or approximately $150 million, primarily relating to alleged violations of operating conditions imposed in 1993 and 1994. We have been advised by external counsel that the order is flawed and have filed a writ petition with the Delhi High Court, which granted an interim stay of the penalty order on March 5, 2020. The stay order remains in effect, and the next hearing is scheduled for March 24, 2021. We deny liability and intend to continue vigorously defending this matter. We do not consider the risk of any significant loss arising from this order to be probable.

Off-Balance Sheet Arrangements

See the Lease Guarantees section of Note 20 for discussion of our off-balance sheet arrangements.

New Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued guidance related to reference rate reform. The pronouncement provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2022. We are currently evaluating the impact of the transition from LIBOR to alternative reference rates, including the impact on our interest rate swaps. As of December 30, 2020, our interest rate swaps expiring in July 2021 had notional amounts of $1.55 billion and our interest rate swaps expiring in March 2025 had notional amounts of $1.5 billion. These interest rate swaps are designated cash flow hedges. We do not anticipate the impact of adopting this standard will be material to 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.

Business Combinations

The acquisition of The Habit Restaurants, Inc. was accounted for using the acquisition method of accounting, or acquisition accounting, in accordance with Accounting Standards Codification ("ASC") Topic 805, Business Combinations. The acquisition method of accounting involves the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed. This allocation process involves the use of estimates and assumptions to derive fair values and to complete the allocation. Acquisition accounting allows for up to one year to obtain the information necessary to finalize the fair value of all assets acquired and liabilities assumed at March 18, 2020. We will continue to obtain information to assist in determining the fair value of net assets acquired during the remaining measurement period.

As discussed below, during the year ended December 31, 2020, we recorded an impairment charge related to Habit Burger Grill reporting unit goodwill resulting from the impacts of COVID-19 on substantially all Habit Burger grill restaurants. In the event that actual results further vary from any of the estimates or assumptions used in applying the acquisition method of accounting, we may be required to record an additional impairment charge or an increase in depreciation or amortization in future periods, or both.

See Note 3 for additional information about accounting for the acquisition of The Habit Restaurants, Inc.

Impairment or Disposal of Long-Lived Assets

We review long-lived assets of restaurants we intend to continue operating as Company restaurants (primarily PP&E, right-of-use operating lease assets and allocated intangible assets subject to amortization) 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.

In each of the years ended December 31, 2019 and 2018 our primary indicator of potential impairment for our restaurant assets was two consecutive years of operating losses. For the year ended December 31, 2020, as a result of the impacts of the COVID-19 pandemic this indicator was expanded to include restaurants that were open less than two years with operating losses as of our annual impairment test. This expanded impairment indicator resulted in an increase in the number of store assets reviewed for potential impairment. As a result of our annual impairment review, we recognized store impairment charges of $12 million, which is presented within Other (income) expense in our Consolidated Statement of Income. The magnitude of the charges recorded during the year ended December 31, 2020, was not particularly sensitive to variations in fair value input as, in most situations, the fair value of the store assets, except the value of any right-of-use lease asset, if applicable, was fully impaired. Fair value estimates of right-of-use lease assets in such instances included an estimate of sublease income from a non-franchisee that could be reasonably obtained, which typically resulted in a partial impairment of the right-of-use lease assets.

We perform an impairment evaluation at a restaurant group level when it is more likely than not that we will refranchise restaurants as a group. Expected net sales proceeds are generally based on actual bids from the buyer, if available, or anticipated bids given the discounted projected after-tax cash flows for the group of restaurants. Historically, these anticipated bids have been reasonably accurate estimations of the proceeds ultimately received. The after-tax cash flows used in determining the anticipated bids incorporate reasonable assumptions we believe a franchisee would make such as sales growth and margin improvement as well as expectations as to the useful lives of the restaurant assets. These after-tax cash flows also include a deduction for the anticipated, future royalties we would receive under a franchise agreement with terms substantially at market entered into simultaneously with the refranchising transaction.

The discount rate used in the fair value calculations is our estimate of the required rate of return that a franchisee would expect to receive when purchasing a similar restaurant or groups of restaurants and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

We evaluate indefinite-lived intangible assets for impairment on an annual basis as of the beginning of our fourth quarter or more often if an event occurs or circumstances change that indicates impairment might exist. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future after-tax cash flows associated with the intangible asset. Our most significant indefinite-lived intangible asset is our Habit Burger Grill brand asset with a book value of $96 million at December 31, 2020. As of our fourth quarter 2020 annual impairment testing date, the Habit Burger Grill's forecasted results have improved from those used in determining the brand asset value as part of the initial valuation at the date of the acquisition and we determined that it was not more likely than not that the Habit Burger Grill brand asset was impaired.

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, Taco Bell and Habit Burger Grill 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 franchise royalties and Company-owned restaurant operations, if any. 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 (from net new units or same-store sales growth) and margin improvement (for those reporting units which include Company-owned restaurant operations) assumptions that we believe a third-party buyer would assume when determining a purchase price for the reporting unit. Any margin improvement assumptions that factor into the discounted cash flows are highly correlated with sales growth 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.

Other than the Habit Burger Grill reporting unit, the fair values of all our reporting units with goodwill balances were substantially in excess of their respective carrying values as of the 2020 goodwill testing date. During the first quarter of 2020, the operations of substantially all Habit Burger Grill restaurants were impacted by COVID-19. As a result, we performed an interim impairment test of the Habit Burger Grill reporting unit goodwill as of March 31, 2020. This test of impairment included comparing the estimated fair value of the Habit Burger Grill reporting unit to its carrying value, including goodwill, as originally determined through our preliminary purchase price allocation performed through application of the acquisition method of accounting. The fair value estimate of the Habit Burger Grill reporting unit was based on the estimated price a willing buyer would pay for the reporting unit and was determined using an income approach through a discounted cash flow analysis using unobservable inputs (Level 3). The most impactful of these inputs included future average unit volumes of Habit Burger Grill restaurants as well as restaurant unit counts. The fair value was determined based upon a probability-weighted average of three scenarios, which included assumed recovery of Habit Burger Grill average unit volumes to a pre—COVID-19 level over periods ranging from the beginning of 2021 to the end of 2022. Factors impacting restaurant unit counts were near-term unit closures as the result of COVID-19 as well as the pace of expected new unit development. Unit counts assumed were correlated with the expected recoveries in average unit volumes. Based upon this fair value estimate, we determined that the carrying value of our Habit Burger Grill reporting unit exceeded its fair value. As a result, during the first quarter of 2020 we recorded a goodwill impairment charge of $139 million to Other (income) expense and a corresponding income tax benefit of $32 million. As we continued to refine our preliminary purchase price allocation in the quarter ended September 30, 2020, the impairment charge was adjusted upward by $5 million, which resulted in a corresponding income tax benefit of $1 million. The amount of the goodwill impairment charge and related tax benefit could change again as we finalize the purchase price allocation associated with the acquisition. As of the beginning of our fourth quarter, the date of our annual goodwill impairment assessment, Habit's forecasted results have improved from those relied upon in our March 31, 2020, interim impairment test and we determined that it was not more likely than not that the fair value of the Habit Burger Grill reporting unit was less than its carrying value.

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 2020, refranchising activity completed by the Company was limited and the write-off of goodwill associated with these transactions was less than $1 million.

See Note 2 for a further discussion of our policies regarding goodwill.

Pension Plans

Certain of our employees are covered under defined benefit pension plans. Our two most significant plans are in the U.S. and combined had a projected benefit obligation ("PBO") of $1,133 million and a fair value of plan assets of $1,014 million at December 31, 2020.

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 2.80% at December 31, 2020. 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 $71 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 $79 million at our measurement date.

The net periodic benefit cost we will record in 2021 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 net periodic benefit cost plus expected pension settlement charges for our U.S. plans to increase approximately $4 million in 2021. A 50 basis-point change in our discount rate assumption at our 2020 measurement date would impact our 2021 U.S. net periodic benefit cost by approximately $8 million. The impacts of changes in net periodic benefit costs are reflected primarily in Other pension (income) expense.

Our estimated long-term rate of return on U.S. plan assets is based upon the weighted-average of historical and expected future returns for each asset category. Our expected long-term rate of return on U.S. plan assets, for purposes of determining 2021 pension expense, at December 31, 2020, was 5.25%, net of administrative and investment fees paid from plan assets. 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 2021 U.S. net periodic benefit cost by approximately $8 million. Additionally, every 100 basis point variation in actual return on plan assets versus our expected return of 5.25% 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 $96 million included in AOCI for these U.S. plans at December 31, 2020. We will recognize approximately $22 million of such loss in net periodic benefit cost in 2021 versus $14 million recognized in 2020. See Note 15.

Income Taxes

At December 31, 2020, we had valuation allowances of approximately $789 million to reduce our $1,636 million of deferred tax assets to amounts that are more likely than not to be realized. The net deferred tax assets primarily relate to temporary differences in profitable U.S. federal, state and foreign jurisdictions and net operating losses in certain foreign jurisdictions, the majority of which do not expire. 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, 2020, we had $175 million of unrecognized tax benefits, $132 million of which would impact the effective tax rate if recognized. 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.

The 2017 Tax Cuts and Jobs Act included a mandatory deemed repatriation tax on accumulated earnings of foreign subsidiaries, and as a result, previously unremitted earnings for which no U.S. deferred tax liability had been provided have now been subject to U.S. tax. Repatriation of earnings generated after December 31, 2017, will generally be eligible for the 100% dividends received deduction or considered a distribution of previously taxed income and, therefore, exempt from U.S. federal tax. Undistributed foreign earnings may still be subject to certain state and foreign income and withholding taxes upon repatriation. Our cash currently held overseas is primarily limited to that necessary to fund working capital requirements. Thus, we have not provided taxes on our foreign unremitted earnings, including U.S. state income and foreign withholding taxes, as we believe they are indefinitely reinvested. 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 total debt, excluding finance leases and debt issuance costs and discounts, of $10.7 billion includes 78% fixed-rate debt and 22% variable-rate debt. We have attempted to minimize the interest rate risk from variable-rate debt through the use of interest rate swaps that, as of December 31, 2020, result in a fixed interest rate on $1.55 billion of our variable-rate debt. As a result, approximately 93% of our $10.7 billion of outstanding debt at December 31, 2020, is effectively fixed-rate debt. See Note 11 for details on our outstanding debt and Note 13 for details related to interest rate swaps.

As of both December 31, 2020 and December 31, 2019, 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 $8 million in Interest expense, net within our Consolidated Statement 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 exclude any impact from interest income related to cash and cash equivalents.

The fair value of our cumulative fixed-rate debt of $8.4 billion as of December 31, 2020, would decrease approximately $475 million as a result of the same hypothetical 100 basis-point increase. At December 31, 2020, a hypothetical 100 basis-point decrease in short-term interest rates would increase the liability associated with the fair value of our interest rate swaps by approximately $24 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. 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 $1.3 billion as of December 31, 2020. 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, 2020, Operating Profit would have decreased approximately $115 million if all foreign currencies had uniformly weakened 10% relative to the U.S. dollar. This estimated reduction assumes no changes in sales volumes, 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

To the Shareholders and Board of Directors
Yum! Brands, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Yum! Brands, Inc. and Subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, cash flows and shareholders' deficit for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired The Habit Restaurants, Inc. and its subsidiaries (Habit Burger Grill) during 2020, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, Habit Burger Grill's internal control over financial reporting associated with approximately 9% of total assets and 6% of total revenues included in the consolidated financial statements of the Company as of and for the year ended December 31, 2020. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Habit Burger Grill.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in fiscal year 2019 due to the adoption of Topic 842, Leases.

Basis for Opinions

The Company'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 Management's Report on Internal Control Over Financial Reporting in the accompanying Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of unrecognized tax benefits

As discussed in Note 18 to the consolidated financial statements, the Company has recorded unrecognized tax benefits, excluding associated interest, of $175 million. Tax laws are complex and often subject to different interpretations by tax payers and the respective taxing authorities.

We identified the evaluation of the Company's unrecognized tax benefits as a critical audit matter. Subjective and complex auditor judgment was required to evaluate tax law and regulations, court rulings and audit settlements in the related taxing jurisdiction to determine the population of significant uncertain tax positions identified by the Company arising from tax planning strategies.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's identification of uncertain tax positions process. This included controls related to (1) identifying tax planning strategies that create significant uncertain tax positions, (2) evaluating interpretations of tax laws and court rulings, and (3) assessing which tax positions may not be sustained upon examination by a taxing authority. We involved tax professionals with specialized skills and knowledge who assisted in:

- Obtaining an understanding of the Company's tax planning strategies;
- Identifying tax positions created by tax planning strategies and comparing the results to the Company's identification of uncertain tax positions;
- Evaluating the Company's interpretation of tax laws and court rulings by developing an independent assessment; and
- Performing an independent assessment to identify tax positions that may not be sustained upon examination by the respective taxing authority and comparing the results to the Company's assessment.

Acquisition-date fair value of the brand and subsequent assessment of goodwill impairment—Habit Burger Grill

As discussed in Note 3 to the consolidated financial statements, the Company completed the acquisition of The Habit Restaurants, Inc. (Habit Burger Grill) during fiscal year 2020 for total cash consideration of $408 million. The acquisition was accounted for as a business combination using the acquisition method of accounting. As a result of the transaction, the Company acquired certain intangible assets, including the Habit Burger Grill brand (the brand). The acquisition-date fair value for the brand was $96 million. The Company performs its goodwill impairment testing on an annual basis and whenever events or circumstances indicate that the carrying value of a reporting unit likely exceeds it fair value. As a result of the impact of COVID-19 on substantially all of Habit Burger Grill restaurants' operations during the first quarter of 2020, the Company performed an interim impairment test of the Habit Burger Grill reporting unit (the reporting unit) and recorded a goodwill impairment charge of $139 million and a corresponding income tax benefit of $32 million.

We identified the evaluation of the acquisition-date fair value of the brand, and the subsequent fair value estimate of the reporting unit for the subsequent goodwill impairment assessment as a critical audit matter. Subjective and complex auditor judgment was required to evaluate the acquisition-date fair value of the brand and subsequent fair value of the reporting unit. The fair value estimates used the following significant assumptions for which there was limited observable market information: projected cash flows, including the projected growth in restaurant unit counts and average unit volumes, royalty rate, and discount rates. The determined fair values of the brand and the reporting unit, which directly impacted the goodwill impairment charge, were subjective determinations and sensitive to variation. Changes in those assumptions could have had a significant effect on acquisition-date fair value of the brand and subsequent fair value of the reporting unit. In addition, due to the economic impact of the COVID-19 pandemic on the Company's business, there was significant uncertainty associated with these inputs.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's acquisition and related impairment process, including controls related to:

- the development of the projected cash flows including the projected growth in restaurant unit counts and average unit volumes used to determine the acquisition-date brand fair value and subsequent fair value of the reporting unit
- the assumed royalty rate used to determine the acquisition-date fair value of the brand; and
- the assumed discount rates used to determine the acquisition-date brand fair value and subsequent fair value of the reporting unit

We compared the Company's projected cash flows including the projected growth in restaurant unit counts and average unit volumes used in the valuations to the underlying business strategies and growth plans for the acquisition. We compared the Company's projected cash flows to Habit Burger Grill's historical results. We involved valuation professionals with specialized skills and knowledge who assisted in:

- evaluating the projected cash flows by comparing them to peer companies used in both the acquisition-date brand fair value and subsequent fair value of the reporting unit
- analyzing the assumed royalty rate by benchmarking against other acquisitions of peer companies; and
- evaluating the discount rates used in the valuations, by comparing them to discount rate ranges that were independently developed using publicly available market data for comparable entities.

/s/ KPMG LLP

We have served as the Company's auditor since 1997.

Louisville, Kentucky

February 19, 2021

Consolidated Statements of Income

Yum! Brands, Inc. and Subsidiaries

Fiscal years ended December 31, 2020, 2019 and 2018

(in millions, except per share data)	2020	2019	2018
Revenues			
Company sales	$ 1,810	$ 1,546	$2,000
Franchise and property revenues	2,510	2,660	2,482
Franchise contributions for advertising and other services	1,332	1,391	1,206
Total revenues	5,652	5,597	5,688
Costs and Expenses, Net			
Company restaurant expenses	1,506	1,235	1,634
General and administrative expenses	1,064	917	895
Franchise and property expenses	145	180	188
Franchise advertising and other services expense	1,314	1,368	1,208
Refranchising (gain) loss	(34)	(37)	(540)
Other (income) expense	154	4	7
Total costs and expenses, net	4,149	3,667	3,392
Operating Profit	1,503	1,930	2,296
Investment (income) expense, net	(74)	67	(9)
Other pension (income) expense	14	4	14
Interest expense, net	543	486	452
Income before income taxes	1,020	1,373	1,839
Income tax provision	116	79	297
Net Income	**$ 904**	**$ 1,294**	**$1,542**
Basic Earnings Per Common Share	**$ 2.99**	**$ 4.23**	**$ 4.80**
Diluted Earnings Per Common Share	**$ 2.94**	**$ 4.14**	**$ 4.69**
Dividends Declared Per Common Share	**$ 1.88**	**$ 1.68**	**$ 1.44**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Yum! Brands, Inc. and Subsidiaries

Fiscal years ended December 31, 2020, 2019 and 2018

(in millions)	**2020**	**2019**	**2018**
Net Income	$ 904	$ 1,294	$ 1,542
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	39	28	(94)
Reclassifications of adjustments and (gains) losses into Net Income	—	—	(4)
	39	28	(98)
Tax (expense) benefit	—	(4)	6
	39	24	(92)
Changes in pension and post-retirement benefits			
Unrealized gains (losses) arising during the year	(8)	(39)	32
Reclassification of (gains) losses into Net Income	18	10	22
	10	(29)	54
Tax (expense) benefit	(2)	7	(13)
	8	(22)	41
Changes in derivative instruments			
Unrealized gains (losses) arising during the year	(99)	(51)	19
Reclassification of (gains) losses into Net Income	6	(25)	(39)
	(93)	(76)	(20)
Tax (expense) benefit	23	20	6
	(70)	(56)	(14)
Other comprehensive income (loss), net of tax	(23)	(54)	(65)
Comprehensive Income	**$ 881**	**$ 1,240**	**$ 1,477**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Yum! Brands, Inc. and Subsidiaries

Fiscal years ended December 31, 2020, 2019 and 2018

(in millions)	**2020**	**2019**	**2018**
Cash Flows – Operating Activities			
Net Income	$ 904	$ 1,294	$ 1,542
Depreciation and amortization	146	112	137
Impairment and closure expense	172	5	6
Refranchising (gain) loss	(34)	(37)	(540)
Investment (income) expense, net	(74)	67	(9)
Contributions to defined benefit pension plans	(6)	(15)	(16)
Deferred income taxes	(65)	(232)	(11)
Share-based compensation expense	97	59	50
Changes in accounts and notes receivable	62	(56)	(66)
Changes in prepaid expenses and other current assets	8	(8)	—
Changes in accounts payable and other current liabilities	128	(36)	(68)
Changes in income taxes payable	(110)	23	65
Other, net	77	139	86
Net Cash Provided by Operating Activities	**1,305**	**1,315**	**1,176**
Cash Flows – Investing Activities			
Capital spending	(160)	(196)	(234)
QuikOrder acquisition, net of cash acquired	—	—	(66)
Acquisition of The Habit Restaurants, Inc., net of cash acquired	(408)	—	—
Proceeds from sale/(purchase) of investment in Grubhub, Inc. common stock	206	—	(200)
Proceeds from refranchising of restaurants	19	110	825
Other, net	8	(2)	(12)
Net Cash Provided by (Used in) Investing Activities	**(335)**	**(88)**	**313**
Cash Flows – Financing Activities			
Proceeds from long-term debt	1,650	800	1,556
Repayments of long-term debt	(1,517)	(331)	(1,264)
Revolving credit facilities, three months or less, net	—	—	—
Short-term borrowings, by original maturity			
More than three months – proceeds	95	130	59
More than three months – payments	(100)	(126)	(59)
Three months or less, net	—	—	—
Repurchase shares of Common Stock	(239)	(815)	(2,390)
Dividends paid on Common Stock	(566)	(511)	(462)
Debt issuance costs	(20)	(10)	(13)
Other, net	(41)	(75)	(47)
Net Cash Used in Financing Activities	**(738)**	**(938)**	**(2,620)**
Effect of Exchange Rate on Cash and Cash Equivalents	**24**	**5**	**(63)**
Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	**256**	**294**	**(1,194)**
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents – Beginning of Year	**768**	**474**	**1,668**
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents – End of Year	**$ 1,024**	**$ 768**	**$ 474**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Yum! Brands, Inc. and Subsidiaries

December 31, 2020 and 2019

(in millions)	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 730	$ 605
Accounts and notes receivable, net	534	584
Prepaid expenses and other current assets	425	338
Total Current Assets	1,689	1,527
Property, plant and equipment, net	1,235	1,170
Goodwill	597	530
Intangible assets, net	343	244
Other assets	1,435	1,313
Deferred income taxes	553	447
Total Assets	**$ 5,852**	**$ 5,231**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and other current liabilities	$ 1,189	$ 960
Income taxes payable	33	150
Short-term borrowings	453	431
Total Current Liabilities	1,675	1,541
Long-term debt	10,272	10,131
Other liabilities and deferred credits	1,796	1,575
Total Liabilities	13,743	13,247
Shareholders' Deficit		
Common Stock, no par value, 750 shares authorized; 300 shares issued in 2020 and 2019	—	—
Accumulated deficit	(7,480)	(7,628)
Accumulated other comprehensive loss	(411)	(388)
Total Shareholders' Deficit	(7,891)	(8,016)
Total Liabilities and Shareholders' Deficit	**$ 5,852**	**$ 5,231**

See accompanying Notes to Consolidated Financial Statements.

Form 10-K

Consolidated Statements of Shareholders' Deficit

Yum! Brands, Inc. and Subsidiaries

Fiscal years ended December 31, 2020, 2019 and 2018

(in millions)	Issued Common Stock Shares	Issued Common Stock Amount	Accumulated Deficit	Accumulated Other Comprehensive Income(Loss)	Total Shareholders' Deficit
Balance at December 31, 2017	**332**	**$ —**	**$ (6,063)**	**$ (271)**	**$ (6,334)**
Net Income			1,542		1,542
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $6 million)				(88)	(88)
Reclassification of translation adjustments into income				(4)	(4)
Pension and post-retirement benefit plans (net of tax impact of $13 million)				41	41
Net loss on derivative instruments (net of tax impact of $6 million)				(14)	(14)
Comprehensive Income					1,477
Dividends declared			(464)		(464)
Repurchase of shares of Common Stock	(28)	(38)	(2,356)		(2,394)
Employee share-based award exercises	2	(41)			(41)
Share-based compensation events		79			79
Adoption of accounting standards			(251)	2	(249)
Balance at December 31, 2018	**306**	**$ —**	**$ (7,592)**	**$ (334)**	**$ (7,926)**
Net Income			1,294		1,294
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $4 million)				24	24
Pension and post-retirement benefit plans (net of tax impact of $7 million)				(22)	(22)
Net loss on derivative instruments (net of tax impact of $20 million)				(56)	(56)
Comprehensive Income					1,240
Dividends declared			(514)		(514)
Repurchase of shares of Common Stock	(8)	(14)	(796)		(810)
Employee share-based award exercises	2	(57)	(18)		(75)
Share-based compensation events		71			71
Adoption of accounting standards			(2)		(2)
Balance at December 31, 2019	**300**	**$ —**	**$ (7,628)**	**$ (388)**	**$ (8,016)**
Net Income			904		904
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature				39	39
Pension and post-retirement benefit plans (net of tax impact of $2 million)				8	8
Net loss on derivative instruments (net of tax impact of $23 million)				(70)	(70)
Comprehensive Income					881
Dividends declared			(569)		(569)
Repurchase of shares of Common Stock	(2)	(71)	(179)		(250)
Employee share-based award exercises	2	(41)			(41)
Share-based compensation events		112			112
Adoption of accounting standards			(8)		(8)
Balance at December 31, 2020	**300**	**$ —**	**$ (7,480)**	**$ (411)**	**$ (7,891)**

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 the "Company," "YUM," "we," "us" or "our") franchise or operate a system of over 50,000 restaurants in more than 150 countries and territories primarily under the concepts of KFC, Pizza Hut, Taco Bell and The Habit Burger Grill (collectively, the "Concepts"). The Company's KFC, Pizza Hut and Taco Bell brands are global leaders of the chicken, pizza and Mexican-style food categories. The Habit Burger Grill, a concept we acquired on March 18, 2020, is a fast-casual restaurant concept specializing in made-to-order chargrilled burgers, sandwiches and more. At December 31, 2020, 98% of our restaurants were owned and operated by franchisees.

Through our widely-recognized Concepts, we develop, operate or franchise a system of both traditional and non-traditional 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. Our traditional restaurants feature dine-in, carryout and, in some instances, drive-thru 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. As of December 31, 2020, over 35,000 of our restaurants are also currently offering delivery. We also operate or franchise multibrand units, where two or more of our Concepts are operated in a single unit.

As of December 31, 2020, YUM consisted of four 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
- The Habit Burger Grill Division which includes our worldwide operations of the Habit Burger Grill concept

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 Consolidated 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 certain entities that operate restaurants under our Concepts' franchise arrangements. We do not typically provide significant financial support such as loans or guarantees to our franchisees. Thus, our most significant variable interests in franchisees result from real estate lease arrangements to which we are a party. At the end of 2020, YUM has future lease payments due from certain franchisees, on a nominal basis, of approximately $1 billion, and we are secondarily liable on certain other lease agreements that have been assigned to certain franchisees. See the Lease Guarantees section in Note 20. As our franchise 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.

We do not have an equity interest in any of our franchisee businesses except for a minority interest in an entity that owns our KFC Brazil and Pizza Hut Brazil master franchisee rights and a minority interest in an entity that operates KFC and Pizza Hut franchised units in India. These minority interests do not give us the ability to significantly influence these entities and we account for our investment in these entities as equity securities. When the fair value of these equity securities is readily determinable we record changes in fair value in Investment (income) expense, net. When the fair value of these equity securities is not readily determinable we apply the measurement alternative in accordance with ASC Topic 321 and, when applicable, record fair value changes from observable prices as well as impairment in Investment (income) expense, net.

We participate in various advertising cooperatives with our franchisees, typically within a country where we have both Company-owned restaurants and franchise restaurants, 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 our Concepts. 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.

Fiscal Year. YUM's fiscal year begins on January 1 and ends December 31 of each year, with each quarter comprised of three months. The majority of our U.S. subsidiaries and certain international subsidiaries operate on a weekly periodic calendar where the first three quarters of each fiscal year consists of 12 weeks and the fourth quarter consists of 16 weeks in fiscal years with 52 weeks and 17 weeks in fiscal years with 53 weeks. Our Habit Burger Grill subsidiaries, which we acquired on March 18, 2020, operate on a weekly periodic calendar where each quarter consists of 13 weeks, except in fiscal years with 53 weeks when the fourth quarter consists of 14 weeks. Our remaining international subsidiaries operate on a monthly calendar similar to that on which YUM operates.

Fiscal year 2019 included 53 weeks for our U.S. businesses and for our international subsidiaries that reported on a period calendar. The 53rd week added $66 million to Total revenues, $24 million to Operating Profit and $17 million to Net Income in our 2019 Consolidated Statement of Income.

Our next fiscal year scheduled to include a 53rd week is 2024.

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 U.S. 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, 2020, net cumulative translation adjustment losses of $182 million are recorded in Accumulated other comprehensive income ("AOCI") 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 AOCI 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.

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, 2020. These reclassifications had no effect on previously reported Net Income.

Revenue Recognition. Below is a discussion of how our revenues are earned, our accounting policies pertaining to revenue recognition subsequent to the adoption of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("Topic 606") and other required disclosures.

We adopted Topic 606 at the beginning of the year ended December 31, 2018, using the modified retrospective method. Topic 606 was applied to all contracts with customers as of January 1, 2018, and the cumulative effect of this transition was recorded as an increase to Accumulated deficit of $240 million as of this date.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue transaction and collected from a customer are excluded from revenue.

Company Sales

Revenues from the sale of food items by Company-owned restaurants are recognized as Company sales when a customer purchases the food, which is when our obligation to perform is satisfied.

Franchise and Property Revenues

Franchise Revenues

Our most significant source of revenues arises from the operation of our Concepts' stores by our franchisees. Franchise rights may be granted through a store-level franchise agreement or through a master franchise agreement that sets out the terms of our arrangement with the franchisee. Our franchise agreements require that the franchisee remit continuing fees to us as a percentage of the applicable restaurant's sales in exchange for the license of the intellectual property associated with our Concepts' brands (the "franchise right"). Our franchise agreements also typically require certain, less significant, upfront franchise fees such as initial fees paid upon opening of a store, fees paid to renew the term of the franchise right and fees paid in the event the franchise agreement is transferred to another franchisee.

Continuing fees represent the substantial majority of the consideration we receive under our franchise agreements. Continuing fees are typically billed and paid monthly and are usually 4%-6% for store-level franchise agreements. Master franchise agreements allow master franchisees to operate restaurants as well as sub-franchise restaurants within certain geographic territories. The percentage of sales that we receive for restaurants owned or sub-franchised by our master franchisees as a continuing fee is typically less than the percentage we receive for restaurants operating under a store-level franchise agreement. Based on the application of the sales-based royalty exception within Topic 606 continuing fees are recognized as the related restaurant sales occur.

Upfront franchise fees are typically billed and paid when a new franchise or sub-franchise agreement becomes effective or when an existing agreement is transferred to another franchisee or sub-franchisee. We have determined that the services we provide in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services we provide to our franchisees. As a result, upfront franchise fees are recognized as revenue over the term of each respective franchise or sub-franchise agreement. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's or sub-franchisee's right to use and benefit from the intellectual property. Revenues from continuing fees and upfront franchise fees are presented within Franchise and property revenues in our Consolidated Statements of Income.

Additionally, from time-to-time we provide non-refundable consideration to franchisees in the form of cash or other incentives (e.g. cash payments to incent new unit openings, free or subsidized equipment, etc.). The Company's intent in providing such consideration is to drive new unit development or same-store sales growth that will result in higher future revenues for the Company. Such payments are capitalized and presented within Prepaid expense and other current assets or Other assets. These assets are being amortized as a reduction in Franchise and property revenues over the period of expected cash flows from the franchise agreements to which the payment relates.

Property Revenues

From time to time, we enter into rental agreements with franchisees for the lease or sublease of restaurant locations. These rental agreements typically originate from refranchising transactions and revenues related to the agreements are recognized as they are earned. Amounts owed under the rental agreements are typically billed and paid on a monthly basis. Revenues from rental agreements with franchisees are presented within Franchise and property revenues within our Consolidated Statements of Income. Related expenses are presented as Franchise and property expenses within our Consolidated Statements of Income and primarily include depreciation or, in the case of a sublease, rental expense.

Franchise Contributions for Advertising and Other Services

Advertising Cooperatives

We have determined we act as a principal in the transactions entered into by the advertising cooperatives we are required to consolidate based on our responsibility to define the nature of the goods or services provided and/or our commitment to pay for advertising services in advance of the related franchisee contributions. Additionally, we have determined the advertising services provided to franchisees are highly interrelated with the franchise right and therefore not distinct. Franchisees remit to these consolidated advertising cooperatives a percentage of restaurant sales as consideration for providing the advertising services. As a result, revenues for advertising services are recognized when the related restaurant sales occur based on the application of the sales-based royalty exception within Topic 606. Revenues for these services are typically billed and received on a monthly basis. These revenues are presented as Franchise contributions for advertising and other services.

Other Goods or Services

On a much more limited basis, we provide goods or services to certain franchisees that are individually distinct from the franchise right because they do not require integration with other goods or services we provide. Such arrangements typically relate to supply chain, quality assurance and information technology services. In instances where we rely on third parties to provide goods or services to franchisees at our direction, we have determined we act as a principal in these transactions. The extent to which we provide such goods or services varies by brand, geographic region and, in some instances, franchisee. Similar to advertising services, receipts related to these other services are presented as Franchise contributions for advertising and other services within our Consolidated Statements of Income. These revenues are recognized as the goods or services are transferred to the franchisee.

Franchise Support Costs. The internal costs we incur to provide support services to our franchisees for which we do not receive a reimbursement are charged to General and administrative expenses ("G&A") as incurred. Certain direct costs of our franchise operations are charged to Franchise and property expenses. These costs include provisions for estimated uncollectible upfront and continuing fees, rent or depreciation expense associated with restaurants we lease or sublease to franchisees, marketing funding on behalf of franchisees, amortization expense for franchise-related intangible assets, value added taxes on royalties and certain other direct incremental franchise support costs.

Expenses related to the provisioning of goods or services for which we receive reimbursement or other payment from a franchisee are recorded in Franchise advertising and other services expense (the associated revenue is recorded within Franchise contributions for advertising and other services as described above). The majority of these expenses relate to advertising and are incurred on behalf of franchisees by the advertising cooperatives we are required to consolidate. These expenses are accounted for as described in the Advertising Costs policy below. For such expenses that do not relate to advertising the expenses are recognized as incurred.

Advertising Costs. To the extent we participate in advertising cooperatives, we, like our participating franchisees, are required to make contributions. Our contributions are based on a percentage of sales of our participating Company restaurants. These contributions as well as direct marketing costs we may incur outside of a cooperative related to Company restaurants are recorded within Company restaurant expenses. Advertising expense included in Company restaurant expenses totaled $68 million, $73 million and $96 million in 2020, 2019 and 2018, respectively.

To the extent we consolidate advertising cooperatives, we incur advertising expense as a result of our obligation to spend franchisee contributions to those cooperatives (see above for our accounting for these contributions). Such advertising expense is recorded in Franchise advertising and other services expense and totaled $1,079 million, $1,133 million and $1,035 million in 2020, 2019 and 2018, respectively. At the end of each fiscal year additional advertising costs are accrued to the extent advertising revenues exceed the related advertising expense to date, as we are obligated to expend such amounts on advertising.

From time to time, we may make the decision to incur discretionary advertising expenditures on behalf of franchised restaurants. Such amounts are recorded within Franchise and property expenses and totaled $10 million, $10 million and $35 million in 2020, 2019 and 2018, respectively.

To the extent the advertising cooperatives we are required to consolidate are unable to collect amounts due from franchisees they incur bad debt expense. In 2020 and 2019 we recorded $7 million in net recoveries and $19 million in net provisions, respectively, within Franchise advertising and other services expense related to recoveries on and provisions for uncollectible franchisee receivables. To the extent our consolidated advertising cooperatives have a provision or recovery for bad debt expense, the cooperative's advertising spend obligation is adjusted such that there is no net impact within our Financial Statements.

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, net of an assumed forfeiture rate, for awards that actually vest. Forfeiture rates are estimated at grant date based on historical experience and compensation cost is adjusted in subsequent periods for differences in actual forfeitures from the previous estimates. We present this compensation cost consistent with the other compensation costs for the employee recipient in either Company restaurant expenses or G&A. 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 Long-Lived Assets. Long-lived assets, including Property, plant and equipment ("PP&E") as well as right-of-use operating lease assets are 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, right-of-use operating lease assets and allocated intangible assets subject to amortization) that we intend to continue operating as Company restaurants 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 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, including any right-of-use 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. Individual restaurant-level impairment is recorded within Other (income) expense. Any right-of-use asset may alternatively be valued at the amount we could receive for such right-of-use asset from a third-party that is not a franchisee through a sublease if doing so would result in less overall impairment of the restaurant assets in total.

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 or rental payments, 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. 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, which includes an estimate of sublease income that could be reasonably obtained, if any, in relation to the right-of-use operating lease asset. Additionally, 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. 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 Other (income) expense. To the extent we sell assets, primarily land, associated with a closed store, any gain or loss upon that sale is also recorded in Other (income) expense.

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. Additionally, effective January 1, 2020, we adopted ASU No. 2016-13 which required that we also recognize as a liability the expected credit losses over the life of such guarantees. As a result of the adoption of ASU No. 2016-13, we recorded a cumulative adjustment to Accumulated deficit of $8 million to establish such expected credit loss liability for our outstanding guarantees.

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 such lease guarantees upon refranchising and upon subsequent renewals of such leases when we remain secondarily 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 property expenses.

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 with the taxing authorities. 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 deferred tax liability for unremitted earnings of our foreign subsidiaries to the extent that the earnings meet the indefinite reversal criteria. This criteria is met if the foreign subsidiary has invested, or will invest, the earnings indefinitely. The decision as to the amount of unremitted 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 U.S.

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 agreements, including contributions due to advertising cooperatives we consolidate. These receivables from franchisees are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts and notes receivable, net on our Consolidated Balance Sheet. Effective with the adoption of ASU No. 2016-13 on January 1, 2020, our receivables are now stated net of expected credit losses. The impact to our net receivables as a result of adopting the standard was not significant. Expected credit losses for uncollectible franchisee receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions we consider include pre-defined aging criteria as well as specified events that indicate we may not collect the balance due. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available data regarding default probability. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is dependent upon future economic events and other conditions that may be beyond our control. 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.

We recorded $12 million, $24 million and $11 million in net provisions within Franchise and property expenses in 2020, 2019 and 2018, respectively, related to uncollectible continuing fees, initial fees and rent receivables from our franchisees.

Accounts and notes receivable as well as the Allowance for doubtful accounts, including balances attributable to our consolidated advertising cooperatives, as of December 31, 2020 and 2019, respectively, are as follows:

	2020	2019
Accounts and notes receivable	$ 579	$ 656
Allowance for doubtful accounts	(45)	(72)
Accounts and notes receivable, net	$ 534	$ 584

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. Balances of notes receivable and direct financing leases due within one year are included in Accounts and notes receivable, net while amounts due beyond one year are included in Other assets. Amounts included in Other assets totaled $72 million (net of an allowance of $5 million) and $68 million (net of an allowance of less than $1 million) at December 31, 2020, and December 31, 2019, 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.

Property, Plant and Equipment. PP&E is carried net of 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 and 3 to 20 years for machinery and equipment. We suspend depreciation and amortization on assets that are held for sale.

Leases and Leasehold Improvements. We adopted ASU No. 2016-02, Leases ("Topic 842") as of the beginning of the year ended December 31 ,2019, using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of 2019. The cumulative effect of this transition was recorded as an increase to Accumulated deficit of $2 million as of this date. We lease land, buildings or both for certain of our Company-operated restaurants and restaurant support centers worldwide. Rental expense for leased Company-operated restaurants is presented in our Consolidated Statements of Income within Company restaurant expenses and rental expense for restaurant support centers is presented within G&A. 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 finance or operating as well as 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 certain at the commencement of the lease. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements that 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. Our leasing activity for other assets, including equipment, is not significant.

Right-of-use assets and liabilities are recognized upon lease commencement for operating and finance leases based on the present value of lease payments over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Subsequent amortization of the right-of-use asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the lease term. For finance leases, the right-of-use asset is depreciated on a straight-line basis over the lesser of the useful life of the leased asset or lease term. Interest on each finance lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. As most of our leases do not provide an implicit discount rate, we use our incremental secured borrowing rate based on the information available at commencement date, including the lease term and currency, in determining the present value of lease payments for both operating and finance leases. Leases with an initial term of 12 months or less are not recorded in the Consolidated Balance Sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Right-of-use assets are assessed for impairment in accordance with our long-lived asset impairment policy, which is performed annually for restaurant-level assets or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We reassess lease classification and remeasure right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment. The difference between operating lease rental expense recognized in our Consolidated Statements of Income and cash payments for operating leases is recognized within Other, net within Net Cash Provided by Operating Activities in our Consolidated Statements of Cash Flows.

In certain instances, we lease or sublease certain restaurants to franchisees. Our lessor and sublease portfolio primarily consists of stores that have been leased to franchisees subsequent to refranchising transactions. Our most significant leases with lease and non-lease components are leases with our franchisees that include both the right to use a restaurant as well as a license of the intellectual property associated with our Concepts' brands. For these leases, which are primarily classified as operating leases, we account for the lease and non-lease components separately. Revenues from rental agreements with franchisees are presented within Franchise and property revenues in our Consolidated Statements of Income and related expenses (e.g. depreciation and rent expense) are presented within Franchise and property 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, Taco Bell and Habit Burger Grill 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, if any, 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. At the beginning of the quarter ended March 31, 2020, we adopted ASU No. 2017-04, which eliminated the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, an impairment charge is recognized based on the excess of a reporting unit's carrying amount over its fair value. This standard required prospective application, beginning with the quarter ended March 31, 2020. As a result, the goodwill impairment charge related to our Habit Burger Grill reporting unit (see Note 3) was measured as the excess of the reporting unit's carrying value over its fair value.

If we record goodwill upon acquisition of a restaurant(s) from a franchisee and such restaurant(s) is then sold within two years of acquisition, the goodwill associated with the acquired restaurant(s) is written off in its entirety. If the restaurant is refranchised two years or more subsequent to its acquisition, we include goodwill in the carrying amount of the restaurants disposed of based on the relative fair values of the portion of the reporting unit disposed of in the refranchising and the portion of the reporting unit that will be retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which includes a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transition. The fair value of the reporting unit retained is based on the price a willing buyer would pay for the reporting unit and includes the value of franchise agreements. Appropriate adjustments are made if a franchise agreement includes terms that are determined to not be at prevailing market rates. As such, the fair value of the reporting unit retained can include expected cash flows from future royalties from those restaurants currently being refranchised, future royalties from existing franchise businesses and company restaurant operations. As a result, the percentage of a reporting unit's goodwill that will be written off in a refranchising transaction will be less than the percentage of the reporting unit's

Company-owned restaurants that are refranchised in that transaction and goodwill can be allocated to a reporting unit with only franchise restaurants.

We evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, we amortize the intangible asset prospectively over its estimated remaining useful life. Intangible assets that are deemed to have a definite life are amortized on a straight-line basis to their residual value.

We evaluate our indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairments might exist. We perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. We may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of an indefinite-lived intangible asset exceeds its carrying value, then the asset's fair value is compared to its carrying value. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is estimated by discounting the expected future after-tax cash flows associated with the intangible asset.

Our definite-lived intangible assets that are not allocated to an individual restaurant are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. An intangible asset that is deemed not recoverable on an undiscounted basis is written down to its estimated fair value, which is our estimate of the price a willing buyer would pay for the intangible asset based on discounted expected future after-tax cash flows. For purposes of our impairment analysis, we update the cash flows that were initially used to value the definite-lived intangible asset to reflect our current estimates and assumptions over the asset's future remaining life.

Capitalized Software. We state capitalized software at cost less accumulated amortization within Intangible assets, net on our Consolidated Balance Sheets. We calculate amortization on a straight line basis over the estimated useful life of the software which ranges from 3 to 7 years upon initial capitalization.

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, gain or loss on the derivative instrument is reported as a component of AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. 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, 2020 and December 31, 2019, all of the counterparties to our interest rate 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, or other deductions to Common Stock such as shares cancelled upon employee share-based award exercises, 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, or other deductions to Common Stock as an addition to 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, $179 million, $796 million and $2,356 million in share repurchases in 2020, 2019 and 2018, respectively, were recorded as an addition to Accumulated deficit. Additionally, $18 million related to shares cancelled upon employee share-based award exercises in 2019 were recorded as an addition to Accumulated deficit. 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 AOCI.

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, or remeasurement period, if applicable. We record the service cost component of net periodic benefit costs in G&A. Non-service cost components are recorded in Other pension (income) expense. We have elected to use a market-related value of plan assets to calculate the expected return on assets, net of administrative and investment fees paid from plan assets, in net periodic benefit costs. For each individual plan we amortize into pension expense the net amounts in AOCI, 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. The market-related value of plan assets is the fair value of plan assets as of the beginning of each year adjusted for variances between actual returns and expected returns. We attribute such variances to the market-related value of plan assets evenly over five years.

We record a curtailment when an event occurs that significantly reduces the expected years of future service or eliminates the accrual of defined benefits for the future services of a significant number of employees. We record a curtailment gain when the employees who are entitled to the benefits terminate their employment; we record a curtailment loss when it becomes probable a loss will occur. We recognize settlement gains or losses only when we have determined that the cost of all settlements in a year will exceed the sum of the service and interest costs within an individual plan.

NOTE 3 – Habit Burger Grill Acquisition

On March 18, 2020, we completed the acquisition of all of the issued and outstanding common shares of The Habit Restaurants, Inc. As of the date of acquisition, The Habit Restaurants, Inc. operated 245 company-owned and 31 franchised Habit Burger Grill restaurants across the U.S. and in China, offering a flavor-forward variety of made-to-order items chargrilled over an open flame. We expect Habit Burger Grill to benefit from the global scale and resources of YUM and that the acquisition will accelerate and diversify YUM's growth.

Total cash consideration paid in connection with the acquisition was $408 million, net of acquired cash of $20 million. This included $9 million for the settlement of existing share-based awards previously issued to The Habit Restaurants, Inc. employees and $53 million associated with an obligation to former shareholders of The Habit Restaurants, Inc. related to a tax receivable agreement entered into in connection with its initial public offering in 2014. The acquisition was accounted for as a business combination using the acquisition method of accounting.

During the quarter ended December 31, 2020, we adjusted our preliminary estimate of the fair value of net assets acquired. The components of the preliminary purchase price allocation upon the March 18, 2020, acquisition, subsequent to the adjustments to the allocation through the year ended December 31, 2020, were as follows:

Total Current Assets	$ 11
Property, plant and equipment, net	111
Habit Burger Grill brand (included in Intangible assets, net)	96
Operating lease right-of-use assets (included in Other assets)	196
Other assets	28
Total Assets	442
Total Current Liabilities	(69)
Operating lease liabilities (included in Other liabilities and deferred credits)	(170)
Other liabilities	(1)
Total Liabilities	(240)
Total identifiable net assets	202
Goodwill	206
Net consideration transferred	$ 408

The adjustments to the preliminary estimate of identifiable net assets acquired resulted in a corresponding $13 million decrease in estimated goodwill due to the following changes to the preliminary purchase price allocation.

Change in	Increase (Decrease) in Goodwill
Total Current Assets	$ 1
Property, plant and equipment, net	18
Habit Burger Grill brand (included in Intangible assets, net)	2
Operating lease right-of-use assets (included in Other assets)	(33)
Other assets	(6)
Total Current Liabilities	1
Operating lease liabilities (included in Other liabilities and deferred credits)	5
Other liabilities	(1)
Total decrease in goodwill	$ (13)

The preliminary allocation of the purchase price was based on management's analysis as of March 18, 2020. We will continue to obtain information to assist in determining the fair value of net assets acquired during the remaining measurement period.

The Habit Burger Grill brand, which includes the related trademarks, was valued by applying the income approach through a relief from royalty analysis and it has been assigned an indefinite life and, therefore, will not be amortized. The brand asset will be tested 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 indicate impairment might exist.

The excess of the purchase price over the preliminary estimated fair value of the net, identifiable assets acquired was recorded as goodwill. The factors contributing to the recognition of goodwill were several strategic and synergistic benefits that are expected to be realized by Habit Burger Grill from the acquisition. These benefits include leveraging YUM's scale and resources in unit development, primarily through franchising, supply chain and global brand-building. Goodwill determined through the purchase price allocation will be entirely allocated to the Habit Burger Grill Division and goodwill of approximately $200 million is expected to be deductible for tax purposes.

The pro forma impact on our results of operations if the acquisition had been completed as of the beginning of 2019 would not have been significant.

During the first quarter of 2020, the operations of substantially all Habit Burger Grill restaurants were impacted by COVID-19. As a result, we performed an interim impairment test of the Habit Burger Grill reporting unit goodwill as of March 31, 2020. This test of impairment included comparing the estimated fair value of the Habit Burger Grill reporting unit to its carrying value, including goodwill, as originally determined through our preliminary purchase price allocation. The fair value estimate of the Habit Burger Grill reporting unit was based on the estimated price a willing buyer would pay for the reporting unit and was determined using an income approach through a discounted cash flow analysis using unobservable inputs (Level 3). The most impactful of these inputs included future average unit volumes of Habit Burger Grill restaurants as well as restaurant unit counts. The fair value was determined based upon a probability-weighted average of three scenarios, which included assumed recovery of Habit Burger Grill average unit volumes to a pre – COVID-19 level over periods ranging from the beginning of 2021 to the end of 2022. Factors impacting restaurant unit counts were near-term unit closures as the result of COVID-19 as well as the pace of expected new unit development. Unit counts assumed were correlated with the expected recoveries in average unit volumes. Based upon this fair value estimate, we determined that the carrying value of our Habit Burger Grill reporting unit exceeded its fair value. As a result, during the first quarter of 2020 we recorded a goodwill impairment charge of $139 million to Other (income) expense and a corresponding income tax benefit of $32 million. As we continued to refine our preliminary purchase price allocation in the quarter ended September 30, 2020, the impairment charge was adjusted upward by $5 million, which resulted in a corresponding income tax benefit of $1 million. The amount of the goodwill impairment charge and related tax benefit could change again as we finalize the purchase price allocation associated with the acquisition.

During the fourth quarter of 2020, in accordance with our policy on evaluating goodwill and indefinite-lived intangible assets annually for impairment, we performed an impairment test of the Habit Burger Grill reporting unit goodwill and Habit Burger Grill brand asset. The fair values of the reporting unit goodwill and brand asset were determined to be in excess of their respective carrying values and no further impairment charges were recorded.

NOTE 4 – Earnings Per Common Share ("EPS")

	2020	2019	2018
Net Income	$ 904	$ 1,294	$ 1,542
Weighted-average common shares outstanding (for basic calculation)	302	306	322
Effect of dilutive share-based employee compensation	5	7	7
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	307	313	329
Basic EPS	$ 2.99	$ 4.23	$ 4.80
Diluted EPS	$ 2.94	$ 4.14	$ 4.69
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS computation[(a)]	4.8	2.0	2.0

(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.*

Form 10-K

NOTE 5 – Items Affecting Comparability of Net Income and Cash Flows

Refranchising (Gain) Loss

The Refranchising (gain) loss by our Divisional reportable segments is presented below. Given the size and volatility of refranchising initiatives, our chief operating decision maker ("CODM") does not consider the impact of Refranchising (gain) loss when assessing Divisional segment performance. As such, we do not allocate such gains and losses to our Divisional segments for performance reporting purposes.

During the years ended December 31, 2020, 2019 and 2018, we refranchised 97, 25 and 660 restaurants, respectively. Additionally, during the years ended December 31, 2020 and 2019, we sold certain restaurant assets associated with existing franchise restaurants to the franchisee. We received $19 million, $110 million and $825 million in pre-tax cash refranchising proceeds in 2020, 2019 and 2018, respectively. In 2020, we also received as refranchising proceeds minority interests in an entity that operates KFC and Pizza Hut franchised units in India. At the time of the refranchisings, these minority interests had fair values of $31 million. In 2019, we also received as refranchising proceeds a minority interest in an entity that owns our KFC Brazil and Pizza Hut Brazil master franchisee rights. At the time of refranchising, this minority interest had a fair value of $6 million.

A summary of Refranchising (gain) loss is as follows:

	Refranchising (gain) loss		
	2020	2019	2018
KFC Division	$ (33)	$ (6)	$ (240)
Pizza Hut Division	1	—	13
Taco Bell Division	(2)	(31)	(313)
Worldwide	$ (34)	$ (37)	$ (540)

Unlocking Opportunity Initiative

On June 24, 2020, the Yum! Brands, Inc. Board of Directors approved the establishment of the Company's new global "Unlocking Opportunity Initiative" including a $100 million investment over the next five years to fight inequality by unlocking opportunities for employees, restaurant team members and communities. The Company contributed $50 million in the second quarter of 2020 to Yum! Brands Foundation, Inc. (a stand-alone, not-for-profit organization that is not consolidated in the Company's results) as part of these efforts and investment. As a result of the size and specific nature of this contribution it was not allocated to any of our segment operating results for performance reporting purposes.

COVID-19 Relief

During the year ended December 31, 2020, we recorded a charge of $25 million related to a contribution made to Yum! Brands Foundation, Inc. expected to fund past and anticipated payments for COVID-19 relief provided to restaurant-level employees within the YUM system diagnosed with COVID-19 or acting as the primary caregiver for someone diagnosed with COVID-19. As a result of the size and specific nature of this contribution it was not allocated to any of our segment operating results for performance reporting purposes.

Resource Optimization

During the year ended December 31, 2020, we recorded charges of $36 million and $2 million to G&A expenses and Other pension (income) expense, respectively, associated with a voluntary early retirement program offered to our U.S. based employees and a worldwide severance program. These programs were part of our efforts to optimize our resources, reallocating them toward critical areas of the business that will drive future growth. These critical areas include accelerating our digital, technology and innovation capabilities to deliver a modern, world-class team member and customer experience and improve unit economics. Due to their scope and size, these costs were not allocated to any of our segment operating results for performance reporting purposes.

Redemption of Subsidiary Senior Unsecured Notes

During the quarter ended September 30, 2020, certain subsidiaries of the Company issued a notice of redemption for $1,050 million aggregate principal amount of 5.00% Subsidiary Senior Unsecured Notes due in 2024. The redemption amount included a $26 million call premium plus accrued and unpaid interest to the date of redemption of October 9, 2020. We recorded the call premium, $6 million of unamortized debt issuance costs associated with the notes and $2 million of accrued and unpaid interest associated with the period of time from prepayment of the notes with the trustee on September 25, 2020, to their redemption date within Interest expense, net. See Note 11.

Investment in Grubhub, Inc. ("Grubhub")

In April of 2018 we purchased 2.8 million shares of Grubhub common stock for $200 million. In the quarter ended September 30, 2020, we sold our entire investment in Grubhub and received proceeds of $206 million. While we held our investment in Grubhub common stock we recognized changes in the fair value in our investment in our Consolidated Statements of Income. For the years ended December 31, 2020, 2019 and 2018, we recognized pre-tax investment income of $69 million, pre-tax investment expense of $77 million and pre-tax investment income of $14 million, respectively.

Income Tax Matters

In the fourth quarter of 2019, we completed intra-entity transfers of certain intellectual property rights. As a result of the transfer of certain of these rights, largely to subsidiaries in the United Kingdom ("UK"), we received a step-up in tax basis to current fair value under applicable tax law. To the extent this step-up in tax basis will be amortizable against future taxable income, we recognized one-time deferred tax benefits of $3 million and $226 million in the quarters ended December 31, 2020 and December 31, 2019, respectively. During the quarter ended September 30, 2020, the UK Finance Act 2020 was enacted resulting in an increase in the UK corporate tax rate from 17% to 19%. As a result, in the quarter ended September 30, 2020, we remeasured the related deferred tax asset originally recorded in the fourth quarter of 2019. This remeasurement resulted in the recognition of an additional $25 million deferred tax benefit in the quarter ended September 30, 2020.

During the year ended December 31, 2018, we recorded a $35 million decrease related to our provisional tax expense recorded in the fourth quarter of 2017 associated with the Tax Cuts and Jobs Act of 2017 ("Tax Act").

See Note 18.

NOTE 6 – Revenue Recognition

Disaggregation of Total Revenues

The following tables disaggregate revenue by Concept, for our two most significant markets based on Operating Profit and for all other markets. We believe this disaggregation best reflects the extent to which the nature, amount, timing and uncertainty of our revenues and cash flows are impacted by economic factors.

	2020				
	KFC Division	**Pizza Hut Division**	**Taco Bell Division**	**Habit Burger Grill Division**	**Total**
U.S.					
Company sales	$ 60	$ 21	$ 882	$ 346	$ 1,309
Franchise revenues	184	272	593	1	1,050
Property revenues	16	5	44	—	65
Franchise contributions for advertising and other services	18	317	483	—	818
China					
Franchise revenues	204	51	—	—	255
Other					
Company sales	446	55	—	—	501
Franchise revenues	833	222	25	—	1,080
Property revenues	58	2	—	—	60
Franchise contributions for advertising and other services	453	57	4	—	514
	$ 2,272	$ 1,002	$ 2,031	$ 347	$ 5,652

	2019			
	KFC Division	**Pizza Hut Division**	**Taco Bell Division**	**Total**
U.S.				
Company sales	$ 74	$ 21	$ 919	$ 1,014
Franchise revenues	175	282	602	1,059
Property revenues	20	6	44	70
Franchise contributions for advertising and other services	10	318	483	811
China				
Franchise revenues	214	60	—	274
Other				
Company sales	497	33	2	532
Franchise revenues	912	246	27	1,185
Property revenues	69	3	—	72
Franchise contributions for advertising and other services	520	58	2	580
	$ 2,491	$ 1,027	$ 2,079	$ 5,597

Contract Liabilities

Our contract liabilities are comprised of unamortized upfront fees received from franchisees. A summary of significant changes to the contract liability balance during 2020 and 2019 is presented below.

	Deferred Franchise Fees
Balance at December 31, 2018	$ 414
Revenue recognized that was included in unamortized upfront fees received from franchisees at the beginning of the period	(70)
Increase for upfront fees associated with contracts that became effective during the period, net of amounts recognized as revenue during the period	93
Other[(a)]	4
Balance at December 31, 2019	$ 441
Revenue recognized that was included in unamortized upfront fees received from franchisees at the beginning of the period	(76)
Increase for upfront fees associated with contracts that became effective during the period, net of amounts recognized as revenue during the period	53
Other[(a)]	(3)
Balance at December 31, 2020	$ 415

(a) *Includes impact of foreign currency translation.*

We expect to recognize contract liabilities as revenue over the remaining term of the associated franchise agreement as follows:

Less than 1 year	$ 64
1 - 2 years	60
2 - 3 years	55
3 - 4 years	50
4 - 5 years	44
Thereafter	142
Total	$ 415

We have applied the optional exemption, as provided for under Topic 606, which allows us to not disclose the transaction price allocated to unsatisfied performance obligations when the transaction price is a sales-based royalty.

NOTE 7 – Supplemental Cash Flow Data

	2020	2019	2018
Cash Paid For:			
Interest	$ 480	$ 497	$ 455
Income taxes	328	283	279
Significant Non-Cash Investing and Financing Activities:			
Finance lease obligations incurred	$ 4	$ 14	$ 4
Finance lease and other debt obligations transferred through refranchising	(1)	(1)	(24)
Non-cash refranchising proceeds[(c)]	31	6	—
Reconciliation of Cash and cash equivalents to Consolidated Statements of Cash Flows:			
Cash and cash equivalents as presented in Consolidated Balance Sheets	$ 730	$ 605	$ 292
Restricted cash included in Prepaid expenses and other current assets[(a)]	258	138	151
Restricted cash and restricted cash equivalents included in Other assets[(b)]	36	25	31
Cash, Cash Equivalents and Restricted Cash as presented in Consolidated Statements of Cash Flows	$ 1,024	$ 768	$ 474

(a) *Restricted cash within Prepaid expenses and other current assets reflects cash related to advertising cooperatives that we consolidate that can only be used to settle obligations of the respective cooperatives and Taco Bell Securitization interest reserves (See Note 11).*

(b) *Primarily trust accounts related to our self-insurance program.*

(c) *In 2020 we received as refranchising consideration a minority interest in an entity that operates KFC and Pizza Hut franchised units in India and in 2019 we received as refranchising consideration a minority interest in an entity that owns our KFC Brazil and Pizza Hut Brazil master franchisee rights, respectively (See Note 5).*

NOTE 8 – Other (Income) Expense

	2020	2019	2018
Foreign exchange net (gain) loss and other[(a)]	$ (18)	$ (1)	$ 1
Impairment and closure expense[(b)]	172	5	6
Other (income) expense	$ 154	$ 4	$ 7

(a) *The year ended December 31, 2019, includes a charge of $8 million for the settlement of contingent consideration associated with our 2013 acquisition of the KFC Turkey and Pizza Hut Turkey businesses.*

(b) *The year ended December 31, 2020, includes a charge of $144 million related to the impairment of Habit Burger Grill goodwill. The year ended December 31, 2020, also includes charges of $12 million related to the impairment of restaurant-level assets and charges of $11 million related to the write-off of software no longer being used.*

The years ended December 31, 2019 and 2018 primarily included impairment of restaurant-level assets and store closure expenses, respectively.

NOTE 9 – Supplemental Balance Sheet Information

Prepaid Expenses and Other Current Assets	**2020**	**2019**
Income tax receivable	$ 35	$ 39
Restricted cash	258	138
Assets held for sale[(a)]	7	25
Other prepaid expenses and current assets	125	136
Prepaid expenses and other current assets	$ 425	$ 338

Property, Plant and Equipment	**2020**	**2019**
Land	$ 428	$ 408
Buildings and improvements	1,423	1,325
Finance leases, primarily buildings	71	68
Machinery, equipment and other	543	505
Property, plant and equipment, gross	2,465	2,306
Accumulated depreciation and amortization	(1,230)	(1,136)
Property, plant and equipment, net	$ 1,235	$ 1,170

Depreciation and amortization expense related to PP&E was $132 million, $114 million and $146 million in 2020, 2019 and 2018, respectively.

Other Assets	**2020**	**2019**
Operating lease right-of-use assets	$ 851	$ 642
Investment in Grubhub common stock[(b)]	—	137
Franchise incentives	163	174
Other	421	360
Other assets	$ 1,435	$ 1,313

Accounts Payable and Other Current Liabilities	**2020**	**2019**
Accounts payable	$ 215	$ 173
Accrued compensation and benefits	225	223
Accrued advertising	196	96
Operating lease liabilities	97	67
Accrued taxes, other than income taxes	36	52
Other current liabilities	420	349
Accounts payable and other current liabilities	$ 1,189	$ 960

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

(b) In the third quarter of 2020 we sold our entire investment in Grubhub, Inc. common stock and received proceeds of $206 million.

NOTE 10 – Goodwill and Intangible Assets

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

	KFC	Pizza Hut	Taco Bell	Habit Burger Grill	Worldwide
Goodwill, net as of December 31, 2018[(a)]	$ 230	$ 196	$ 99	$ —	$ 525
Disposal and other, net[(b)]	3	3	(1)	—	5
Goodwill, net as of December 31, 2019[(a)]	$ 233	$ 199	$ 98	$ —	$ 530
Disposal and other, net[(b)]	2	3	—	—	5
Habit Burger Grill acquisition and impairment (See Note 3)	—	—	—	62	62
Goodwill, net as of December 31, 2020[(a)]	$ 235	$ 202	$ 98	$ 62	$ 597

(a) Goodwill, net includes $144 million of accumulated impairment loss recorded in the year ended December 31, 2020, related to our Habit Burger Grill segment and $17 million of accumulated impairment losses for each year presented related to our Pizza Hut segment.

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

Intangible assets, net for the years ended 2020 and 2019 are as follows:

	2020		2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets				
Capitalized software costs	$ 335	$ (160)	$ 306	$ (130)
Reacquired franchise rights	39	(33)	38	(32)
Franchise contract rights	100	(85)	100	(83)
Lease tenancy rights	5	(1)	5	(1)
Other	48	(32)	38	(28)
	$ 527	$ (311)	$ 487	$ (274)
Indefinite-lived intangible assets				
KFC trademark	$ 31		$ 31	
Habit Burger Grill brand asset	96		—	
	$ 127		$ 31	

Amortization expense for all definite-lived intangible assets was $63 million in 2020, $52 million in 2019 and $37 million in 2018. Amortization expense for definite-lived intangible assets is expected to approximate $70 million in 2021, $52 million in 2022, $41 million in 2023, $24 million in 2024 and $15 million in 2025.

NOTE 11 – Short-term Borrowings and Long-term Debt

	2020	2019
Short-term Borrowings		
Current maturities of long-term debt	$ 463	$ 437
Other	—	4
	463	441
Less current portion of debt issuance costs and discounts	(10)	(10)
Short-term borrowings	$ 453	$ 431
Long-term Debt		
Securitization Notes	$ 2,869	$ 2,898
Subsidiary Senior Unsecured Notes	1,800	2,850
Term Loan A Facility	431	463
Term Loan B Facility	1,916	1,935
YUM Senior Unsecured Notes	3,725	2,425
Finance lease obligations (See Note 12)	72	77
	$ 10,813	$ 10,648
Less debt issuance costs and discounts	(78)	(80)
Less current maturities of long-term debt	(463)	(437)
Long-term debt	$ 10,272	$ 10,131

Securitization Notes

Taco Bell Funding, LLC (the "Issuer"), a special purpose limited liability company and a direct, wholly-owned subsidiary of Taco Bell Corp. ("TBC") through a series of securitization transactions has issued fixed rate senior secured notes collectively referred to as the "Securitization Notes". The following table summarizes Securitization Notes outstanding at December 31, 2020:

Issuance Date	Anticipated Repayment Date(a)	Outstanding Principal *(in millions)*	Interest Rate Stated	Interest Rate Effective(b)
May 2016	May 2023	$ 483	4.377%	4.59%
May 2016	May 2026	$ 965	4.970%	5.14%
November 2018	November 2023	$ 808	4.318%	4.53%
November 2018	November 2028	$ 613	4.940%	5.06%

(a) The legal final maturity dates of the Securitization Notes issued in 2016 and 2018 are May 2046 and November 2048, respectively. If the Issuer has not repaid or refinanced a series of Securitization 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 Securitization Notes.

(b) Includes the effects of the amortization of any discount and debt issuance costs.

The Securitization Notes were issued in transactions 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 ("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 continuing 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 Securitization Notes are due on a quarterly basis. In general, no amortization of principal of the Securitization 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 related 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 are required. As of the most recent quarterly measurement date the consolidated leverage ratio for both the Company and its subsidiaries as well as the Issuer and its subsidiaries exceeded 5.0:1 and, as a result, amortization payments are required.

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 Securitization 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 related indenture) of at least 1.1:1, gross domestic sales for U.S. Taco Bell 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 Securitization 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, 2020, 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, 2020, the Company had restricted cash of $85 million primarily related to required interest reserves included in Prepaid expenses and other current assets on the Consolidated Balance Sheets. 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 most recent quarter ended December 31, 2020, the Securitization Entities maintained a debt service coverage ratio significantly in excess of the 1.75:1 requirement.

Term Loan Facilities, Revolving Facility and Subsidiary Senior Unsecured Notes

KFC Holding Co., Pizza Hut Holdings, LLC, and TBA, each of which is a wholly-owned subsidiary of the Company, as co-borrowers (the “Borrowers”) have entered into a credit agreement providing for senior secured credit facilities and a $1.0 billion revolving facility (the Revolving Facility”). The senior secured credit facilities, which include a Term Loan A Facility and a Term Loan B Facility, and the Revolving Facility are collectively referred to as the “Credit Agreement”. Additionally, the Borrowers through a series of transactions have issued Subsidiary Senior Unsecured Notes (collectively referred to as the “Subsidiary Senior Unsecured Notes”).

On September 9, 2020, the Borrowers issued a notice of redemption for October 9, 2020, for $1,050 million aggregate principal amount of 5.00% Subsidiary Senior Unsecured Notes due in 2024 (the “2024 Notes”). On September 25, 2020, using the net proceeds from the issuance of the 2031 Notes (defined below) and cash on hand the Company prepaid the 2024 Notes and deposited sufficient funds with The Bank of New York Mellon Trust Company, N.A., as trustee under the related indenture, to redeem the 2024 Notes at their aggregate redemption price and the indenture with respect to the 2024 Notes was discharged.

The redemption amount was equal to 102.50% of the principal amount redeemed, reflecting a $26 million “call premium”, plus accrued and unpaid interest to the date of redemption. We recognized the call premium, $6 million of unamortized debt issuance costs associated with the 2024 Notes and $2 million of accrued and unpaid interest associated with the period of time from prepayment of the notes with the trustee to their redemption date within Interest expense, net.

The following table summarizes borrowings outstanding under the Credit Agreement as well as our Subsidiary Senior Unsecured Notes as of December 31, 2020. There are no outstanding borrowings under the Revolving Facility and $1.3 million of letters of credit outstanding as of December 31, 2020.

	Issuance Date	Maturity Date	Outstanding Principal *(in millions)*	Interest Rate Stated	Interest Rate Effective[(b)]
Term Loan A Facility	June 2016	June 2022	$ 431	(a)	3.22%
Term Loan B Facility	June 2016	April 2025	$ 1,916	(a)	3.53%
Senior Note Due 2026	June 2016	June 2026	$ 1,050	5.25%	5.39%
Senior Note Due 2027	June 2017	June 2027	$ 750	4.75%	4.90%

(a) *The interest rates applicable to the Term Loan A Facility as well as the Revolving Facility range from 1.25% to 1.75% plus LIBOR or from 0.25% to 0.75% 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 (as defined in the Credit Agreement). As of December 31, 2020, the interest rate spreads on the LIBOR and Base Rate applicable to our Term Loan A Facility were 1.25% and 0.25%, respectively.*

The interest rates applicable to the Term Loan B Facility are 1.75% plus LIBOR or 0.75% plus the Base Rate, at the Borrowers’ election.

(b) *Includes the effects of the amortization of any discount and debt issuance costs as well as the impact of the interest rate swaps on the Term Loan B Facility (See Note 13). The effective rates related to our Term Loan A and B Facilities are based on LIBOR-based interest rates through December 31, 2020.*

The Term Loan A Facility is currently subject to quarterly amortization payments in an amount equal to 1.875% of the initial principal amount of the facility. These amortization payments will increase to an amount equal to 3.75% of the initial principal amount of the facility beginning with our payment in the third quarter of 2021, with the balance payable at maturity on June 7, 2022.

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 April 3, 2025.

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, 2020.

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, 2020.

YUM Senior Unsecured Notes

The majority of our remaining long-term debt primarily comprises YUM Senior Unsecured Notes. The following table summarizes all YUM Senior Unsecured Notes issued that remain outstanding at December 31, 2020:

Issuance Date	Maturity Date	Principal Amount *(in millions)*	Interest Rate Stated	Interest Rate Effective(a)
October 2007	November 2037	$ 325	6.88%	7.45%
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%
September 2019	January 2030	$ 800	4.75%	4.90%
April 2020	April 2025	$ 600	7.75%	8.05%
September 2020	March 2031	$ 1,050	3.63%	3.77%

(a) 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.

On April 1, 2020, Yum! Brands, Inc. issued $600 million aggregate principal amount of 7.75% YUM Senior Unsecured Notes due April 1, 2025, (the "2025 Notes"). The net proceeds from the issuance were used to pay the fees and expenses of the offering with remaining amounts used for general corporate purposes. Interest on the 2025 Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2020. On September 25, 2020, Yum! Brands, Inc. issued $1,050 million aggregate principal amount of 3.625% YUM Senior Unsecured Notes due March 15, 2031, (the "2031 Notes"). Interest on the 2031 Notes is payable semi-annually in arrears on March 15 and September 15 of each year, beginning on March 15, 2021. The Company paid debt issuance costs of $7 million and $13 million in connection with the 2025 Notes and 2031 Notes, respectively. These debt issuance costs are being amortized to Interest expense, net over the life of the notes using the effective interest rate method.

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 ($100 million or more in the case of the 2025 Notes, the 2030 Notes and the 2031 Notes) 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 annual maturities of all Short-term borrowings and Long-term debt as of December 31, 2020, excluding finance lease obligations of $72 million and debt issuance costs and discounts of $88 million are as follows:

Year ended:	
2021	$ 455
2022	424
2023	1,626
2024	36
2025	2,452
Thereafter	5,748
Total	$ 10,741

Interest expense on Short-term borrowings and Long-term debt was $558 million, $519 million and $496 million in 2020, 2019 and 2018, respectively.

NOTE 12 – Lease Accounting

Components of Lease Expense

	2020	2019
Operating lease cost	$ 137	$ 115
Finance lease cost		
Amortization of right-of-use assets	5	3
Interest on lease liabilities	3	3
Total finance lease cost	$ 8	$ 6
Sublease income	$ (60)	$ (69)

Rental expense related to operating leases was $151 million for the year ended December 31, 2018.

Supplemental Cash Flow Information

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 133	$ 104
Operating cash flows from finance leases	3	3
Financing cash flows from finance leases	5	4
Right-of-use assets obtained in exchange for lease obligations		
Operating leases[(a)]	296	79
Finance leases	4	14

(a) The year ended December 31, 2020, includes right-of-use assets acquired as part of the acquisition of Habit Burger Grill of $196 million (See Note 3).

Supplemental Balance Sheet Information

	2020	2019	Consolidated Balance Sheet
Assets			
Operating lease right-of-use assets	$ 851	$ 642	Other assets
Finance lease right-of-use assets	40	42	Property, plant and equipment, net
Total right-of-use assets[(a)]	$ 891	$ 684	
Liabilities			
Current			
Operating	$ 97	$ 67	Accounts payable and other current liabilities
Finance	7	7	Short-term borrowings
Non-current			
Operating	823	640	Other liabilities and deferred credits
Finance	65	70	Long-term debt
Total lease liabilities[(a)]	$ 992	$ 784	
Weighted-average Remaining Lease Term (in years)			
Operating leases	11.1	12.3	
Finance leases	12.2	12.7	
Weighted-average Discount Rate			
Operating leases	5.1%	5.6%	
Finance leases	6.5%	6.6%	

(a) *U.S. operating lease right-of-use assets and liabilities totaled $499 million and $556 million, respectively, as of December 31, 2020, and $283 million and $337 million, respectively, as of December 31, 2019. These amounts primarily related to Taco Bell U.S. and the Habit Burger Grill including leases related to Company-operated restaurants, leases related to franchise-operated restaurants we sublease and the Taco Bell restaurant support center.*

Maturity of Lease Payments and Receivables

Future minimum lease payments, including rental payments for lease renewal options we are reasonably certain to exercise, and amounts to be received as lessor or sublessor as of December 31, 2020, were as follows:

	Commitments		Lease Receivables	
	Finance	Operating	Direct Financing	Operating
2021	$ 9	$ 128	$ 3	$ 80
2022	10	133	4	82
2023	9	123	4	80
2024	8	115	4	76
2025	8	103	3	71
Thereafter	58	623	27	599
Total lease payments/receipts	102	1,225	45	$ 988
Less imputed interest/unearned income	(30)	(305)	(18)	
Total lease liabilities/receivables	$ 72	$ 920	$ 27	

As of December 31, 2020, we have executed real estate leases that have not yet commenced with estimated future nominal lease payments of approximately $100 million, which are not included in the tables above. These leases are expected to commence in 2021 and 2022 with lease terms of up to 20 years.

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 have entered 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 borrowings under our Term Loan B Facility. These interest rate swaps will expire in July 2021. Further, on May 14, 2018, we entered into forward-starting interest rate swaps to fix the interest rate on $1.5 billion of borrowings under our Term Loan B Facility from the date the July 2016 swaps expire through March 2025. The interest rate swaps executed in May 2018 will result in a fixed rate of 4.81% on the swapped portion of the Term Loan B Facility from July 2021 through March 2025. 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 expected future interest payments on the related variable-rate debt. There were no other interest rate swaps outstanding as of December 31, 2020.

Gains or losses on the interest rate swaps are reported as a component of AOCI and reclassified into Interest expense, net in our Consolidated Statements of Income in the same period or periods during which the related hedged interest payments affect earnings. Through December 31, 2020, the swaps were highly effective cash flow hedges.

Foreign Currency Contracts

We have entered 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.

Gains or losses on the foreign currency contracts are 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. Through December 31, 2020, all foreign currency contracts related to intercompany receivables and payables were highly effective cash flow hedges.

As of December 31, 2020 and 2019, foreign currency contracts outstanding related to intercompany receivables and payables had total notional amounts of $39 million and $20 million, respectively. Our foreign currency forward contracts all have durations that expire in 2021.

As a result of the use of interest rate swaps and foreign currency contracts, 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 major financial institutions carefully selected based upon their credit ratings and other factors, and continually assess the creditworthiness of counterparties. At December 31, 2020, 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		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Interest rate swaps	$ (103)	$ (71)	$ (3)	$ 10	$ (17)	$ (19)
Foreign currency contracts	4	20	22	(4)	(8)	(20)
Income tax benefit/(expense)	24	16	1	(1)	4	5

As of December 31, 2020, the estimated net loss included in AOCI related to our cash flow hedges that will be reclassified into earnings in the next 12 months is $28 million, based on current LIBOR interest rates.

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

NOTE 14 – Fair Value Disclosures

As of December 31, 2020, 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:

	2020		2019	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Securitization Notes[(a)]	$ 2,869	$ 3,015	$ 2,898	$ 3,040
Subsidiary Senior Unsecured Notes[(b)]	1,800	1,890	2,850	3,004
Term Loan A Facility[(b)]	431	428	463	464
Term Loan B Facility[(b)]	1,916	1,907	1,935	1,949
YUM Senior Unsecured Notes[(b)]	3,725	4,094	2,425	2,572

(a) *We estimated the fair value of the Securitization Notes using market quotes and calculations. 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 contracts 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.

	Consolidated Balance Sheet	Level	Fair Value 2020	Fair Value 2019
Assets				
Interest Rate Swaps	Prepaid expenses and other current assets	2	$ —	$ 6
Foreign Currency Contracts	Prepaid expenses and other current assets	2	1	—
Interest Rate Swaps	Other assets	2	—	3
Investment in Grubhub, Inc. Common Stock	Other assets	1	—	137
Other Investments	Other assets	1	45	43
Liabilities				
Interest Rate Swaps	Accounts Payable and other current liabilities	2	28	—
Interest Rate Swaps	Other liabilities and deferred credits	2	127	71

The fair value of the Company's foreign currency contracts 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 on observable inputs. The fair value of our investment in 2.8 million shares of Grubhub, Inc. common stock at December 31, 2019, was determined primarily based on closing market prices for the shares. In the third quarter of 2020 we sold our entire investment in Grubhub, Inc. common stock (See Note 5). The other investments primarily include investments in mutual funds, which are used to offset fluctuations for a portion of our deferred compensation liabilities and whose fair values were determined based on the closing market prices of the respective mutual funds as of December 31, 2020 and December 31, 2019.

Non-Recurring Fair Value Measurements

During the year ended December 31, 2019, we recognized non-recurring fair value measurements of $7 million related to refranchising related impairment. Refranchising related impairment results from writing down the assets of restaurants or restaurant groups offered for refranchising, including certain instances where a decision has been made to refranchise restaurants that are deemed to be impaired. The fair value measurements used in our impairment evaluation were based on actual bids received from potential buyers (Level 2). The remaining net book value of these restaurants at December 31, 2020, is insignificant.

During the years ended December 31, 2020 and 2019, we recognized non-recurring fair value measurements of $12 million and $4 million, respectively, related to restaurant-level impairment. Restaurant-level impairment charges are recorded in Other (income) expense and resulted primarily from our 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). 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 year ended December 31, 2020, is $11 million and is insignificant for assets measured at fair value during the year ended December 31, 2019. During the year ended December 31, 2020, we also recognized impairment charges related to our Habit Burger Grill reporting unit. See Note 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 provides 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 2021. Our two significant U.S. plans, including the Plan and a supplemental plan, were previously amended such that any salaried employee hired or rehired by YUM after September 30, 2001, is not eligible to participate in those plans.

We do not anticipate any plan assets being returned to the Company during 2021 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.

	2020	2019
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,015	$ 873
Service cost	8	6
Interest cost	35	39
Plan amendments	1	2
Special termination benefits	2	—
Benefits paid	(46)	(57)
Settlement payments	—	(1)
Actuarial (gain) loss	118	153
Benefit obligation at end of year	$ 1,133	$ 1,015

A significant component of the overall increase in the Company's benefit obligation for the year ended December 31, 2020, was due to an actuarial loss, which was primarily due to a decrease in the discount rate used to measure our benefit obligation from 3.50% at December 31, 2019, to 2.80% at December 31, 2020. A significant component of the overall increase in the Company's benefit obligation for the year ended December 31, 2019, was due to an actuarial loss, which was primarily due to a decrease in the discount rate used to measure our benefit obligation from 4.60% at December 31, 2018, to 3.50% at December 31, 2019.

	2020	2019
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 886	$ 755
Actual return on plan assets	168	176
Employer contributions	6	12
Benefits paid	(46)	(57)
Fair value of plan assets at end of year	$ 1,014	$ 886
Funded status at end of year	$ (119)	$ (129)

Amounts recognized in the Consolidated Balance Sheet:

	2020	2019
Accrued benefit liability—current	$ (9)	$ (4)
Accrued benefit liability—non-current	(110)	(125)
	$ (119)	$ (129)

The accumulated benefit obligation was $1,111 million and $984 million at December 31, 2020 and December 31, 2019, respectively.

The table below provides information for pension plans with an accumulated benefit obligation in excess of plan assets. These pension plans also have a projected benefit obligation in excess of plan assets.

	2020	2019
Projected benefit obligation	$ 1,133	$ 1,015
Accumulated benefit obligation	1,111	984
Fair value of plan assets	1,014	886

Components of net periodic benefit cost:

	2020	2019	2018
Service cost	$ 8	$ 6	$ 8
Interest cost	35	39	38
Amortization of prior service cost[(a)]	5	6	5
Expected return on plan assets	(43)	(44)	(44)
Amortization of net loss	14	1	16
Net periodic benefit cost	$ 19	$ 8	$ 23
Additional (gain) loss recognized due to: Settlement charges[(b)]	$ —	$ 3	$ —
Special termination benefits	$ 2	$ —	$ 1

(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. These losses were recorded in Other pension (income) expense.

Pension gains (losses) in AOCI:

	2020	2019
Beginning of year	$ (136)	$ (123)
Net actuarial gain (loss)	7	(22)
Curtailments	1	—
Amortization of net loss	14	1
Amortization of prior service cost	5	6
Prior service cost	(2)	(2)
Settlement charges	—	4
End of year	$ (111)	$ (136)

Accumulated pre-tax losses recognized within AOCI:

	2020	2019
Actuarial net loss	$ (96)	$ (118)
Prior service cost	(15)	(18)
	$ (111)	$ (136)

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

	2020	2019
Discount rate	2.80%	3.50%
Rate of compensation increase	3.00%	3.00%

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

	2020	2019	2018
Discount rate	3.50%	4.60%	3.90%
Long-term rate of return on plan assets	5.50%	5.75%	5.65%
Rate of compensation increase	3.00%	3.00%	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 and future growth expectations.

Plan Assets

The fair values of our pension plan assets at December 31, 2020 and December 31, 2019, by asset category and level within the fair value hierarchy are as follows:

	2020	2019
Level 1:		
Cash	$ 9	$ 5
Cash Equivalents[(a)]	10	13
Fixed Income Securities—U.S. Corporate[(b)]	164	161
Equity Securities—U.S. Large cap[(b)]	306	268
Equity Securities—U.S. Mid cap[(b)]	51	44
Equity Securities—U.S. Small cap[(b)]	52	43
Equity Securities—Non-U.S.[(b)]	102	88
Level 2:		
Fixed Income Securities—U.S. Corporate[(c)]	148	120
Fixed Income Securities—U.S. Government and Government Agencies[(d)]	354	274
Fixed Income Securities—Other[(d)]	30	39
Total fair value of plan assets[(e)]	$ 1,226	$ 1,055

(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) 2020 and 2019 exclude net unsettled trade payables of $212 million and $169 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 Common Stock valued at $0.3 million at both December 31, 2020 and 2019 (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:	
2021	$ 54
2022	52
2023	53
2024	55
2025	58
2026 - 2030	299

Expected benefit payments 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 they are closed to new participants and existing participants can no longer earn future service credits.

At the end of 2020 and 2019, the projected benefit obligations of these UK plans totaled $362 million and $290 million, respectively and plan assets totaled $440 million and $372 million, respectively. These plans were both in a net overfunded position at the end of 2020 and 2019. Total actuarial pre-tax losses related to the UK plans of $18 million and $25 million were recognized in AOCI at the end of 2020 and 2019, respectively. The total net periodic benefit income recorded was less than $1 million in 2020, $2 million in 2019 and $4 million in 2018.

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 2021.

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 and a cap on our liability. 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 2020 and 2019, the accumulated post-retirement benefit obligation was $46 million and $44 million, respectively. Actuarial pre-tax gains of $4 million and $9 million were recognized in AOCI at the end of 2020 and 2019, respectively. The net periodic benefit cost recorded was $1 million in 2020, $1 million in 2019 and $2 million in 2018, 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.

The benefits expected to be paid in each of the next five years are approximately $4 million and in aggregate for the five years thereafter are $14 million.

U.S. 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 $10 million in 2020, $11 million in 2019 and $12 million in 2018.

NOTE 16 – Share-based and Deferred Compensation Plans

Overview

At year end 2020, we had one stock award plan in effect: the Yum! Brands, Inc. Long-Term Incentive Plan (the "LTIP"). Potential awards to employees and non-employee directors under the LTIP include 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. Under the LTIP, 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. 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 generally expire ten years after grant. At year end 2020, approximately 24 million shares were available for future share-based compensation grants under the LTIP.

Our Executive Income Deferral ("EID") Plan allows participants to defer receipt of a portion of their annual salary and all or a portion of their incentive compensation. As defined by the EID Plan, we credit the amounts deferred with earnings based on the investment options selected by the participants. These investment options are limited to cash, phantom shares of our Common Stock, phantom shares of a Stock Index Fund and phantom shares of a Bond Index Fund. Investments in cash and phantom shares of both index funds will be distributed in cash at a date as elected by the employee and therefore are classified as a liability on our Consolidated Balance Sheets. We recognize compensation expense for the appreciation or the depreciation, if any, of investments in cash and both of the index funds. Deferrals into the phantom shares of our Common Stock will be distributed in shares of our Common Stock, under the 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 an 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 amount 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 2021.

In connection with the 2016 spin-off of our China business into an independent, publicly-traded company under the name of Yum China Holdings, Inc. ("Yum China"), under the provisions of our LTIP, employee stock options, SARs, RSUs and PSUs outstanding at that time 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-based compensation as recorded in Net Income is based on the amortization of the fair value for both YUM and Yum China awards held by YUM employees. The fair value of Yum China awards held by YUM employees became fully amortized in the year ended December 31, 2020. 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 are being satisfied by YUM.

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:

	2020	2019	2018
Risk-free interest rate	1.0%	2.5%	2.5%
Expected term	5.8 years	6.5 years	6.5 years
Expected volatility	24.0%	22.0%	22.0%
Expected dividend yield	1.9%	1.8%	1.8%

We believe it is appropriate to group our stock option and SAR awards into two homogeneous groups when estimating expected term. These groups typically consist of grants made primarily to restaurant-level employees, which cliff-vest after four years and expire ten years after grant, and grants made to executives, which typically have a graded vesting schedule of 25% per year over four years and expire ten years after grant. We use a single weighted-average term for our awards that have a graded vesting schedule. Based on analysis of our historical exercise and post-vesting termination behavior, we have determined that our restaurant-level employees and our executives exercised the awards on average after 5 years and 6.5 years, respectively. Additionally, during 2020, we granted stock option and SAR awards to certain executives that vested immediately. For these immediately vested awards, the expected term was estimated as one-half the contractual term of 10 years. We utilized this simplified method as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for immediately vested awards.

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 PSU awards without market-based conditions and 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	Weighted-Average Remaining Contractual Term *(years)*	Aggregate Intrinsic Value *(in millions)*
Outstanding at the beginning of the year	14,864	$ 60.76		
Granted	4,358	101.42		
Exercised	(3,137)	44.41		
Forfeited or expired	(523)	88.29		
Outstanding at the end of the year	15,562[(a)]	74.52	6.39	$ 530
Exercisable at the end of the year	10,108	$ 65.64	5.43	$ 434

(a) *Outstanding awards include 601 options and 14,960 SARs with weighted average exercise prices of $66.89 and $74.83, 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 2020, 2019 and 2018 was $18.83, $19.82 and $16.45, respectively. The total intrinsic value of stock options and SARs exercised during the years ended December 31, 2020, December 31, 2019 and December 31, 2018, was $170 million, $204 million and $195 million, respectively.

As of December 31, 2020, $50 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 1.7 years. The total fair value at grant date of awards for both YUM and Yum China awards held by YUM employees that vested during 2020, 2019 and 2018 was $70 million, $31 million and $28 million, respectively.

RSUs and PSUs

As of December 31, 2020, there was $28 million of unrecognized compensation cost related to 1.0 million unvested RSUs and PSUs, none of which related to Yum China common stock. The total fair value at grant date of awards that vested during 2020, 2019 and 2018 was $15 million, $14 million and $16 million, respectively.

Impact on Net Income

The components of share-based compensation expense and the related income tax benefits are shown in the following table:

	2020	2019	2018
Options and SARs	$ 75	$ 39	$ 37
Restricted Stock Units	20	12	6
Performance Share Units	2	8	7
Total Share-based Compensation Expense	$ 97	$ 59	$ 50
Deferred Tax Benefit recognized	$ 18	$ 9	$ 9
EID compensation expense not share-based	$ 9	$ 17	$ (2)

Cash received from stock option exercises for 2020, 2019 and 2018 was $10 million, $1 million and $6 million, respectively. Tax benefits realized on our tax returns from tax deductions associated with share-based compensation for 2020, 2019 and 2018 totaled $58 million, $66 million and $60 million, respectively.

NOTE 17 – Shareholders' Deficit

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during 2020, 2019 and 2018. All amounts exclude applicable transaction fees.

	Shares Repurchased (thousands)			Dollar Value of Shares Repurchased		
Authorization Date	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
November 2019	2,419	—	—	$ 250	$ —	$ —
August 2018	—	7,788	10,003	—	810	894
November 2017	—	—	18,240	—	—	1,500
Total	2,419(a)	7,788(b)	28,243(b)	$ 250(a)	$ 810(b)	$ 2,394(b)

(a) *2020 amount includes the effect of $11 million in share repurchases (0.1 million shares) with trade dates on, or prior to, December 31, 2020, but settlement dates subsequent to December 31, 2020.*

(b) *2019 amount excludes and 2018 amount includes the effect of $5 million in share repurchases (0.1 million shares) with trade dates on, or prior to, December 31, 2018, but settlement dates subsequent to December 31, 2018.*

On November 21, 2019, our Board of Directors authorized share repurchases through June 2021 of up to $2 billion (excluding applicable transaction fees) of our outstanding Common Stock. As of December 31, 2020, we have remaining capacity to repurchase up to $1.75 billion of Common Stock under this authorization.

Changes in AOCI are presented below.

	Translation Adjustments and Gains (Losses) From Intra-Entity Transactions of a Long-Term Nature	Pension and Post-Retirement Benefits[a]	Derivative Instruments[b]	Total
Balance at December 31, 2018, net of tax	$ (245)	$ (82)	$ (7)	$ (334)
OCI, net of tax				
Gains (losses) arising during the year classified into AOCI, net of tax	24	(30)	(35)	(41)
(Gains) losses reclassified from AOCI, net of tax	—	8	(21)	(13)
	24	(22)	(56)	(54)
Balance at December 31, 2019, net of tax	$ (221)	$ (104)	$ (63)	$ (388)
OCI, net of tax				
Gains (losses) arising during the year classified into AOCI, net of tax	39	(6)	(75)	(42)
(Gains) losses reclassified from AOCI, net of tax	—	14	5	19
	39	8	(70)	(23)
Balance at December 31, 2020, net of tax	$ (182)	$ (96)	$ (133)	$ (411)

(a) *Amounts reclassified from AOCI for pension and post-retirement benefit plans losses during 2020 include amortization of net losses of $14 million, amortization of prior service cost of $4 million and related income tax benefit of $4 million. Amounts reclassified from AOCI for pension and post-retirement benefit plans losses during 2019 include amortization of net losses of $2 million, amortization of prior service cost of $5 million, settlement charges of $3 million and related income tax benefit of $2 million. See Note 15.*

(b) *See Note 13 for details on amounts reclassified from AOCI.*

NOTE 18 – Income Taxes

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

	2020	2019	2018
U.S.	$ 684	$ 466	$ 726
Foreign	336	907	1,113
	$ 1,020	$ 1,373	$ 1,839

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

		2020	2019	2018
Current:	Federal	$ 37	$ 129	$ 102
	Foreign	121	166	181
	State	23	16	25
		$ 181	$ 311	$ 308
Deferred:	Federal	$ (21)	$ (16)	$ (24)
	Foreign	(29)	(213)	5
	State	(15)	(3)	8
		$ (65)	$ (232)	$ (11)
		$ 116	$ 79	$ 297

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

	2020	2019	2018
U.S. federal statutory rate	21.0%	21.0%	21.0%
State income tax, net of federal tax	1.0	0.9	0.8
Statutory rate differential attributable to foreign operations	(0.9)	0.9	(4.6)
Adjustments to reserves and prior years	(1.7)	2.3	2.8
Excess tax benefits from stock-based awards	(3.4)	(3.6)	(2.4)
Change in valuation allowances	(2.5)	(0.6)	0.7
Intercompany restructuring	(0.3)	(16.6)	—
Impact of Tax Law Changes	(2.5)	—	(1.9)
Other, net	0.7	1.4	(0.2)
Effective income tax rate	11.4%	5.7%	16.2%

Statutory rate differential attributable to foreign operations. This item includes local country taxes, withholding taxes, and shareholder-level taxes, net of foreign tax credits. In 2020, this item was favorably impacted by the ongoing effects of the fourth quarter 2019 intercompany restructuring that resulted in the transfer of certain intellectual property rights from wholly owned foreign subsidiaries to the United States (U.S.) and the United Kingdom (UK). In 2019, this item was unfavorably impacted by the full year impact of the global intangible low-taxed income (GILTI) and Foreign Derived Intangible Income (FDII) provisions of the Tax Cuts and Jobs Act of 2017. In 2018, this item was not significantly impacted by the GILTI or FDII provisions.

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. In 2020, this item was favorably impacted by $11 million of adjustments made to current and deferred tax accounts in various jurisdictions to align with balances supported by 2019 and prior tax filings. Additionally, in 2020 this item was favorably impacted by a $6 million tax benefit associated with a state settlement. In 2019, this item was unfavorably impacted by $34 million in reserves related to taxes recorded associated with a prior year divestiture and $18 million of tax expense related to the establishment of reserves associated with the inclusion of stock based compensation in cost sharing arrangements as well as other matters. This unfavorable impact was partially offset by the reversal of a $20 million reserve established in 2018 due to the favorable resolution of an income tax rate dispute in a foreign jurisdiction. In 2018, this item was unfavorably impacted by the aforementioned $20 million reserve and a $19 million charge for the correction of an error associated with the tax recorded on a prior year divestiture.

Excess tax benefits from stock-based awards. 2020, 2019 and 2018 includes $35 million, $49 million and $44 million, respectively, of excess federal tax benefit related to share-based compensation.

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. In 2020, this item was favorably impacted by $22 million of tax benefit associated with a valuation allowance release in a foreign jurisdiction resulting from a change in management's judgement as to realizability of indefinite lived tax loss carryforward in that jurisdiction.

Intercompany Restructuring. In December 2019, the Company completed an intercompany restructuring that resulted in the transfer of certain intellectual property rights held by wholly owned foreign subsidiaries primarily to the U.S. and the UK. The intellectual property rights transferred to the UK resulted in a step up in the tax basis for UK tax purposes resulting in a deferred tax asset of $586 million. The deferred tax asset was analyzed for realizability and a valuation allowance of $366 million was established representing the portion of the deferred tax asset not likely to be realized. The recognized tax benefit of $220 million is amortizable for UK tax purposes over a twenty-year period. The transfer of certain intellectual property rights to other non-UK jurisdictions in 2019 resulted in the recording of deferred tax assets of $13 million and related valuation allowances of $7 million for deferred tax assets that are not likely to be realized, for a net tax benefit of $6 million.

Impact of Significant Tax Law Changes.

UK Tax Rate Change – On July 22, 2020, the UK Finance Act 2020 was enacted resulting in an increase in the UK corporate tax rate from 17% to 19%. As such, the Company recognized a $25 million tax benefit in 2020 associated with remeasuring its deferred tax assets in the UK from 17% to 19%. These deferred tax assets were primarily related to the step-up in tax basis associated with the *Intercompany Restructuring*.

U.S. Tax Reform – On December 22, 2017, the U.S. government enacted comprehensive Federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Tax Act significantly modified the U.S. corporate income tax system by, among other things, reducing the federal income tax rate from 35% to 21%, limiting certain deductions, including limiting the deductibility of interest expense to 30% of U.S. Earnings Before Interest, Taxes, Depreciation and Amortization, imposed a mandatory one-time deemed repatriation tax on accumulated foreign earnings and changed the manner in which foreign earnings are subject to U.S. tax.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 which allowed us to record provisional amounts related to the impacts of the Tax Act during a measurement period not to extend beyond one year of the enactment date. As a result, we recorded a $434 million provisional estimate of the effect of the Tax Act in 2017. This expense was comprised of an estimate of our deemed repatriation tax, the remeasurement of net deferred tax assets resulting from the permanent reduction in the U.S. tax rate to 21%, and establishment of a valuation allowance on foreign tax credit carryforwards which were unlikely to be realized under revised U.S tax law.

In 2018, we completed the accounting for the tax effects of the enactment of the Tax Act. As a result of the Tax Act, we recorded cumulative net tax expense of $399 million ($35 million benefit in 2018 and $434 million expense in 2017). This net expense was comprised of $241 million for our deemed repatriation tax liability, $47 million related to the remeasurement of our net deferred tax assets to the 21% U.S. tax rate and $111 million to establish a valuation allowance on foreign tax credits that are unlikely to be realized under revised U.S. tax law.

Other. This item primarily includes the net impact of permanent differences related to current year earnings, U.S. tax credits, and other individually insignificant items impacting income tax expense.

Companies subject to the Global Intangible Low-Taxed Income provision (GILTI) have the option to account for the GILTI tax as a period cost if and when incurred, or to recognize deferred taxes for outside basis temporary differences expected to reverse as GILTI. The Company has elected to account for GILTI as a period cost.

The details of 2020 and 2019 deferred tax assets (liabilities) are set forth below:

	2020	2019
Operating losses and interest deduction carryforwards	$ 181	$ 176
Capital losses	3	3
Tax credit carryforwards	226	230
Employee benefits	82	85
Share-based compensation	58	55
Lease-related liabilities	199	199
Accrued liabilities and other	47	49
Derivative instruments	50	30
Intangible assets	678	602
Property, plant and equipment	31	21
Deferred income	81	55
Gross deferred tax assets	1,636	1,505
Deferred tax asset valuation allowances	(789)	(787)
Net deferred tax assets	$ 847	$ 718
Intangible assets, including goodwill	$ (1)	$ (40)
Property, plant and equipment	(75)	(44)
Operating lease right-of-use assets	(161)	(156)
Other	(57)	(31)
Gross deferred tax liabilities	$ (294)	$ (271)
Net deferred tax assets (liabilities)	$ 553	$ 447

The details of the 2020 valuation allowance activity are set forth below:

	2020	2019
Beginning of Year	$ (787)	$ (454)
Increases	(64)	(384)
Decreases	45	57
Other Adjustments	17	(6)
End of Year	$ (789)	$ (787)

Net deferred tax assets (liabilities) for 2020 and 2019 are reported in our Consolidated Balance Sheets as Deferred income taxes.

As of December 31, 2020, we had approximately $3.9 billion of unremitted foreign retained earnings. The Tax Act imposed U.S. federal tax on all post-1986 foreign Earnings and Profits accumulated through December 31, 2017. Repatriation of earnings generated after December 31, 2017, will generally be eligible for the 100% dividends received deduction or considered a distribution of previously taxed income and, therefore, exempt from U.S. tax. Undistributed foreign earnings may still be subject to certain foreign income and withholding taxes upon repatriation. Subject to limited exceptions, our intent is to indefinitely reinvest our unremitted earnings outside the U.S., and our current plans do not demonstrate a need to repatriate these amounts to fund our U.S. operations. Thus, we have not provided taxes, including U.S. federal and state income, foreign income, or foreign withholding taxes, for the unremitted earnings that we believe are permanently invested. However, if these funds were repatriated in taxable transactions, we would be required to accrue and pay applicable income taxes (if any) and foreign withholding taxes. A determination of the deferred tax liability on this amount is not practicable due to the complexities, variables and assumptions inherent in the hypothetical calculations.

Details of tax loss, credit carryforwards, and expiration dates along with valuation allowances as of December 31, 2020, are as follows:

	Gross Amount	Deferred Tax Asset	Valuation Allowance	Expiration
Federal net operating losses	$ 25	$ 5	$ —	2035-2036
Federal net operating losses – Indefinite	61	13	—	None
Foreign net operating losses	32	10	(10)	2021-2030
Foreign net operating losses – Indefinite	253	75	(51)	None
State net operating losses	1,268	63	(48)	2021-2039
Foreign capital loss carryforward – Indefinite	14	3	(3)	None
Foreign tax credits	220	220	(220)	2023-2030
State tax credits	8	6	(5)	2023
State interest deduction carryforward – Indefinite	361	15	(15)	None
	$ 2,242	$ 410	$ (352)	

We recognize the benefit of positions taken or expected to be taken in tax returns in the Consolidated 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.

At December 31, 2020, the Company had $175 million of gross unrecognized tax benefits, $132 million of which would impact the effective income tax rate if recognized. A reconciliation of the beginning and ending unrecognized tax benefits follows:

	2020	2019
Beginning of Year	$ 188	$ 113
Additions on tax positions – current year	5	84
Additions for tax positions – prior years	34	54
Reductions for tax positions – prior years	(22)	(30)
Reductions for settlements	(30)	(31)
Reductions due to statute expiration	—	(2)
Foreign currency translation adjustment	—	—
End of Year	$ 175	$ 188

The Company believes it is reasonably possible that its unrecognized tax benefits as of December 31, 2020, may decrease by approximately $30 million in the next 12 months due to settlements or statute of limitations expirations.

During 2020, 2019, and 2018 the Company recognized $2 million of net expense, $13 million of net expense, and $2 million of net benefit, respectively, for interest and penalties in our Consolidated Statements of Income as components of its Income tax provision.

At December 31, 2020 and December 31, 2019, the Company has recorded $1 million of net tax receivables and $26 million of net tax payables, respectively, associated with interest and penalties.

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 2012 and is currently under IRS examination for 2013-2015. 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.

NOTE 19 – Reportable Operating Segments

See Note 1 for a description of our operating segments.

	Revenues		
	2020	2019	2018
KFC Division[(a)]	$ 2,272	$ 2,491	$ 2,644
Pizza Hut Division[(a)]	1,002	1,027	988
Taco Bell Division[(a)]	2,031	2,079	2,056
Habit Burger Grill Division[(a)]	347	—	—
	$ 5,652	$ 5,597	$ 5,688

	Operating Profit		
	2020	2019	2018
KFC Division	$ 922	$ 1,052	$ 959
Pizza Hut Division	335	369	348
Taco Bell Division	696	683	633
Habit Burger Grill Division	(22)	—	—
Corporate and unallocated G&A expenses[(b)(c)]	(312)	(188)	(171)
Unallocated Company restaurant expenses[(b)(d)]	—	—	3
Unallocated Franchise and property expenses[(b)(e)]	(4)	(14)	(8)
Unallocated Refranchising gain (loss)[(b)]	34	37	540
Unallocated Other income (expense)[(b)(f)]	(146)	(9)	(8)
Operating Profit	1,503	1,930	2,296
Investment income (expense), net[(b)]	74	(67)	9
Other pension income (expense)[(b)]	(14)	(4)	(14)
Interest expense, net[(b)]	(543)	(486)	(452)
Income before income taxes	$ 1,020	$ 1,373	$ 1,839

	Depreciation and Amortization		
	2020	2019	2018
KFC Division	$ 29	$ 30	$ 58
Pizza Hut Division	24	15	10
Taco Bell Division	56	59	61
Habit Burger Grill Division	25	—	—
Corporate	12	8	8
	$ 146	$ 112	$ 137

	Capital Spending		
	2020	2019	2018
KFC Division	$ 59	$ 81	$ 105
Pizza Hut Division	28	33	38
Taco Bell Division	42	76	85
Habit Burger Grill Division	16	—	—
Corporate	15	6	6
	$ 160	$ 196	$ 234

	Identifiable Assets[h] 2020	Identifiable Assets[h] 2019
KFC Division	$ 2,011	$ 2,042
Pizza Hut Division	804	801
Taco Bell Division	1,387	1,330
Habit Burger Grill Division	537	—
Corporate[g]	1,113	1,058
	$ 5,852	$ 5,231

	Long-Lived Assets[i] 2020	Long-Lived Assets[i] 2019
KFC Division	$ 1,160	$ 1,179
Pizza Hut Division	415	427
Taco Bell Division	925	938
Habit Burger Grill Division	458	—
Corporate	68	42
	$ 3,026	$ 2,586

(a) U.S. revenues included in the combined KFC, Pizza Hut, Taco Bell and Habit Burger Grill Divisions totaled $3.2 billion in 2020, $3.0 billion in 2019 and $2.9 billion in 2018.

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

(c) Amounts in 2020 include charitable contributions to Yum! Brands Foundation, Inc. of $50 million and $25 million related to our Unlocking Opportunity Initiative and COVID-19 employee relief, respectively. Additionally, 2020 includes $36 million for charges associated with resource optimization (See Note 5) and $9 million in costs associated with our acquisition and integration of Habit Burger Grill (See Note 3).

(d) Represents depreciation reductions arising primarily from KFC restaurants that were held for sale.

(e) Represents costs related to an agreement executed in 2015 with our KFC U.S. franchisees that gave us control of brand marketing execution as well as an accelerated path to expanded menu offerings, improved assets and enhanced customer experience (the "KFC U.S. Acceleration Agreement"). Also represents costs related to an agreement executed in May 2017 with our Pizza Hut U.S. franchisees to improve brand marketing alignment, accelerate enhancements in operations and technology and that included a permanent commitment to incremental advertising as well as digital and technology contributions by franchisees (the "Pizza Hut U.S. Transformation Agreement").

(f) Unallocated Other income (expense) in 2020 includes a charge of $144 million related to the impairment of Habit Burger Grill goodwill. See Note 5.

(g) Primarily includes cash, deferred tax assets and, in 2019, our Grubhub investment.

(h) U.S. identifiable assets included in the combined Corporate and KFC, Pizza Hut, Taco Bell and Habit Burger Grill Divisions totaled $3.0 billion and $2.7 billion in 2020 and 2019, respectively.

(i) Includes PP&E, goodwill, intangible assets, net and Operating lease right-of-use assets.

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 secondarily liable on lease agreements. These leases have varying terms, the latest of which expires in 2065. As of December 31, 2020, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately $425 million. The present value of these potential payments discounted at our pre-tax cost of debt at December 31, 2020, was approximately $375 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 expected exposure under such leases at December 31, 2020, and December 31, 2019, was not material.

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 2020 and 2019 activity related to our net self-insured property and casualty reserves as of December 31, 2020.

	Beginning Balance	Habit Acquisition[(a)]	Expense	Payments	Ending Balance
2020 Activity	$ 54	6	13	(23)	$ 50
2019 Activity	$ 66	—	9	(21)	$ 54

(a) Represents self-insurance liabilities assumed as part of our acquisition of Habit Burger Grill. See Note 3.

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.

Yum! Restaurants India Private Limited ("YRIPL"), a YUM subsidiary that operates KFC and Pizza Hut restaurants in India, is the subject of a regulatory enforcement action in India (the "Action"). The Action alleges, among other things, that KFC International Holdings, Inc. and Pizza Hut International failed to satisfy certain conditions imposed by the Secretariat for Industrial Approval in 1993 and 1994 when those companies were granted permission for foreign investment and operation in India. The conditions at issue include an alleged minimum investment commitment and store build requirements as well as limitations on the remittance of fees outside of India.

The Action originated with a complaint and show cause notice filed in 2009 against YRIPL by the Deputy Director of the Directorate of Enforcement ("DOE") of the Indian Ministry of Finance following an income tax audit for the years 2002 and 2003. The matter was argued at various hearings in 2015, but no order was issued. Following a change in the incumbent official holding the position of Special Director of DOE (the "Special Director"), the matter resumed in 2018 and several additional hearings were conducted.

On January 29, 2020, the Special Director issued an order imposing a penalty on YRIPL and certain former directors of approximately Indian Rupee 11 billion, or approximately $150 million. Of this amount, $145 million relates to the alleged failure to invest a total of $80 million in India within an initial seven-year period. We have been advised by external counsel that the order is flawed and have filed a writ petition with the Delhi High Court, which granted an interim stay of the penalty order on March 5, 2020. The stay order remains in effect, and the next hearing is scheduled for March 24, 2021. We deny liability and intend to continue vigorously defending this matter. We do not consider the risk of any significant loss arising from this order to be probable.

We are currently 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)

	2020				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 355	$ 403	$ 486	$ 566	$ 1,810
Franchise and property revenues	596	525	639	750	2,510
Franchise contributions for advertising and other services	312	270	323	427	1,332
Total revenues	1,263	1,198	1,448	1,743	5,652
Restaurant profit	57	54	87	106	304
Operating Profit	250	300	471	482	1,503
Net Income	83	206	283	332	904
Basic earnings per common share	0.28	0.68	0.94	1.10	2.99
Diluted earnings per common share	0.27	0.67	0.92	1.08	2.94
Dividends declared per common share	0.47	0.47	0.47	0.47	1.88

	2019				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Revenues:					
Company sales	$ 333	$ 359	$ 364	$ 490	$ 1,546
Franchise and property revenues	612	633	645	770	2,660
Franchise contributions for advertising and other services	309	318	330	434	1,391
Total revenues	1,254	1,310	1,339	1,694	5,597
Restaurant profit	61	73	72	105	311
Operating Profit	433	471	480	546	1,930
Net Income	262	289	255	488	1,294
Basic earnings per common share	0.85	0.94	0.83	1.61	4.23
Diluted earnings per common share	0.83	0.92	0.81	1.58	4.14
Dividends declared per common share	0.42	0.42	0.42	0.42	1.68

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, 2020.

We have excluded from the scope of management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020, the operations and related assets of The Habit Restaurants, Inc. and its subsidiaries ("The Habit Burger Grill"), which we acquired on March 18, 2020. The Habit Burger Grill's total assets and total revenues represented approximately 9% and 6% of the Company's respective consolidated total assets and total revenues as of and for the year ended December 31, 2020.

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, 2020.

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, 2020.

Information regarding executive officers of the Company is included in Part I.

ITEM 11. Executive Compensation.

Information regarding executive and director compensation and the Management Planning and Development 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, 2020.

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, 2020.

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, 2020.

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, 2020.

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 19, 2021

YUM! BRANDS, INC.
By: /s/ David W. Gibbs

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed on February 19, 2021, by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ David W. Gibbs **David W. Gibbs**	*Chief Executive Officer (principal executive officer)*
/s/ Chris Turner **Chris Turner**	*Chief Financial Officer (principal financial officer)*
/s/ David E. Russell **David E. Russell**	*Senior Vice President, Finance and Corporate Controller (principal accounting officer)*
/s/ Paget L. Alves **Paget L. Alves**	*Director*
/s/ Keith Barr **Keith Barr**	*Director*
/s/ Christopher M. Connor **Christopher M. Connor**	*Director*
/s/ Brian C. Cornell **Brian C. Cornell**	*Director*
/s/ Tanya L. Domier **Tanya L. Domier**	*Director*
/s/ Mirian M. Graddick-Weir **Mirian M. Graddick-Weir**	*Director*
/s/ Lauren R. Hobart **Lauren R. Hobart**	*Director*
/s/ Thomas C. Nelson **Thomas C. Nelson**	*Director*
/s/ P. Justin Skala **P. Justin Skala**	*Director*
/s/ Elane B. Stock **Elane B. Stock**	*Director*
/s/ Annie Young-Scrivner **Annie Young-Scrivner**	*Director*

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) 66.875% Senior Notes due November 15, 2037, issued under the forgoing May 1, 1998, indenture, which notes are incorporated by reference from Exhibit 4.3 (included in Exhibit 4.1) to YUM's Report on Form 8-K filed on October 22, 2007.
	(ii) 3.750% Senior Notes due November 1, 2021, issued under the forgoing May 1, 1998, indenture, which notes are incorporated by reference from Exhibit 4.2 (included in Exhibit 4.1) to YUM's Report on Form 8-K filed August 29, 2011.
	(iii) 3.875% Senior Notes due November 1, 2023, issued under the forgoing May 1, 1998, indenture, which notes are incorporated by reference from Exhibit 4.2 (included in Exhibit 4.1) to YUM's Report on Form 8-K filed October 31, 2013.
	(iv) 5.350% Senior Notes due November 1, 2043, issued under the forgoing May 1, 1998, indenture, which notes are incorporated by reference from Exhibit 4.3 (included in Exhibit 4.1) to YUM's Report on Form 8-K filed October 31, 2013.
4.2	Indenture, dated as of September 25, 2020 by and between YUM and U.S. Bank National Association, as Trustee, which is incorporated herein by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on September 25, 2020.
4.2.1	First Supplemental Indenture, dated as of September 25, 2020 by and between YUM and U.S. Bank National Association, as Trustee, relating to the 3.625% Notes due 2031, which is incorporated herein by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on September 25, 2020.
4.3	Description of Securities registered under Section 12 of the Securities Exchange Act of 1934 (Common Stock), which is incorporated herein by reference from Exhibit 4.2 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.
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.
10.1.1	Refinancing Amendment, dated as of March 21, 2017, to Credit Agreement dated as of June 16, 2016, among Pizza Hut Holdings, LLC, KFC Holding Co. and Taco Bell of America, LLC, as borrowers, the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent, Swing Line Lender, an L/C Issuer and Administrative Agent for the Lenders, which is incorporated herein by reference from Exhibit 10.1 to YUM's Report on Form 8-K as filed on March 23, 2017.
10.1.2	Refinancing Amendment No. 2, dated as of June 7, 2017, to Credit Agreement dated as of June 16, 2016, as amended, among Pizza Hut Holdings, LLC, KFC Holding Co. and Taco Bell of America, LLC, as borrowers, the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent, Swing Line Lender, an L/C Issuer and Administrative Agent for the Lenders, which is incorporated herein by reference from Exhibit 10.1 to YUM's Report on Form 8-K as filed on June 8, 2017.
10.1.3	Refinancing Amendment, dated as of April 3, 2018, to Credit Agreement dated as of June 16, 2016, among Pizza Hut Holdings, LLC, KFC Holding Co. and Taco Bell of America, LLC, as borrowers, the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent, Swing Line Lender, an L/C Issuer and Administrative Agent for the Lenders, which is incorporated herein by reference from Exhibit 10.1 to YUM's Report on Form 8-K as filed on April 9, 2018.

Exhibit Number	Description of Exhibits
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.
10.5.1†	The Yum! Brands, Inc. Pension Equalization Plan, Restated Plan Document for the 409A Program effective January 1, 2005, as amended through January 1, 2017, which is incorporated by reference from Exhibit 10.5.1 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.
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 8, 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.
10.11.3†	Form of YUM Long Term Incentive Plan Global YUM! Non-Qualified Stock Option Agreement (2019), which is incorporated herein by reference from Exhibit 10.11.3 to YUM's Report on Form 10-Q filed on May 8, 2019.
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.
10.13.3†	Yum! Brands, Inc. Long Term Incentive Plan Form of Global YUM! Stock Appreciation Rights Agreement (2019), which is incorporated herein by reference from Exhibit 10.13.3 to YUM's Report on Form 10-Q filed on May 8, 2019.
10.13.4†	Yum! Brands, Inc. Long Term Incentive Plan Form of Global Restricted Stock Unit Agreement (2019), which is incorporated herein by reference from Exhibit 10.20 to YUM's Report on Form 10-Q filed on May 8, 2019.
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.

Form 10-K

Exhibit Number	Description of Exhibits
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†	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.
10.16†	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.
10.17†	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.
10.18†	Yum! Brands, Inc. Compensation Recovery Policy, Amended and Restated January 1, 2015, which is incorporated herein by reference from Exhibit 10.28 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 2014.
10.19	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.
10.20	Indenture, dated as of June 15, 2017, 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 16, 2017.
10.21	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.
10.21.1	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.
10.21.2	Series 2018-1 Supplement to Base Indenture, dated as of November 28, 2018, by and between the Issuer and Citibank, N.A. as Trustee and Series 2018-1 securities intermediary, which is incorporated herein by reference from Exhibit 10.1 to YUM's Report on Form 8-K filed on December 3, 2018.
10.21.3	Amendment No. 1 to Base Indenture, dated as of August 23, 2016, by and between the Issuer and Citibank, N.A. as Trustee and Series 2016-1 securities intermediary, which is incorporated herein by reference from Exhibit 10.22.3 to YUM's Annual Report on Form 10-K for fiscal year ended December 31, 2018.
10.21.4	Amendment No. 2 to Base Indenture, dated as of November 28, 2018, by and between the Issuer and Citibank, N.A. as Trustee and the Series 2018-1 securities intermediary, which is incorporated herein by reference from Exhibit 10.2 to YUM's Report on Form 8-K filed on December 3, 2018.
10.22	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.
10.23	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.
10.23.1	Amendment No.1 to Management Agreement, dated as of August 24, 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 and Taco Bell Corp., as manager, which is incorporated herein by reference from Exhibit 10.25.1 to YUM's Annual Report on Form 10-K for fiscal year ended December 31, 2018.
10.23.2	Amendment No. 2 to Management Agreement, dated as of November 28, 2018, 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 10.25.2 to YUM's Annual Report on Form 10-K for fiscal year ended December 31, 2018.
10.24	Indenture, dated as of September 11, 2019, by and between Yum 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 September 16, 2019.
10.25	Indenture, dated as of April 1, 2020 by and between Yum 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 April 6, 2020.
10.26	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.

Exhibit Number	Description of Exhibits
10.26.1	Confirmatory License Agreement, dated as of January 1, 2020, by and between YRI China Franchising, LLC and Yum Restaurants Consulting (Shanghai) Company Limited, as attached herein.
10.27	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.
10.28†	Offer Letter dated June 19, 2019, between the Company and Christopher Turner, which is incorporated herein by reference from Exhibit 10.28 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019.
10.29†	Offer Letter dated July 16, 2019, between the Company and Mark King, which is incorporated herein by reference from Exhibit 4.2 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.
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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† *Indicates a management contract or compensatory plan.*

Cautionary Language Regarding Forward-Looking Statements

Forward-Looking Statements. This 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, 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: the severity and duration of the COVID-19 pandemic; food safety and food borne-illness issues; health concerns arising from outbreaks of a significant health epidemic; the success of our franchisees and licensees; our significant exposure to the Chinese market; 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 personal information of our customers and employees; our ability to successfully implement technology initiatives; our increasing dependence on multiple digital commerce platforms; the impact of social media; our ability to secure and maintain distribution and adequate supply to our restaurants; the loss of key personnel, or labor shortages or difficulty finding qualified employees; the success of our development strategy in emerging markets; changes in commodity, labor and other operating costs; harm or dilution to our brands caused by franchisee and third-party activity; 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 changes in tax laws or disagreements with taxing authorities; consumer preferences and perceptions of our brands; failure to protect our service marks or other intellectual property; changes in consumer discretionary spending and general economic conditions; competition within the retail food industry; not realizing the anticipated benefits from past or potential future acquisitions, investments or other strategic transactions; 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, among others. 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.investors.yum.com 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:

Computershare, Inc.
462 South 4th Street, Suite 1600
Louisville, KY 40202
Phone: (888) 439-4986
International: 1+ (781) 575-3100
www.computershare.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 Computershare, Inc. ("Computershare"): **www.computershare.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 Computershare
- Replace a lost or stolen certificate
- Retrieve a duplicate Form 1099-B, Form 1099-DIV
- Purchase shares of YUM through the Company's Direct Stock Purchase Plan
- Sell shares held at Computershare

Access accounts online at the following URL: https://www-us.computershare.com/Investor. Your account number and social security number are required. If you do not know your account number, please call Computershare 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:

Computershare, Inc.
462 South 4th Street, Suite 1600
Louisville, KY 40202
Phone: (888) 439-4986
International: 1+ (781) 575-3100

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

Paget L. Alves 66
Former Chief Sales Officer,
Sprint Corporation

Keith Barr 50
Chief Executive Officer,
Intercontinental Hotels Group PLC

Christopher M. Connor 65
Former Chairman and Chief Executive Officer,
Sherwin-Williams Company

Brian C. Cornell 62
Chairman and Chief Executive Officer,
Target Corporation

Tanya L. Domier 55
Chief Executive Officer,
Advantage Solutions, Inc.

David W. Gibbs 58
Chief Executive Officer,
Yum! Brands, Inc.

Mirian M. Graddick-Weir 66
Retired Executive Vice President Human Resources,
Merck & Co., Inc.

Lauren Hobart 52
President and Chief Executive Officer,
DICK'S Sporting Goods

Thomas C. Nelson 58
Chairman, Chief Executive Officer and President,
National Gypsum Company

P. Justin Skala 61
Chief Executive Officer,
BMI Group

Elane B. Stock 56
Chief Executive Officer,
ServiceMaster Brands, LLC

Annie Young-Scrivner 52
Chief Executive Officer,
Wella Company

SENIOR OFFICERS

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Chief Executive Officer,
Yum! Brands, Inc.

Scott A. Catlett 45
Chief Legal and Franchise Officer
and Corporate Secretary,
Yum! Brands, Inc.

Mark King 61
Chief Executive Officer,
Taco Bell Division

Tony Lowings 62
Chief Executive Officer,
KFC Division

David E. Russell 51
Senior Vice President,
Finance and Corporate Controller,
Yum! Brands, Inc.

Keith Siegner 46
Vice President, Investor Relations,
Corporate Strategy and Treasurer,
Yum! Brands, Inc.

Tracy Skeans 48
Chief Operating Officer
and Chief People Officer,
Yum! Brands, Inc.

Christopher Turner 46
Chief Financial Officer,
Yum! Brands, Inc.

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.