

YUM BRANDS INC
Form DEF 14A
March 30, 2006
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 x
Filed by a Party other than the Registrant o
Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §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):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (4) Proposed maximum aggregate value of transaction:
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- o Fee paid previously with preliminary materials.
- o 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.
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YUM! Brands, Inc.

1441 Gardiner Lane

Louisville, Kentucky 40213

March 30, 2006

Dear Fellow Shareholders:

On behalf of your Board of Directors, we are pleased to invite you to attend the 2006 Annual Meeting of Shareholders of YUM! Brands, Inc. The meeting will be held Thursday, May 18, 2006, at 9:00 a.m., local time, in the Yum! Conference Center at 1900 Colonel Sanders Lane in Louisville, Kentucky.

At this meeting, you will be asked to:

- (1) Elect twelve (12) directors to serve until the next Annual Meeting of Shareholders and until their respective successors are duly elected and qualified;
- (2) Ratify the Board's selection of independent auditors to audit our financial statements for 2006;
- (3) Vote on four shareholder proposals described in the attached Proxy Statement, if properly presented at the meeting; and
- (4) Transact any other business properly brought before the meeting.

The enclosed notice and proxy statement contain details about the business to be conducted at the meeting. You may also read the notice and proxy statement on our Web site at www.yum.com/investors/proxy.asp.

To assure that your shares are represented at the meeting, we urge you to mark your choices on the enclosed proxy card, sign and date the card and return it promptly in the envelope provided. We also offer shareholders the opportunity to vote their shares electronically through the internet or by telephone. Please see the proxy statement and the enclosed proxy card for details about electronic voting options. If you are able to attend the meeting and wish to vote your shares personally, you may do so at any time before the proxy is voted at the meeting.

An admission ticket is attached to the accompanying proxy card. Please retain it and bring it with you if you plan to attend the meeting.

Sincerely,

David C. Novak
Chairman of the Board and Chief Executive Officer

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

Notice of Annual Meeting of Shareholders

Time: 9:00 a.m. on Thursday, May 18, 2006

Place: Yum! Conference Center
1900 Colonel Sanders Lane
Louisville, Kentucky 40213

Items of Business:

(1)	To elect twelve (12) directors to serve until the 2007 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 30, 2006.
(3)	To consider and vote on four shareholder proposals described in the attached proxy statement, if properly presented at the meeting.
(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 20, 2006.

Annual Report: A copy of our 2005 Annual Report is enclosed.

Date of Mailing: This notice and the proxy statement are first being mailed to shareholders on or about March 30, 2006.

By Order of the Board of Directors

Christian L. Campbell
Secretary

YOUR VOTE IS IMPORTANT

It is important that your shares are represented and voted at the Annual Meeting. Whether or not you plan to attend the meeting, please provide your proxy by marking, dating and signing the enclosed proxy card and returning it promptly in the enclosed envelope. Shareholders also have the option of voting electronically through the internet or by telephone. Please read the accompanying proxy statement and the voting instructions printed on your proxy card for details about electronic voting procedures. If you are able to attend the meeting and wish to vote your shares personally, you may do so at any time before the proxy is exercised.

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YUM! BRANDS, INC.
1441 Gardiner Lane
Louisville, Kentucky 40213

PROXY STATEMENT
For Annual Meeting of Shareholders To Be Held On
May 18, 2006

The Board of Directors (the Board of Directors or the Board) of YUM! Brands, Inc., a North Carolina corporation (Yum or the Company), solicits the enclosed proxy for use at the Annual Meeting of Shareholders of the Company to be held at 9:00 a.m. (Eastern Daylight Savings Time), on Thursday, May 18, 2006, in the Yum! Conference Center, at 1900 Colonel Sanders Lane, Louisville, Kentucky. This proxy statement contains information about the matters to be voted on at the meeting and the voting process, as well as information about our directors and most highly paid executive officers.

GENERAL INFORMATION ABOUT THE MEETING

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?

We sent you this proxy statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote your shares at the annual meeting. As a shareholder, you are invited to attend the meeting and are entitled to vote on the items of business described in this proxy statement.

Who may attend the annual meeting?

All shareholders of record as of March 20, 2006, or their duly appointed proxies, may attend the meeting. Seating is limited and admission is on a first-come, first-served basis. The admission ticket attached to the enclosed proxy card is required for admission to the meeting.

Please note that if you hold shares in a street name (that is, in a brokerage account or through a bank or other nominee), you will need to bring personal identification and a copy of a statement reflecting your share ownership as of March 20, 2006 and check in at the registration desk at the meeting.

What am I voting on?

You will be voting on the following six 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 30, 2006;
- The consideration of a shareholder proposal relating to a diversity report;
- The consideration of a shareholder proposal relating to the MacBride Principles;

- The consideration of a shareholder proposal relating to the labeling of foods containing genetically engineered ingredients; and
- The consideration of a shareholder proposal relating to an animal welfare report.

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

Who may vote?

You may vote if you owned Yum common stock as of the close of business on the record date, March 20, 2006. Each share of Yum common stock is entitled to one vote. As of March 20, 2006, Yum had 273,396,146 shares of common stock outstanding.

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 **AGAINST** the shareholder proposals.

How do I vote before the meeting?

You have three voting options:

- Through the Internet, which we encourage if you have Internet access, at the address shown below;
- By telephone through the toll-free number shown below; or
- By mail by completing, signing and returning the enclosed proxy card in the postage-paid envelope provided with this proxy statement.

Please note that if you elect to vote through the Internet or by telephone, do not mail back your proxy card. 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 proxy card carefully.

If you choose to vote through the Internet, you will be responsible for any costs associated with electronic access, such as usage charges from internet service providers and telephone companies.

If you are a participant in the Direct Stock Purchase Plan, shares of Yum common stock held in your account may be voted by returning the proxy card. The administrator of this program, as the shareholder of record, may only vote the shares for which it has received directions to vote from participants.

If you are a participant in Yum's 401(k) Plan, you may use the proxy card to direct the trustee of the 401(k) Plan to vote shares of Yum common stock you beneficially own under the 401(k) Plan. In accordance with the 401(k) Plan terms, if your proxy card for 401(k) Plan shares is not returned, those shares will not be voted.

For Shares Registered Directly in the Name of the Shareholder. Shareholders with shares registered directly in their name in the Company's stock records maintained by our transfer agent, American Stock Transfer and Trust Company, may vote their shares:

- by submitting their proxy through the internet at the following address on the World Wide Web:
www.proxyvote.com;
- 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 mailing their signed proxy card.

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Specific instructions to be followed by registered shareholders are set forth on the enclosed proxy card. Proxies submitted through the Internet or by telephone through ADP Investor Communication Services as described above must be received by 11:59 p.m., Eastern Daylight Savings Time, on May 17, 2006.

For Shares Registered in the Name of a Brokerage Firm or Bank. Shareholders who hold shares in street name may vote by mail by completing, signing and returning the voting instruction form provided by their brokerage firms, banks or other nominees. In addition to voting by mail, a number of brokerage firms and banks are participating in a program provided through ADP that offers telephone and Internet voting options (as well as the option to receive future shareholder communications including proxy materials through the Internet and not through the mail). If your shares are held in an account with a brokerage firm or bank participating in the ADP Investor Communication Services 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 ADP Investor Communication Services voting Web site (www.proxyvote.com). Votes submitted through the Internet or by telephone through the ADP Investor Communication Services program must be received by 11:59 p.m., Eastern Daylight Savings Time, on May 17, 2006.

Can I vote at the meeting?

Shares registered directly in your name as the shareholder of record may be voted in person at the annual meeting. Shares held in street name 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 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 meeting. You may do this by:

- signing another proxy card with a later date and returning it to us prior to the meeting;
- voting again by telephone or through the Internet prior to 11:59 p.m., Eastern Daylight Savings Time, on May 17, 2006;
- giving written notice to the Secretary of the Company; or
- voting again at the meeting.

Your attendance at the 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 American Stock Transfer and Trust Company 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 provide specific voting instructions, your shares will be voted as you instruct. 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 directors named in this proxy statement;

- **FOR** the ratification of the selection of KPMG LLP as our independent auditors for the fiscal year 2006; and
- **AGAINST** the shareholder proposals.

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

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

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

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

The election of directors and the proposal to ratify the selection of KPMG LLP as our independent auditors for fiscal year 2006 are considered routine matters for which brokerage firms may vote unvoted shares. The other proposals to be voted on at our 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 can I attend the meeting?

The annual meeting is open to all holders of Yum common stock as of the close of business on March 20, 2006, or their duly appointed proxies. You will need an admission ticket or proof of ownership of Yum's common stock to enter the meeting. If you are a registered owner, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the meeting, please so indicate when you vote and bring the ticket with you to the meeting. If your shares are held in the name of a bank, broker or other holder of record, your admission ticket is the left side of your voting information form. If you do not bring your admission ticket, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker is an example of proof of ownership. If you arrive at the meeting without an admission ticket, we will admit you only if we are able to verify that you are a Yum shareholder. Admittance to the annual meeting will be based upon availability of seating. All shareholders will be required to present valid picture identification. **IF YOU DO NOT HAVE VALID PICTURE IDENTIFICATION AND EITHER AN ADMISSION CARD OR PROOF THAT YOU OWN YUM COMMON STOCK, YOU MAY NOT BE ADMITTED INTO THE MEETING.**

May shareholders ask questions?

Yes. Representatives of the Company will answer shareholders' questions of general interest following the 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.

How many votes must be present to hold the meeting?

Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. In order for us to conduct our meeting, a

majority of the outstanding shares of Yum common stock, as of March 20, 2006, must be present in person or represented by proxy at the meeting. This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.

How many votes are needed to elect directors?

The nominees receiving the highest number of FOR votes will be elected as directors. This number is called a plurality. You may vote FOR all of the nominees or you may WITHHOLD AUTHORITY to vote for a particular nominee or nominees, or for all nominees. Unless you mark WITHHOLD AUTHORITY to vote for 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.

How many votes are needed to approve the other proposals?

Each of the Company's proposals and the shareholder proposals will be considered separately. The ratification of the selection of KPMG LLP as our independent auditors and the shareholder proposal must receive the FOR vote of a majority of the shares, present in person or represented by proxy, and entitled to vote at the 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 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 the matters to be voted on at the meeting.

What if other matters are presented for consideration at the annual meeting?

As of the date of this proxy statement, our management knows of no matters that will be presented for consideration at the meeting other than those matters discussed in this proxy statement. If any other matters properly come before the meeting and call for a vote of shareholders, validly executed proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board of Directors, or, in the absence of such a recommendation, in accordance with the judgment of the proxy holders.

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. Highlights of our corporate governance practices are described below.

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.

As discussed in more detail later in this section, the Board has determined that 10 of our 12 continuing directors are independent under the rules of the New York Stock Exchange (NYSE).

How often did the Board meet in fiscal 2005?

The Board of Directors met six times during fiscal 2005. Each director attended at least 75% of the meetings of the Board and the committees of which he or she was a member (held during the period he or she served as a director). With the exception of David Novak, no directors attended the Company's annual shareholders meeting in 2005. The other directors attended Board committee meetings during the 2005 annual meeting. In 2006, the Board has determined that it will again schedule committee meetings during the Annual Meeting.

What are the committees of the Board?

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

Name of Committee and Members		Functions of the Committee		Number of Meetings in Fiscal 2005
Audit: J. David Grissom, Chair		<ul style="list-style-type: none"> • Possesses sole authority regarding the selection and retention of independent auditors 		10
Bonnie Hill Robert Holland, Jr.		<ul style="list-style-type: none"> • Reviews and has oversight over the Company's internal audit function 		
Kenneth G. Langone Jonathan S. Linen Thomas C. Nelson*		<ul style="list-style-type: none"> • Reviews and approves the cost and scope of audit and non-audit services provided by the independent auditors 		
*Mr. Nelson was appointed to the Audit Committee on		<ul style="list-style-type: none"> • Reviews the independence, qualification and performance of the independent auditors 		
January 26, 2006		<ul style="list-style-type: none"> • Reviews the adequacy of the Company's internal systems of accounting and financial control 		
		<ul style="list-style-type: none"> • Reviews the annual audited financial statements and results of the audit with management and the independent auditors 		
		<ul style="list-style-type: none"> • Reviews the Company's accounting and financial reporting principles and practices including any significant changes 		
		<ul style="list-style-type: none"> • Advises the Board with respect to Company policies and procedures regarding compliance with applicable laws and regulations and the Company's Worldwide Code of Conduct and Policy on Conflict of Interest 		

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. Grissom, 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. Grissom has accounting and related financial management expertise within the meaning of the listing standards of the NYSE and that each member is financially literate within the meaning of the NYSE listing standards.

Compensation: Robert J. Ulrich, Chair David W. Dorman Massimo Ferragamo		<ul style="list-style-type: none"> Oversees the Company's executive compensation plans and programs and reviews and recommends changes to these plans and programs 		4
Thomas M. Ryan		<ul style="list-style-type: none"> Monitors the performance of the chief executive officer and other senior executives in light of corporate goals set by the Committee 		
		<ul style="list-style-type: none"> Reviews and approves the compensation of the chief executive officer and other senior executive officers 		
		<ul style="list-style-type: none"> Reviews management succession planning 		
The Board has determined that all of the members of the Compensation Committee are independent within the meaning of the listing standards of the NYSE and non-employee directors within the meaning of Section 16 of the Securities Exchange Act of 1934.				
Nominating and Governance: Kenneth G. Langone, Chair		<ul style="list-style-type: none"> Identifies and proposes to the Board suitable candidates for Board membership 		3
Robert Holland, Jr. Thomas M. Ryan		<ul style="list-style-type: none"> Advises the Board on matters of corporate governance 		
		<ul style="list-style-type: none"> Reviews and reassesses from time to time the adequacy of the Company's Corporate Governance Guidelines 		
		<ul style="list-style-type: none"> Receives comments from all directors and reports annually to the Board with assessment of the Board's performance 		
		<ul style="list-style-type: none"> Prepares and supervises the Board's annual review of director independence 		
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.				
Executive/Finance: David C. Novak, Chair J. David Grissom Kenneth G. Langone Robert J. Ulrich		<ul style="list-style-type: none"> Exercises all of the powers of the Board in the management of the business and affairs of the Company consistent with applicable law while the Board is not in session 		0

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. Each director who is not an employee of Yum receives an annual stock grant retainer with a fair market value of \$100,000 and an annual grant of vested options to buy \$125,000 worth of Yum common stock at a price equal to its fair market value on the date of grant. Directors may elect to receive up to one-half of their stock retainer in cash. Directors may also defer payment of their retainers pursuant to the Directors Deferred Compensation Plan. Deferrals may not be made for less than two years. In recognition of the added duties of these chairs, the Chairperson of the Audit Committee receives an additional \$15,000 stock retainer annually and the

Chairperson of the Compensation Committee receives an additional \$5,000 stock retainer annually.

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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 Yum's employees. Under this program, the Yum! Brands Foundation will match up to \$10,000 a year in contributions by the director to a charitable institution approved by the Yum! Brands Foundation.

Insurance. We also pay the premiums on directors' and officers' liability and business travel accident insurance policies. The annual cost of this coverage is approximately \$2.5 million.

How much Yum stock do the directors own?

Stock ownership information for each director nominee and continuing director is shown in the table on page 28.

How does the Board determine which directors are considered independent?

The Company's Corporate Governance Principles, adopted by the Board, meet or exceed the listing standards adopted in 2003 by the NYSE. The full text of the Principles can be found on the Company's Web site (www.yum.com/investors/governance/principles.htm). A copy may also be obtained upon request from the Company's Corporate Secretary.

Pursuant to the Principles, the Board undertook its annual review of director independence in January 2006. 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 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 the rules of the NYSE, with the exception of David Novak and Jackie Trujillo. Mr. Novak is not considered an independent director because of his employment as Chairman, Chief Executive Officer and President of the Company. Mrs. Trujillo is considered a non-independent outside director because the Board determined that, under the NYSE independence standards, Mrs. Trujillo has a material relationship with Yum by virtue of her employment during 2004 as Chairman of Harman Management Corporation (Harman), one of Yum's largest franchisees, and her continued relationship with Harman as Chairman Emeritus. We provide additional information regarding royalties and other amounts paid by Harman Management Corporation to Yum at page 9.

In determining that the other directors did not have a material relationship with the Company, the Board determined that Messrs. Grissom, Ferragamo, Holland, Langone and Nelson and Ms. Hill had no other relationship with the Company other than their relationship as director. The Board did note that the companies that employ or employed Messrs. Dorman, Linen, Ryan and Ulrich had business relationships with the Company; however, the Board determined that these relationships were not material to the director or their companies.

David Dorman is a consultant to AT&T and is no longer an employee of AT&T. Since he is not an employee of AT&T, the Board is not required to consider the AT&T and Yum relationship with respect to whether Mr. Dorman is independent. However, at the time of the independence determination, he was an employee of AT&T and the Board did consider this employment in its independence determination. The Board noted that Yum's relationship with AT&T Corp. generated fees to AT&T of about \$4.5 million in 2005. These fees represented payments for Yum's long distance usage, data network connections between the field offices and restaurant support centers, toll free numbers and AT&T calling cards (and include

payments to SBC, which acquired AT&T at the end of 2005). The Board determined that had Mr. Dorman remained with AT&T, these payments would not have created a material relationship between Yum and Mr. Dorman or Yum and AT&T as they represent less than 1/10 of 1% of AT&T's revenues (and did not create a material relationship at the time of the determination).

Jonathan S. Linen is an advisor to the Chairman of American Express (AMEX). He retired in December 2005 as Vice Chairman of AMEX. While the Board is not required to consider Yum's relationship with AMEX because Mr. Linen is no longer an employee of AMEX, the Board notes that AMEX and its subsidiaries provide credit card related services to Yum and its employees. Yum's relationship with AMEX generated service fees to AMEX of about \$3 million in 2005. These amounts are not expected to materially change in 2006. The Board has determined that these service fees would not have created a material relationship between Yum and Mr. Linen or Yum and AMEX, as they represent less than 1/10th of 1% of AMEX's revenues.

Thomas M. Ryan is Chairman and Chief Executive Officer of CVS. In 2003 and 2004, Yum, through its subsidiary, KFC Realty Properties Inc., leased one piece of real estate from CVS. Annual lease payments made to CVS equaled approximately \$100,000. KFC Realty did not lease this property from CVS in 2005 and no payments were made to CVS in 2005. The Board determined that these payments do not create a material relationship between Yum and Mr. Ryan or between Yum and CVS as they represent less than 1/10th of 1% of CVS's revenues.

Robert J. Ulrich is the Chairman and Chief Executive Officer of Target Corporation. Yum received, through its Pizza Hut and Taco Bell affiliates, royalty payments from Target Corporation of approximately \$5.7 million in 2005. In addition, the Company will pay Target approximately \$700,000, representing a rebate for attaining certain volume levels in 2005. In addition, Yum paid Target approximately \$120,000 for the purchase of gift cards used for recognition of Yum employees in 2005. The Board determined that these payments do not create a material relationship between Yum and Mr. Ulrich or Yum and Target as the payments represent less than 1/10th of 1% of Target's revenues. These payments are expected to increase in 2006 but are not expected to impact the independence determination.

Are there any other material business relationships with entities associated with our directors?

During fiscal 2005, affiliates of Harman Management Corporation (Harman), as KFC, Taco Bell, Long John Silvers and A&W All American Food franchisees, paid royalties of approximately \$15,453,000 and contingent store opening fees of approximately \$870,500 to subsidiaries of Yum. The store opening fees are held in escrow and may be returned to Harman if the related new restaurant units are not opened within 18 months of payment and may be returned to the Harman affiliates if the related new restaurant units are not opened. Jackie Trujillo, Chairman Emeritus of the Board of Harman, is a director of Yum. Ms. Trujillo retired from Harman as its Chairman on June 30, 2004.

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. Currently, the Committee has not retained a search firm.

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 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. In connection with this evaluation, it is expected that each committee member will interview the prospective nominee in person or by telephone before the prospective nominee is presented to the full Board for consideration. After completing this evaluation and interview process, the Committee will make a recommendation to the full Board as to the person(s) who should be nominated by the Board, and the Board determines the nominee(s) after considering the recommendation and report of the Committee.

For a shareholder to submit a candidate for consideration by the Nominating and Governance Committee, a shareholder must notify Yum's Corporate Secretary. To make a director nomination at the 2007 Annual Meeting, a shareholder must notify Yum's Secretary no later than February 18, 2007. Notices should be sent to: Corporate Secretary, YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213. In either case, the notice must meet all of the requirements contained in our Bylaws.

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 (except 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 Chairperson 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 Compensation Committee matters are referred to the Chairperson of the Compensation Committee.

What are the Company's Policies on Reporting of Concerns Regarding Accounting?

The Audit Committee has established policies on reporting concerns regarding accounting and other matters in addition to our policy on communicating with our non-management directors. Any person, whether or not an employee, who has a concern about the conduct of the Company or any of our people, with respect to accounting, internal accounting controls or auditing matters, may, in a confidential or anonymous manner, communicate that concern to our General Counsel, Christian Campbell. If any person believes that he or she should communicate with our Audit Committee Chair, J. David Grissom, 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 and anonymous basis by contacting The Network at 1 (800) 241-5689. The Network is our designated external contact for these issues and is authorized to contact the appropriate members of management and/or the Board of Directors with respect to all concerns it receives. The full text of our Policy on Reporting of Concerns Regarding Accounting and Other Matters is available on our Web site at www.yum.com/investors/governance.

What are the Company's Governance Policies and Ethical Guidelines?

- **Board Committee Charters.** The Audit, Compensation 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, as well as comply with the Sarbanes-Oxley Act of 2002 and the rules issued thereunder, including the requirements of the NYSE. Each charter is available on the Company's Web site at www.yum.com/investors/governance and is available in print to any shareholder who requests it. The current Audit Committee Charter is included as Exhibit A to this proxy statement.
- **Corporate Governance Principles.** The Board of Directors has documented its corporate governance guidelines in the YUM! Brands, Inc. Corporate Governance Principles, which were adopted in November of 2001. These guidelines are available on the Company's Web site at www.yum.com/investors/governance.
- **Code of Ethics.** Yum's Worldwide Code of Conduct was adopted in 1997 when the Company was formed to emphasize the Company's commitment to the highest standards of business conduct. The Code of Conduct also sets forth information and procedures for employees to report ethical or accounting concerns, misconduct or violations of the Code in a confidential manner. The Code of Conduct applies to the Board of Directors and the principal executive officer, the principal financial officer and the principal accounting officer, as well as all employees of the Company. 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 Web site at www.yum.com/investors/governance. 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 Web site.

In addition, Yum has established a Supplier Code of Conduct that requires our U.S. suppliers to abide by all applicable laws, codes and regulations and states Yum's expectation that suppliers will conform their practices to published standards for their industry. Our Supplier Code of Conduct is described on the Company's Web site at www.yum.com/investors/governance/conduct.htm.

What other Significant Board Practices does the Company have?

- **Private Executive Sessions.** Our non-management directors meet at regularly scheduled executive sessions on a bi-monthly basis. These executive sessions are attended only by the non-management directors and in 2005 were presided over by Robert J. Ulrich. The presiding director for these meetings will be the Chairperson of each of the Audit, Compensation and Nominating and Governance Committees, who will rotate as presiding director at each executive session on a calendar year basis.
- **Advance Materials.** Information and data important to the directors' understanding of the business or matters to be considered at a Board or Board Committee meeting are, to the extent practical, distributed to the directors sufficiently in advance of the meeting to allow careful review prior to the meeting.
- **Board and Committees Evaluations.** The Board has an annual self-evaluation process that is led by the Nominating and Governance Committee. This assessment focuses on the Board's contribution to the Company and emphasizes those areas in which the Board believes a better contribution could be made. In addition, the Audit, Compensation and Nominating and Governance Committees also each conduct similar annual self-evaluations.

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 Compensation Committee has the sole authority to retain compensation consultants for advice on executive compensation matters.

Does the Company require stock ownership by directors?

Yum directors receive a significant portion of their annual compensation in stock. The Company believes that the increased emphasis on the equity component of director compensation serves to further align the directors with the interests of our shareholders. Non-management directors are expected to hold a meaningful number of shares of Company common stock and are expected to retain shares acquired as compensation as a director until at least 12 months following their departure from the Board.

Does the Company have stock ownership guidelines for Executives and Senior Management?

The Compensation Committee has adopted formal stock ownership guidelines that set minimum expectations for executive and senior management ownership. These guidelines are discussed at page 37. The Company has maintained an ownership culture among its executive and senior managers since its formation. All executive officers, and substantially all members of senior management, hold stock well in excess of the guidelines.

ITEM 1: ELECTION OF DIRECTORS
(Item 1 on the Proxy Card)

Who are this year's nominees?

The twelve (12) directors nominated by the Nominating and Governance Committee of the Board of Directors for election this year to hold office until the 2007 annual meeting and until their respective successors are elected and qualified are:

David W. Dorman

Age 52

Director since 2005

Consultant to AT&T, Inc.

David W. Dorman has been a consultant to AT&T, Inc. (New AT&T), a company that provides internet and transaction-based voice and data services, since February 2006. He was President of New AT&T from November 2005 until January 2006. He was Chairman of the Board and Chief Executive Officer of AT&T Corp. (Old AT&T) from November 2002 until November 2006. Prior to this, he was President of Old AT&T from 2000 to 2002 and the Chief Executive Officer of Concert, a former global venture created by Old AT&T and British Telecommunications plc, from 1999 to 2000. Mr. Dorman was Chairman, President and Chief Executive Officer of PointCast Incorporated from 1997 to 1999. He is also a director of CVS Corporation.

Massimo Ferragamo

Age 48

Director since 1997

Chairman of Ferragamo USA, Inc.

Massimo Ferragamo is Chairman of Ferragamo USA, Inc., a subsidiary of Salvatore Ferragamo Italia, which controls sales and distribution of Ferragamo products in North America. Mr. Ferragamo has held this position since 1985.

Mr. Ferragamo is also a director of Birks & Mayors, Inc.

J. David Grissom

Age 67

Director since January 2003

Chairman, Mayfair Capital

J. David Grissom is Chairman of Mayfair Capital, Inc., a private investment firm formed by Mr. Grissom in 1989. In addition, Mr. Grissom has been Chairman of The Glenview Trust Company, a private trust and investment management company, since 2001. He is also a director of Churchill Downs Incorporated.

Bonnie G. Hill

Age 64

Director since March 2003

President, B. Hill Enterprises LLC

Bonnie G. Hill is President of B. Hill Enterprises LLC, a consulting company. She has held this position since July 2001. She is also co-founder of Icon Blue, Inc., a brand operating company, and has been its Chief Operating Officer since July 2001. She served as President and Chief Executive Officer of Times Mirror Foundation, a charitable foundation affiliated with the Tribune Company from 1997 to 2001 and Senior Vice President, Communications and Public Affairs, of the Los Angeles Times from 1998 to 2001. From 1992 to 1996, she served as Dean of the McIntire School of Commerce at the University of Virginia. Ms. Hill currently serves as a director of AK Steel Holding Corporation, Albertson's Inc., Hershey Foods Corporation, The Home Depot, Inc., and California Water Service Group. She also serves on the boards of many charitable organizations, including the NASD Investor Education Foundation.

Robert Holland, Jr.

Age 65

Director since 1997

Member,

Cordova, Smart & Williams, LLC

Robert Holland, Jr. has been a member of Cordova, Smart and Williams, LLC an investment fund manager, and a limited partner of Williams Capital Partners Advisors, LP, a private equity investment firm, since 2005. He has also maintained a consulting practice for strategic development assistance to senior management of Fortune 500 companies since 2001. He was Chief Executive Officer of WorkPlace Integrators, Michigan's largest Steelcase office furniture dealer, from 1997 until 2001. From 1995 to 1996, he was President and Chief Executive Officer of Ben & Jerry's Homemade, Inc. Mr. Holland is also a director of Carver Federal Bank, Lexmark International, Inc. and Neptune Orient Lines Limited.

Kenneth G. Langone

Age 70

Director since 1997

Founder, Chairman of the Board,

Chief Executive Officer and

President, Invemed Associates, LLC

Kenneth G. Langone is the founder, and since 1974, has been Chairman of the Board, Chief Executive Officer and President, of Invemed Associates, LLC, a New York Stock Exchange firm engaged in investment banking and brokerage. He is a founder of Home Depot, Inc. and has been a director since 1978. He is also a director of ChoicePoint, Inc., and Unifi, Inc.

Jonathan S. Linen

Age 62

Advisor to the Chairman of American

Express

Jonathan S. Linen has been an advisor to the Chairman of American Express Company, a diversified worldwide travel and financial services company, since January 2006. From August 1993 until December 2005, he served as Vice Chairman of American Express Company. From 1992 to 1993, Mr. Linen served as President and Chief Operating Officer of American Express Travel Related Services Company, Inc. From 1989 to 1992, Mr. Linen served as President and Chief Executive Officer of Shearson Lehman Brothers. Mr. Linen is also a director of Bausch & Lomb, The Intercontinental Hotels Group, the World Travel & Tourism Council and the U.S. Travel & Tourism Promotion Advisory Board.

Thomas C. Nelson

Age: 43

Appointed Effective January 26, 2006

Chairman, President & CEO of

National Gypsum Company

Thomas C. Nelson has served as the President and Chief Executive Officer of National Gypsum Company, a building products manufacturer, since 1999 and was elected Chairman of the Board in January 2005. From 1995 to 1999, Mr. Nelson served as the Vice Chairman and Chief Financial Officer of National Gypsum Company. He is also a General Partner of Wakefield Group, a North Carolina based venture capital firm. Mr. Nelson previously worked for Morgan Stanley & Co. and in the United States Defense Department as Assistant to the Secretary and White House Fellow. He also serves as a director of Belk, Inc., and the Carolina's Healthcare Systems Board of Advisors.

David C. Novak

Age 53

Director since 1997

Chairman of the Board, Chief Executive Officer and President, Yum

David C. Novak became Chairman of the Board on January 1, 2001, and Chief Executive Officer of Yum on January 1, 2000. He also serves as President of Yum, a position he has held since October 21, 1997. Mr. Novak previously served as Group President and Chief Executive Officer, KFC and Pizza Hut from August 1996 to July 1997, at which time he became acting Vice Chairman of Yum. He is a director of J.P. Morgan Chase.

Thomas M. Ryan

Age 53

Director since 2002

Chairman, President and Chief Executive Officer, CVS Corporation and CVS Pharmacy, Inc.

Thomas M. Ryan is Chairman, Chief Executive Officer and President of CVS Corporation, an operator of retail pharmacies. He became Chairman of CVS in April 1999 and Chief Executive Officer and President in May 1998. From 1994 to present, Mr. Ryan also served as Chief Executive Officer and President of CVS Pharmacy, Inc. Mr. Ryan is a director of Bank of America.

Jackie Trujillo

Age 70

Director since 1997

Chairman Emeritus, Harman Management Corporation

Jackie Trujillo has been Chairman Emeritus of the Board of Harman Management Corporation (Harman), one of KFC's largest franchisees, since July 2004. From 1995 to 2004, she was Chairman of the Board of Harman.

Robert J. Ulrich

Age 62

Director since 1997

Chairman and Chief Executive Officer, Target Corporation

Robert J. Ulrich is Chairman and Chief Executive Officer of Target Corporation, a retail merchandising business. He became Chairman and Chief Executive Officer of Target Stores in 1987 and was elected Chairman and Chief Executive Officer of Target Corporation in 1994.

If elected, we expect that all of the aforementioned nominees will serve as directors and hold office until the 2007 annual meeting of shareholders and until their respective successors have been elected and qualified. Based on the recommendation of the Nominating and Governance Committee, all of the aforementioned nominees are standing for reelection except for Mr. Nelson who is standing for election by shareholders for the first time. **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 will be voted for a substitute nominated by the Board of Directors.

What vote is required to elect directors?

A plurality of the votes cast at the annual meeting is required for the election of directors. This means that the 12 nominees receiving the highest number of votes cast at the meeting will be elected.

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 2006. The Audit Committee of the Board of Directors has selected KPMG to audit our consolidated financial statements. During fiscal 2005, KPMG served as our independent auditors and also provided other audit-related and non-audit services.

Will a representative of KPMG be present at the meeting?

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

What vote is required to approve this proposal?

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

What fees did we pay to KPMG for audit and other services for fiscal years 2005 and 2004?

The following table presents fees for professional services rendered by KPMG for the audit of the Company's annual financial statements for 2005 and 2004, and fees billed for audit-related services, tax services and all other services rendered by KPMG for 2005 and 2004.

	2005	2004
Audit fees(1)	\$ 6,100,000	\$ 5,800,000
Audit-related fees(2)	200,000	200,000
Audit and audit-related fees	6,300,000	6,000,000
Tax fees(3)	1,500,000	1,800,000
All other fees		
Total fees	\$ 7,800,000	\$ 7,800,000

(1) Audit fees for 2005 and 2004 include fees for the audit of the annual consolidated financial statements, reviews of the condensed consolidated financial statements included in the Company's quarterly reports, audits of management's assessment of, and the effective operation of, internal controls over financial reporting and statutory audits.

(2) Audit-related fees for 2005 and 2004 consisted principally of fees for audits of financial statements of certain employee benefit plans and other attestations.

(3) Tax fees for 2005 and 2004 consisted principally of fees for international tax compliance and expatriate tax services.

The Audit Committee has adopted a policy under which audit and non-audit services to be rendered by the Company's independent public accountants must be pre-approved. The Committee's Pre-Approval Policy is attached as Exhibit B to this proxy statement and can also be found on the Company's Corporate Governance Web site.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU
VOTE FOR APPROVAL OF THIS PROPOSAL**

ITEM 3: SHAREHOLDER PROPOSAL
Relating to a Diversity Report
(Item 3 on the Proxy Card)

What am I voting on?

The Citizens Funds and Needmor Fund have advised us that they intend to present the following shareholder proposal at the Annual Meeting. We will furnish the addresses and the share ownership of the proponent upon request.

We believe equal employment opportunity and diversity are important issues for shareholders, employees and management. According to the bipartisan 1995 Glass Ceiling Commission report, a positive diversity record also has a positive impact on the bottom line. It recognized that public disclosure of diversity data motivates companies to develop and maintain innovative, effective programs to break the glass ceiling barriers.

Yet, while women and minorities comprise 60.6% of the US workforce (2000 Census), the leading women's organization Catalyst, in a 2002 report, notes only 7.9% of posts Executive VP and above are held by women.

Discrimination against employees and customers can create significant burdens for shareholders due to the high cost of litigation, potential loss of government contracts and potential damage to a company's reputation. In the pharmaceutical, petroleum, consumer products and restaurant industries discrimination lawsuits have resulted in significant financial costs to shareholders.

Specifically related to YUM! Brands, disabled customers in California are suing Taco Bell, a YUM! subsidiary, alleging that corporate restaurants are not accessible to customers using wheelchairs or scooters in violation of federal and state civil rights laws. The United States District Court has certified the case as a statewide class action. Surveys of corporate restaurants taken by a court appointed Special Master reveal numerous violations of the accessibility standards. Our last 10K stated it is likely that certain California Restaurants will be determined not to be fully compliant with the accessibility laws... and that plaintiffs seek \$4,000 each for 100,000 individuals or more. Thus, total exposure amounts to \$400 million. The potential financial and public relations problems concern us as shareholders.

Over 150 major US corporations do comprehensive diversity reporting including General Motors, Intel, IBM, Pfizer, Chevron-Texaco and Coca-Cola.

YUM! Brands CEO, David C. Novak, has spoken out eloquently and persuasively regarding the value of diversity for our company and how it must become a central value. We encourage YUM! to report more fully on how they are translating his vision into a corporate reality.

RESOLVED: The shareholders request our company prepare a report, at reasonable cost and omitting confidential information, within four months of the annual meeting, on the following:

1. An update on the status of the California disabilities class action;
2. A summary description of any financial planning which is being done to address potential liability from the California case, both monetary damages and the cost of bringing restaurants into compliance with disability laws;
3. A summary description of any policies and programs regarding access for the disabled at corporate restaurants;
4. A chart identifying employees according to their gender and race in each of the nine major EEOC-defined categories for the last three years, listing percentages in each category;

5. A summary description of YUM! Brands policies and programs to improve company performance regarding diversity, including those job categories where women and minorities are under utilized; and
6. A description of policies and programs aimed at increasing the number of managers who are qualified females or minorities.

**MANAGEMENT STATEMENT IN OPPOSITION
TO SHAREHOLDER PROPOSAL**

What is the recommendation of the Board of Directors?

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL

What is the Company's position regarding the diversity proposal?

It is Yum's policy to comply with all laws, including fair employment, civil rights and access for the disabled laws. It is our policy to deal fairly with employees and recruit, hire, train, promote, and provide other conditions of employment without regard to race, color, age, gender, religion, disability, national origin, sexual orientation, citizenship or veteran status. We recognize that one of our greatest strengths lies in the talent and ability of our employees. Employees are expected to hold themselves accountable to the highest professional standards, with mutual respect being the basis of all professional relationships. Human resource goals have been established to guide the Company activities in employee relations, including requiring a goal of presenting a diverse slate of candidates for every open position.

More importantly, however, the Company is committed to building a culture where diversity is a key competitive advantage both in how we work together and in how we do business. Belief in People is one of our founding principles and an essential part of our commitment to create an inclusive environment that reflects the communities in which we operate. This commitment starts with our Chairman and CEO who has made it one of his personal blue chips to identify and accelerate development of next generation talent at every managerial level, and to build even stronger diversity within the Company. Progress against this goal is taken into consideration with respect to our Chairman and CEO's compensation. In addition, at its inception, the Company created a Diversity Department to better foster diversity throughout the Company and ensure that diversity is a significant part of Yum's training programs, supplier relations, philanthropic initiatives, and community efforts. This department, headed by one of the officers of the Company, serves as the focal point for establishing a clear framework for continuing improvement in this area. Some of the initiatives of the Diversity Department include sponsorship of a wide variety of initiatives for the advancement of women and minorities including mentoring, internships, scholarships, regional networking forums, and professional development opportunities. We measure our progress annually through our Annual Founders Survey (in which we ask all employees to rate the Company on a number of topics, including diversity and other workforce related issues), and Quarterly Business and People Planning Review Sessions conducted by our Chairman and CEO.

Additionally, we extend our policies of valuing diversity beyond our workplace to our relationships with suppliers, franchisees, and the communities we serve. We are founding members of the Women's Foodservice Forum (WFF), MultiCultural Foodservice and Hospitality Alliance (MFHA), Women's Business Enterprise National Council (WBENC), National Minority Franchising Initiative (NMFI) and Women's Franchise and Distribution Forum (WFDF). Through our active leadership roles in these and other organizations, including the National Urban League, Organization of Chinese Americans, US Pan Asian American Chamber of Commerce, Congressional Hispanic Caucus, national Black and Hispanic MBA organizations, we continue to benchmark best practices that will help us advance our diversity and inclusion initiatives.

We are extremely proud that our progress in driving diversity across every aspect of our business has been recognized by *Fortune* magazine. For the last three years, Yum has been recognized in *Fortune*'s Top 50 Employers for Minorities and in 2004 Yum took the top spot for managerial diversity. In 2005, in addition to being named one of the 50 Best Companies for Minorities, *Fortune* also recognized Yum as one of the Top 50 Employers for Women. In 2005, Yum was recognized in *Black Enterprise*'s inaugural list of Best Companies for Diversity and *Hispanic Magazine*'s Top 100 Companies for Hispanics.

We are committed to creating and maintaining restaurants that are welcoming and enjoyable to all our customers, including those with disabilities. As to that portion of the shareholder proposal that relates to pending litigation against Taco Bell in California related to restaurant access to our customers, Yum has already made clear in previous public filings that Taco Bell denies liability and intends to vigorously defend against all claims in this lawsuit.

Why does the Company oppose this proposal?

This shareholder proposal requests a diversity report and a chart similar to Form EEO-1, which the Company and other private employers prepare and file on a confidential basis with the Equal Employment Opportunity Commission each year. We do not believe that preparing this report or publicizing this data, would meaningfully further the goal of equal employment opportunity. We currently share information with the general public about our diversity philosophy through our Web site.

Our commitment to equal employment opportunity is exemplified by our existing internal and external communications and programs. In addition, we are committed to creating and maintaining restaurants that are welcoming and enjoyable to all of our customers, including those with disabilities. The time and expense involved in producing the report requested by the proponents neither furthers our equal employment efforts or commitment to our customers, nor is it a prudent use of our resources. Therefore, the preparation of a report as requested by the proponents is not in the best interests of the shareholders.

This proposal was submitted at our last Annual Meeting. We opposed the proposal last year, and shareholders overwhelmingly rejected the proposal.

FOR THESE REASONS, WE RECOMMEND THAT YOU VOTE AGAINST THIS PROPOSAL.

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

ITEM 4: SHAREHOLDER PROPOSAL

Relating to the MacBride Principles

(Item 4 on the Proxy Card)

What am I voting on?

The Comptroller of the City of New York, Comptroller of the State of New York advised the Company that they intend to present the following shareholder proposal at the Annual Meeting. We will furnish the address and the share ownership of the proponents upon request.

WHEREAS, YUM! Brands, Inc., has a subsidiary in Northern Ireland;

WHEREAS, the securing of a lasting peace in Northern Ireland encourages us to promote a means for establishing justice and equality;

WHEREAS, employment discrimination in Northern Ireland was cited by the International Commission of Jurists as being one of the major causes of sectarian strife;

WHEREAS, Dr. Sean MacBride, founder of Amnesty International and Nobel Peace laureate, has proposed several equal opportunity employment principles to serve as guidelines for corporations in Northern Ireland. These include:

1. Increasing the representation of individuals from underrepresented religious groups in the workforce including managerial, supervisory, administrative, clerical and technical jobs.
2. Adequate security for the protection of minority employees both at the workplace and while traveling to and from work.
3. The banning of provocative religious or political emblems from the workplace.
4. All job openings should be publicly advertised and special recruitment efforts should be made to attract applicants from underrepresented religious groups.
5. Layoff, recall, and termination procedures should not in practice, favor particular religious groupings.
6. The abolition of job reservations, apprenticeship restrictions and differential employment criteria, which discriminate on the basis of religion or ethnic origin.
7. The development of training programs that will prepare substantial numbers of current minority employees for skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade, and improve the skills of minority employees.
8. The establishment of procedures to assess, identify and actively recruit minority employees with potential for further advancement.
9. The appointment of a senior management staff member to oversee the company's affirmative action efforts and the setting up of timetables to carry out affirmative action principles.

RESOLVED, Shareholders request the Board of Directors to:

1. Make all possible lawful efforts to implement and/or increase activity on each of the nine MacBride Principles.

SUPPORTING STATEMENT

We believe that our company benefits by hiring from the widest available talent pool. An employee's ability to do the job should be the primary consideration in hiring and promotion decisions.

Implementation of the MacBride Principles by YUM! Brands, Inc. will demonstrate its concern for human rights and equality of opportunity in its international operations.

Please vote your proxy **FOR** these concerns.

**MANAGEMENT STATEMENT IN OPPOSITION
TO SHAREHOLDER PROPOSAL**

What is the recommendation of the Board of Directors?

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL

What is the Company's position regarding the MacBride Principles?

The Company supports efforts to eliminate employee discrimination and differences in compensation rates in the workplace between the Catholic and Protestant communities in Northern Ireland. Northern Ireland has adopted a series of legislative measures to address these issues, culminating in the Fair Employment & Treatment (NI) Order 1998. These legislative measures are wide-ranging and specifically designed to deter discrimination and provide remedies for those affected by discrimination.

This legislation applies to all employers in Northern Ireland, including our franchise business. The MacBride Principles, which date from the mid-1980s, precede this legislation and are no longer appropriate as a result of the legislation.

The enforcement of the Fair Employment & Treatment (NI) Order 1998 is handled by the Equality Commission, a non-departmental government agency with extensive powers and resources. All remedies and complaints under that Order are handled by the Fair Employment Tribunal, an independent judicial tribunal with extensive powers to provide remedies to those affected by discrimination.

Why does the Company oppose this proposal?

All 36 KFC stores in Northern Ireland are owned and operated by a single franchisee; there are no Company-owned restaurants operating in Northern Ireland and the Company does not have a subsidiary in Northern Ireland. Under its franchise agreement with KFC, the franchisee is required to comply with all applicable laws, regulations, rules, by-laws, orders and ordinances in the operation of its business, which would include the Fair Employment & Treatment (NI) Order 1998. As a result, the franchisee is required to implement fair and equal employment practices in accordance with this Order.

For the above reasons, the Company continues to believe that it is not necessary or appropriate for the Company to seek to have its franchisee adopt the additional and overlapping obligations of the MacBride Principles. Furthermore, under the terms of the franchise agreement, the Company cannot require the franchisee to adopt these principles since they have no legal effect in Northern Ireland.

This proposal was submitted at our last Annual Meeting. We opposed the proposal last year, and shareholders overwhelmingly rejected the proposal.

FOR THESE REASONS, WE RECOMMEND THAT YOU VOTE AGAINST THIS PROPOSAL

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.

ITEM 5: SHAREHOLDER PROPOSAL

**Relating to Food Containing Genetically Engineered Ingredients
(Item 5 on the Proxy Card)**

What am I voting on?

The Sisters of Charity of the Incarnate Word have advised us that they intend to present the following shareholder proposal at the Annual Meeting. We will furnish the addresses and the share ownership of the proponent upon request.

RESOLVED: Shareholders request that the Board of Directors adopt a policy to identify and label all food products manufactured or sold by the company under the company's brand names or private labels that may contain genetically engineered (GE) ingredients.

SUPPORTING STATEMENT

- The right to know is a fundamental principle of democratic societies and market economics.
- Segregation and identity preservation of GE-ingredients/crops is already needed to trade in many international markets.
- The European Union, Japan, New Zealand, South Korea and Australia have passed regulations that require labeling of GE foods.
- As of May 19, 2005, Alaska law requires that genetically engineered salmon be labeled as such.
- Millions suffer from mild to fatal food allergies. Without labeling, consumers have no way of protecting themselves from hidden allergens.
- The National Academy of Sciences report, Genetically Modified Pest-Protected Plants (4/2000) recommended development of improved methods for identifying potential allergens in genetically engineered pest-protected plants.
- The report Safety of Genetically Engineered Foods: Approaches to Assessing Unintended Health Effects (National Academy of Sciences] 7/2004) states: ... there remain sizable gaps in our ability to identify compositional changes that result from genetic modification of organisms intended for food... (p.15) Post-marketing surveillance has not been used to evaluate any of the GE crops currently on the market. (p.153)
- Between 2001-2004, approximately 15,000 hectares (150 square kilometers) in four US states were planted with unapproved Bt10 corn. (New Scientist 3/23/2005) At least nine cargo shipments to Japan have contained the illegal variety. (Reuters 8/23/2005)
- The FDA determined (2/2003) that 386 pigs involved in bioengineering studies were possibly not properly disposed of, and may have entered the food supply.
- StarLink corn, not approved for human consumption, has been detected in US food aid shipments (12/2004) as well as in a U.S. corn shipment to Japan (12/2002). StarLink's first contamination of U.S. corn (8/2000) triggered a recall of 300 products.

Indicators that genetically engineered organisms MAY be harmful to humans, animals, or the environment include:

- Five major US agricultural weeds have developed resistance to glyphosate, the herbicide used with genetically engineered Roundup Resistant crops. Addressing this problem includes use of additional herbicides.

- Research (Environmental Health Perspectives 6/2005) has shown that Roundup, increasingly needed on Roundup Ready crops, is toxic to human placental cells at concentrations lower than agricultural use.
- Producers of salmon genetically engineered to speed the fish's growth to maturity expect their federal application to sell the fish in the United States to be decided within a year, renewing concern among commercial fishermen about the consequences of genetically modified fish escaping and mingling with wild salmon. (AP 3/9/2005).
- Crops engineered to produce pharmaceuticals/industrial chemicals could pollute the food system. The National Food Processors Association stated (11/2002): There is an unacceptable risk to the food supply associated with the use of food and feed crops as "factories" for the production of pharmaceuticals or industrial chemicals without mandatory regulations and necessary verification in place.

**MANAGEMENT STATEMENT IN OPPOSITION
TO SHAREHOLDER PROPOSAL**

What is the recommendation of the Board of Directors?

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL

What is the Company's position regarding the request to adopt a policy to identify and label all food products sold by the Company that may contain GE ingredients?

As we discussed in last year's proxy statement, the Company is absolutely committed to serving safe, high quality products to its customers. At the Company's restaurants, A&W All-American Food, KFC, Long John Silver's, Pizza Hut and Taco Bell, the customer's safety and confidence has always been and will continue to be the highest priority.

The products served at the Company's restaurants are highly regulated by a number of governmental agencies in each country in which we operate. For example, the U.S. Food and Drug Administration (the "FDA") and the U.S. Department of Agriculture (the "USDA") are charged with monitoring the safety of products served to U.S. consumers and we believe we are in compliance with their rules and regulations. The Company believes it is in compliance with all applicable worldwide regulations. In addition, the Company requires that all of its suppliers comply with such regulations.

Furthermore, the agencies that regulate food sold to U.S. consumers have not found any meaningful safety, health or environmental risks posed by genetically engineered food products grown in the U.S. The Company, nonetheless, has monitored and intends to continue to actively monitor developments in agricultural biotechnology. In addition, the Company has supported, and intends to continue its support of, initiatives of governmental agencies to ensure that food served at the Company's restaurants is safe for consumers.

The FDA also has decided that no special labeling is required for genetically modified foods that are substantially equivalent to their traditional counterparts. As a service to our customers, we provide information to consumers about the presence of major allergens in products served in our U.S. restaurants via our Web site at <http://www.yum.com/nutrition/default.asp> and upon requests to restaurant managers.

Why does the Company oppose the proposal?

All products sold at our restaurants, including those that may contain ingredients developed through biotechnology, are safe. Furthermore, biotechnology, applied as regulated by governmental agencies such as the FDA and USDA, can bring numerous benefits to society and the environment including the creation

of more nutritious foods, the possibility of finding new ways to help feed the world and the reduction of the use of pesticides. We believe that our shareholders are better served if governmental agencies such as the FDA and USDA monitor farmers and scientists to determine the safety of biotechnology-derived food ingredients for both human consumption and the environment while the Company keeps its focus on offering tasty and desirable restaurant meals for our customers that comply with applicable food safety regulations.

Based on the foregoing, in view of Yum's alignment with the current policies of U.S. and other regulatory bodies on this matter, it would be inappropriate and costly for the Company to label products based on the possibility that they contain ingredients in which biotechnology may have been employed, or to commit to removing any such ingredients from its products. We do recognize, however, the increasing concern among consumers about allergens and, as discussed above, have responded by posting information about major allergens in our products on our Web site.

A similar proposal was submitted at our last Annual Meeting. We opposed the proposal last year, and shareholders overwhelmingly rejected the proposal.

FOR THESE REASONS, WE RECOMMEND THAT YOU VOTE AGAINST THIS PROPOSAL

Vote Required

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting is required to approve this proposal.

ITEM 6: SHAREHOLDER PROPOSAL
Relating to an Animal Welfare Standards Report
(Item 6 on the Proxy Card)

What am I voting on?

People for the Ethical Treatment of Animals and Jana Kohl have advised us that they intend to present the following shareholder proposal at the Annual Meeting. We will furnish the addresses and the share ownership of the proponents upon request.

WHEREAS, Yum! Brands' Web site proclaims that the KFC Animal Welfare Advisory Council (AWAC) has been a key factor in formulating our animal welfare program; and

WHEREAS, when, in March 2005, KFC asked members of its AWAC including Dr. Ian Duncan, North America's leading expert on poultry welfare to make recommendations to improve the welfare of the more than 850 million birds sold by KFC each year, the advisors made their recommendations, but KFC refused to promise action on a single one; and

WHEREAS, Dr. Duncan has since resigned from the AWAC, joining four other advisors who have also resigned, having told the Guelph Mercury (26 Oct. 2005) that "[p]rogress was extremely slow, which is why I resigned. It was always going to be happening later. They just put off actually creating standards. ... I suspect that upper management didn't really think that animal welfare was important"; and

WHEREAS, Dr. Adele Douglass, one of the former advisors, was quoted in the Chicago Tribune (6 Aug. 2005) as saying: "[KFC] never had any meetings. They never asked any advice, and then they touted to the press that they had this animal-welfare advisory committee. I felt like I was being used"; and

WHEREAS, scientists now know that chickens are social, intelligent animals who rank higher on cognition tests than do dogs and cats; and

WHEREAS, chickens killed for KFC are treated in ways that would warrant felony cruelty-to-animals charges if they were a different species-they are bred and drugged so that they can't even walk and are gathered for transport to slaughter in a way that routinely breaks their wings and legs, and they usually have their throats slit or are scalded to death while they are still conscious; and

WHEREAS, implementing the standards recommended by KFC's former advisors (including requiring that suppliers phase in the USDA-approved controlled-atmosphere killing method of poultry slaughter-the most humane method of poultry slaughter available-which will improve worker safety and product quality and which is touted by Hormel and being implemented by McDonald's and Burger King, and requiring that suppliers work with breeders to ensure that chickens are bred for increased leg strength and decreased aggression rather than simply for growth, which results in painful and crippling injuries) would significantly decrease animals' suffering and increase product quality and profits, thus protecting Yum! Brands and KFC's reputation and