



Yum! Brands 2013
Corporate Social Responsibility Report

About Us

Yum! Brands, Inc., based in Louisville, Kentucky, has **over 40,000 restaurants in 128 countries and territories**. Yum! is ranked #201 on the Fortune 500 List with revenues of over \$13 billion and in 2013 was named among the top 100 Corporate Citizens by Corporate Responsibility Magazine. The Company's restaurant brands – **KFC**, **Pizza Hut** and **Taco Bell** – are the global leaders of the chicken, pizza and Mexican-style food categories. Outside the United States, in 2013, the Yum! Brands system opened over five new restaurants per day, making it a leader in international retail development.



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History & Culture

Over the past 16 years, our success has been driven by our focus on building leading brands in emerging markets like China, India, Africa, Brazil and Russia; driving aggressive, international expansion and building strong brands everywhere; dramatically improving U.S. brand positions, consistency and returns; driving industry-leading, long-term shareholder and franchisee value; and building a unique, fun culture led by people who love the restaurant business. Along the way, we also broadened our focus beyond our restaurants to important emerging issues of our global society such as our impact on people, communities, food and the environment.

From the very beginning, we had a passion to create a company that would truly be great and lasting. We turned our passion into a roadmap, one we call the **Yum! Dynasty Growth Model**, because dynasties endure and lead through the generations.

Yum! dynasty
growth model

our future back vision
Be the Defining Global Company That Feeds the World.

our goal
Be the Best in the World at Building Global Restaurant Brands!

our passion
Customer Made... with our customers best and center in everything we do.

our formula for success
People Capability First... satisfied customers and profitability follow.

how we lead with ABR and TPWY
Step Change Thinkers
Know How Builders
Active Drivers
People Growers

how we grow

Build Powerful Brands Through Superior Marketing, Breakthrough Innovation and Compelling Value	Drive Aggressive Unit Expansion Strategies, Especially in Emerging Markets	Create Industry Leading Returns Through Franchising and Disciplined Use of Capital
With a Foundation Built on Winning Food and World Class Operations	Build Leading Brands in Every Significant Category in China and India	Maximize Long-Term Shareholder Value

how we win together
Believe in All People
Be Restaurant and Customer Obsessed...NOM!
Recognize! Recognize! Recognize!

Go for Breakthrough
Build! Know How!
Take the Hill! Teamwork

...as one system



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Business Model



Pat Grismer
 Chief Financial Officer
 Yum! Brands

“In 2013, full-year EPS declined 9% to \$2.97 per share, excluding Special Items. While we're obviously disappointed with our overall results in 2013, we're pleased with the progress we've made in our China business and with our strong international development. In 2013, we opened over 1,950 new international restaurants, including more than 80% in high-growth emerging markets. With the improvements we've made to our business and our positive development momentum, we're confident we'll have a strong bounce-back year in 2014, delivering at least 20% EPS growth. More importantly, we're confident our business model will sustain double-digit earnings growth for many years to come.”

KFC Corporation, based in Louisville, Ky., is the world's most popular chicken restaurant chain. KFC specializes in Original Recipe[®], Extra Crispy[™], Kentucky Grilled Chicken[®] and Extra Crispy[™] Tenders, Hot Wings[™], Go Cups, Famous Bowls, Pot Pies, freshly made chicken sandwiches, biscuits and home-style side items. There are nearly 19,000 KFC outlets in 118 countries and territories around the world. Since 2006, the Kentucky Fried Chicken Foundation has awarded over \$10 million in Colonel's Scholars scholarships to students and another \$1.5 million since 2012 in grants to KFC team members via the REACH Educational Grant Program[™]. KFC Corporation is a subsidiary of Yum! Brands, Inc., Louisville, Ky. (NYSE: YUM.) For more information, visit www.kfc.com. Follow KFC on [Facebook](#) and [Twitter](#).

Pizza Hut is the world's largest pizza company, with more than 13,000 restaurants in 91 countries and territories. In 2013, Pizza Hut was named Pizza Brand of the Year by the Harris Poll Equitrend[®] and was the recipient of the Innovation and Leadership in Advertising Award from the American Advertising Federation, 10th District. Pizza Hut began 56 years ago in Wichita, Kansas and serves more pizza, pasta and wings each day than any other pizza brand, nearly half of which come from orders through digital channels. Pizza Hut is also an active member in its communities as the creator of the BOOK IT![®] Program, which is a long-standing children's literacy initiative used in more than 620,000 classrooms in the U.S., and has contributed more than \$11 million dollars from the U.S. alone to the World Food Programme. For more information, visit www.pizzahut.com/newsroom.

Taco Bell Corp., a subsidiary of Yum! Brands, Inc., (NYSE: YUM), is the nation's leading Mexican-inspired quick service restaurant. Taco Bell serves made to order and customizable tacos, burritos, and specialties such as the exclusive Doritos[®] Locos Tacos, gourmet-inspired **Cantina Bell[®] Menu** and lower calorie **Fresco Menu**. The company encourages customers to “Live Más” both through its food and in ways such as its **Feed The Beat[®]** music program and its nonprofit organization, the **Taco Bell Foundation for Teens[™]**. Taco Bell and its more than 350 franchise organizations have over 5,300 restaurants across the United States that proudly serve more than 36 million customers every week.

For 2013 Financial Highlights, [Click Here](#).



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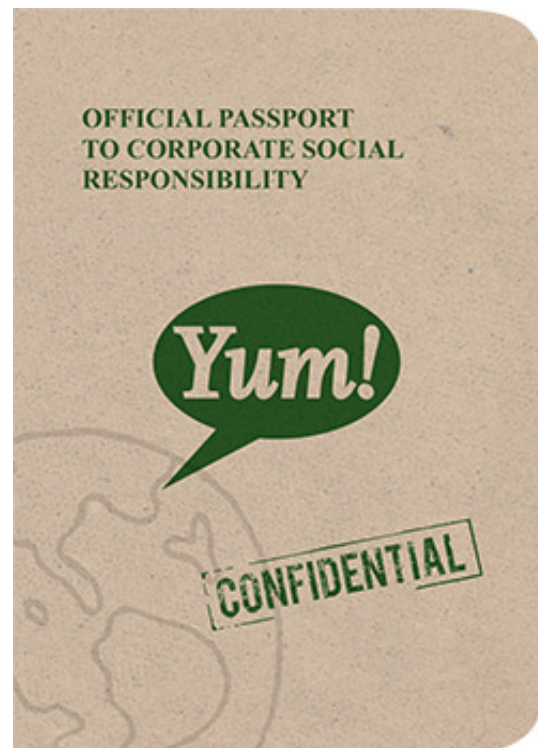
Strategy

Our ability to make a positive difference in the lives of people throughout the world is virtually unlimited, and it starts with a clear focus and commitment to getting better. We have chosen to leverage our clear strengths: our expertise—what we refer to as know how—and our people.

We believe that our strongest impact and contribution to sustainability lies in the critical parts of our business—the success and diversity of our associates, feeding people, health and nutrition, our supply chain, the environment, and community engagement and impact. These are the areas in which we are concentrating our efforts. We are also driving stakeholder engagement, systematically involving key internal and external stakeholders to support and execute our CSR initiatives.

Our strategy centers on four key pillars: People, Food, Community and Environment. Tactically, we will:

1. Transparently report on our progress with key stakeholders
2. Identify opportunities for improvement
3. Develop programs and strategies that address and overcome challenges





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Structure

We've built an integrated, executive-level structure and process to assess, guide and oversee our worldwide CSR activities. This ensures consistency in global CSR standards and activities while allowing for local adaptation to fit diverse cultural contexts and needs.

CSR at Yum! is a partnership between the Global Sustainability and Public Affairs teams and is led by our Chief Sustainability Officer and Vice President of Corporate Social Responsibility. We engage various internal and external stakeholders to deliver on the CSR commitments outlined in this report and we will continue to engage these and additional stakeholders as we move forward on our journey.

We will continue to refine our structure as needed, as well as the ways in which we measure progress against our objectives, to enhance our CSR capabilities and effectiveness.





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Stakeholders

Many of the important decisions and actions related to CSR are made and taken by our key stakeholders, outside of the immediate control of Yum! Brands, but within our system. Our franchisees are our most important partners in the implementation of practices regarding associates, sourcing and community impact.

Our existing structure for engaging this important group in the U.S. includes:

- Restaurant Supply Chain Solutions (RSCS) Board of Directors
- Brand Franchise Associations/Board of Directors

Over the past 16 years, we have built strong relationships with franchise owners and leaders, who inform and guide our thinking. We have also extended our reach to include stakeholders with important perspectives in areas related to our most important CSR impacts and we continually share our progress in the following key areas:

- Diversity Outreach Initiatives
- Health and Nutrition
- Supply Chain Innovation and Management
- Animal Welfare
- Environment (e.g., energy and water use, building design, waste and packaging)
- Hunger Relief
- Community Engagement and Volunteerism



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Governance, Public Policy and Government Affairs

Our governance, public policy and government affairs are managed with a view to the success of our business and fulfilling our Board's responsibilities to our shareholders. The Board's governance practices align management and shareholder interests, and include the following: independence of the majority of Board members; Board diversity; corporate governance principles; executive compensation programs that demonstrate pay for performance; stringent ethics and compliance standards, and having a Worldwide Code of Conduct and Political Contributions and U.S. Government Advocacy Policy. We operate in a complex and dynamic public policy environment. We influence this environment by conducting advocacy efforts with policymakers at national, state and local levels, both in the United States as well as in our international markets.



Chris Campbell,
Senior Vice President, General Counsel & Secretary and Chief Franchise Policy Officer

"A diverse range of experiences and perspectives among our Directors ensures the success of the Board in overseeing our complex, varied businesses. It also enhances long-term shareholder value."



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Board of Directors

DAVID NOVAK
 Chairman & CEO
 Yum! Brands



Our Board of Directors is led by Yum! Brands Chairman and Chief Executive Officer, David Novak. Among the 12 directors on the Board, nine are independent directors (based on New York Stock Exchange rules for director independence). The three non-independent directors are David Novak, Chairman and Chief Executive Officer, Jing-Shyh S. (Sam) Su, Vice Chairman of the Board, Yum! Brands, Inc. and Chairman and Chief Executive Officer, Yum! Brands China Division, and Michael J. Cavanagh, former Co-Chief Executive Officer, J.P. Morgan Chase & Co., Corporate and Investment Bank. To view detailed profiles of our directors, please visit our website at www.yum.com/company/bod.asp.

The Board of Directors has established four committees:

- Audit Committee
- Management Planning and Development Committee
- Nominating and Governance Committee
- Executive/Finance Committee

Only independent directors serve on the Audit, Management Planning and Development, and Nominating and Governance Committees in accordance with our Corporate Governance Principles. The Executive/Finance Committee includes Chairman and Chief Executive Officer David Novak, along with independent directors Thomas C. Nelson, Thomas M. Ryan and Robert D. Walter. To view our Board Committee composition, please visit our website at www.yum.com/investors/governance/charters.asp.

To ensure continued strong performance, the Board has instituted an annual self-evaluation process led by the Nominating and Governance Committee. This assessment focuses on the Board's contribution to the Company and emphasizes those areas in which a better contribution could be made. In addition, our Audit, Management Planning and Development and Nominating and Governance Committees conduct similar self-evaluations on an annual basis.

Board Diversity

A diverse range of experiences and perspectives among our Directors ensures the success of the Board in overseeing our complex, varied businesses.

When recruiting new directors, we look for leaders from different backgrounds that combine a broad spectrum of experience and expertise with a reputation for integrity. For complete selection criteria and policies, please see our [Corporate Governance Principles](#).

We're proud of the diversity of our Board. As of this writing, two women (Mirian M. Graddick-Weir and Bonnie G. Hill) and three minorities (Ms. Graddick-Weir, Ms. Hill, and Jing-Shyh S. (Sam) Su) serve on our Board of Directors. Ms. Graddick-Weir is the Executive Vice-President of Human Resources at Merck & Co., Inc. She has been a Director since January 2012. Ms. Hill is President of B. Hill Enterprises, LLC, a consulting company. She has been a Director since 2003. Mr. Su, a Taiwanese national and Chinese citizen, serves as Vice Chairman of the Board, Yum! Brands, Inc. and Chairman and Chief Executive Officer, Yum! Brands China Division. He has been a Director since 2008. The balance of our Board includes Michael J. Cavanagh, David W. Dorman, Massimo Ferragamo, J. David Grissom, Jonathan S. Linen, Thomas C. Nelson, David C. Novak, Thomas M. Ryan and Robert D. Walter.



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Corporate Governance

Adopted in 2001 and amended and restated in 2012, our Corporate Governance Principles of the Board of Directors, along with the Company's articles and bylaws, committee charters and the Worldwide Code of Conduct, provide the framework for Yum! Brands, Inc. governance. The Principles set out guidelines to inform all aspects of Board operations, including:

- Board Membership and Director Qualifications
- Director Independence
- Board Performance and Compensation
- Board Conduct
- Board Committees
- Role of the Chairman
- Role of the Lead Director

The Principles included a "majority voting" policy requiring any director who received a greater number of votes "withheld" from his or her election than votes "for" his or her election to promptly tender his or her resignation from the Board.

The Board reviews the Principles and other aspects of governance annually or more often, if necessary. The full text of the Corporate Governance Principles can be found at www.yum.com/investors/governance/principles.asp. These Principles are discussed annually in [our proxy statement](#).



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Executive Compensation

Yum! Brands' executive compensation programs, overseen by the Management Planning and Development Committee of the Board, are designed to attract and retain highly qualified leaders through competitive compensation and benefit programs, to reward our associates for personal contributions that grow the business, and to maximize shareholder returns through pay-for-performance programs. Reviewed annually by the Committee, the program's intent is to:

- Reward performance
- Pay our Restaurant General Managers and executives like owners
- Design pay programs at all levels that align team and individual performance, customer satisfaction and shareholder return
- Emphasize long-term incentive compensation

To strengthen the alignment between management and shareholder interests, the Management Planning and Development Committee has adopted formal stock-ownership guidelines, which set minimum expectations for executive and senior management ownership of Yum! stock. We have created an ownership culture in which our officers, executives and senior managers hold Yum! stock well in excess of the guidelines.

A table detailing total compensation and stock-based awards paid, earned or awarded for fiscal year 2013 to our CEO and four other most highly compensated executive officers can be found in our 2014 Proxy Statement on March 21, 2014.



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Ethics and Compliance

Yum!'s success is built on the integrity and high ethical standards of our associates. Our ethics and compliance program, based on our Worldwide Code of Conduct, demands the highest ethical standards in all of our operations around the globe.

Worldwide Code of Conduct

Yum!'s Worldwide Code of Conduct, adopted in 1997, is more than a document—it is the foundation for the way we conduct ourselves and do business throughout the world. It calls for the highest standards of ethical behavior from our Board members and our 1.5 million associates, and covers a variety of critical issues, including:

- Product Quality and Food Safety
- Relationship with Franchisees
- Employee Relations
- Relationships with Customers, Suppliers and Competitors
- Diversity
- Gifts and Entertainment
- Safety and Environmental Protection
- Political and Community Activities and Contributions
- Substance Abuse
- Conflicts of Interest
- Bribery and Corruption
- Insider Trading and Proprietary Information
- Accounts, Record Keeping and Disclosure of Financial Information

The Code is published in English, Chinese, French, German, Korean, Russian, Spanish and Thai and is available on [our investor site](#).

To help ensure compliance, we have developed a comprehensive program based on continuing compliance training for above-restaurant employees.

Our Board of Directors and our most senior Company associates are also required to complete a conflict of interest questionnaire annually and certify in writing that they have read and understand the Code of Conduct.

We know that, in any organization, raising an ethics concern—especially about a superior—can be difficult. So we have set up a system for associates to raise concerns through a safe, anonymous process. Using independent third parties, The Network, Inc., Deloitte Consulting, LLP and Employee Relations Strategies, Inc., we have opened local ethics hotlines in the U.S. and 19 countries that comprise our major markets. Our associates can use these hotlines 24 hours a day 7 days a week to anonymously raise a concern about possible Code violations or other ethical conflicts not covered by the Code. After a call, the independent third party relays the information to our management to investigate the concern.

The Audit Committee of our Board has established additional procedures for complaints and concerns of associates regarding accounting and auditing matters, including the confidential or anonymous submission of such complaints or concerns. More details on these procedures can be found at www.yum.com/investors/governance/complaint.asp.

We also maintain a Supplier Code of Conduct to hold all suppliers to our high standards. To learn more about our Supplier Code of Conduct, [click here](#).



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Government Affairs

Our goal is to educate policymakers about our business and the issues that are important to us and our franchisees. In pursuit of an environment where our restaurants, franchisees, associates, and the communities we serve can thrive, we focus our public policy efforts and governmental partnerships on a variety of issues including food safety, workplace requirements and practices, health and nutrition, tax policy and regulation of foodservice operations and practices.

Associate Benefits

Our associates are our Company's most important resource. In the highly competitive environment in which we operate, we know that our success depends on our ability to attract and retain a diverse, empowered workforce.

We participate in the U.S. Department of Labor's Work Opportunity Tax Credit (WOTC) program. Under this program, we receive a tax credit for hiring and training workers who are economically or physically disadvantaged. We have provided thousands of first-time jobs to individuals around the country, many of whom were previously on public assistance, helping them gain valuable job training and skills that enable them to continue as productive members of the workforce. We are proponents of maintaining the WOTC program as part of the U.S. tax code, and of simplifying it to make it more user-friendly for smaller employers such as our franchisees.



Brett Hale,
VP, Public Relations
Government Affairs

"It is imperative that we engage policy makers both domestically and abroad in a 360 degree dialogue that seeks to build, change, or reinforce perceptions of Yum! in the public policy arena. Our integrated strategy leverages the work of our government relations, regulatory affairs, and corporate social responsibility teams to impact the process in a positive way."

Health and Nutrition

We have implemented a set of **global nutrition guidelines** that define our proactive efforts to improve the nutrition profile of the foods we offer, while continuing to provide great taste, value and convenience across our markets. We are also committed to educating our customers and encouraging them to adopt balanced, healthy lifestyles. We support policies that limit restrictions on consumer choice and we work with governments, industry associations and others to promote an environment that fosters freedom of choice and innovation.

To reinforce our commitment to health and nutrition, we have partnered with the U.S. government and dozens of leading U.S. food corporations on the United States Department of Agriculture (USDA) ChooseMyPlate Corporate Challenge to help stem the tide of increasing weight and obesity among America's young people. As a Community Partner, we are committed to incorporating ChooseMyPlate educational information in our restaurants and online nutrition and marketing materials.

Additionally, we have worked with the U.S. Congress and the Obama Administration to enact uniform national menu board guidelines

for prepared food sales, providing a consistent way to educate the public about the nutritional value of the foods they eat. The U.S. Food and Drug Administration is currently in the process of finalizing regulations to implement this program. Once those rules are completed, our U.S. KFC, Pizza Hut and Taco Bell divisions will be providing calorie information in all of our company and franchised stores.

Our Associates' Voice - The Yum! Brands Good Government Fund

We maintain a non-partisan Political Action Committee (PAC) that supports candidates for public office in the U.S. The PAC is funded through the personal voluntary contributions of eligible employees. No corporate funds are contributed to the PAC.

Our associate PAC is dedicated to the election of pro-business candidates at the federal, state and local levels of government. We follow the general guidelines of supporting the preservation and growth of the private enterprise system, electing candidates on a non-partisan basis, using business-related issues as the key benchmark and emphasizing political races in areas where our associates live and work. In 2013, our PAC contributed more than \$72,000 to political candidates.

In addition to complying with all U.S. federal and state regulations, our PAC is periodically audited by both Comerica Bank and an internal Yum! audit team. We are pleased to report that the most recent internal Yum! audit, conducted in 2013, awarded our PAC a "Well Controlled" rating. Our PAC also provides an annual report to our donors regarding its activities. A detailed listing of the PAC's receipts and disbursements can be found by visiting the Federal Election Commission's website at www.fec.gov.

In limited circumstances as permitted by law, our Company may contribute corporate funds to state or local candidate campaigns. These contributions are disclosed as legally required. In addition, we voluntarily provide a complete listing of these contributions and our contribution policies on our website at <http://yum.com/investors/governance/disclosure.asp>.



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Trade Memberships

Trade associations enable us to join together with other companies to address common interests and issues in the public policy arena. Our trade and member-based associations act as public advocates with the press and elected officials, develop research on relevant issues and coordinate joint efforts to address issues and opportunities within the restaurant, retail and food industries. Some of our significant memberships include:

- American Potato Trade Alliance (APTA)
- China Advertising Association (Yum! China)
- China Association of Enterprises with Foreign Investment (CAEFI)
- China Chain Stores and Franchise Association (Yum! China)
- China Cuisine Association (Yum! China)
- China Food Safety Association (Yum! China)
- Conference for Food Protection (CFP)
- Dairy Management, Inc. (DMI)
- European Modern Restaurant Association (EMRA)
- Food Packaging Association (FPA)
- Food Waste reduction Alliance (FWRA)
- International Food Information Council Foundation (IFIC)
- International Franchise Association (IFA)
- International Poultry Council (IPC)
- Kentucky Clean Fuels Coalition (KCFC)
- Louisville Sustainability Council
- National Chicken Council (NCC)
- National Restaurant Association (NRA)
- Paper Recovery Alliance (PRA)
- Sustainable Packaging Coalition (SPC)
- U.S. ASEAN Business Council (Southeast Asia)
- U.S. Chamber of Commerce
- U.S. Dairy Export Council (USDEC)
- U.S. Green Building Council (USGBC)
- U.S. India Business Council (USIBC)
- U.S. Poultry & Egg Export Council (USAPEEC)

