

YUM BRANDS INC
Form DEF 14A
March 27, 2003

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SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11
 - (1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

YUM! Brands, Inc.

1441 Gardiner Lane
Louisville, Kentucky 40213

March 27, 2003

Dear Fellow Shareholders:

On behalf of your Board of Directors, we are pleased to invite you to attend the 2003 Annual Meeting of Shareholders of YUM! Brands, Inc. The meeting will be held on Thursday, May 15, 2003, 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 four directors;
- (2) Approve the proposal to amend the Company's 2003 Long Term Incentive Plan;
- (3) Ratify the Board's selection of independent auditors to audit our financial statements for 2003;
- (4) Vote on three shareholder proposals described in the attached Proxy Statement, if properly presented at the meeting; and
- (5) 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 page at www.yum.com/investors/proxy.

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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 15, 2003
- Place:** Yum! Conference Center
1900 Colonel Sanders Lane
Louisville, Kentucky 40213
- Items of Business:**
- (1) To elect four directors to serve until the 2006 Annual Meeting and until their successors are elected and qualified.
 - (2) To approve the proposal to amend the Company's Long Term Incentive Plan.
 - (3) To ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 27, 2003.
 - (4) To consider and vote on three shareholder proposals described in the attached proxy statement, if properly presented at the meeting.
 - (5) 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 17, 2003.

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Annual Report: A copy of our 2002 Annual Report is enclosed.

Date of Mailing: This notice and the proxy statement are first being mailed to shareholders on or about March 28, 2003.
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 15, 2003**

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 15, 2003, 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 upon 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 17, 2003, 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 17, 2003 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 four directors to serve until the 2006 Annual Meeting and until their successors are elected and qualified;

The approval of the proposal to amend the Company's Long Term Incentive Plan;

The ratification of KPMG LLP as our independent auditors for the fiscal year ending December 27, 2003;

The consideration of a shareholder proposal relating to smoke free facilities;

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The consideration of a shareholder proposal relating to the preparation of a sustainability report; and

The consideration of a shareholder proposal relating to MacBride Principles.

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 17, 2003. Each share of Yum common stock is entitled to one vote. As of March 17, 2003, Yum had 292,956,269 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 proposal to amend the Company's Long Term Incentive Plan, "FOR" the ratification 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, EquiServe Trust Company, N.A., may vote their shares:

by submitting their proxy through the internet at the following address on the World Wide Web:
<http://www.eproxyvote.com/yum>;

by making a toll-free telephone call from the U.S. or Canada to EquiServe Trust Company, N.A. at 1-877-779-8683 (if you have any questions about how to vote over the phone, call EquiServe at 1-888-439-4986); 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 EquiServe as described above must be received by 11:59 p.m., Eastern Daylight Savings Time, on May 14, 2003.

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 Investor Communication Services 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). This program is different from the program provided by EquiServe for shares registered directly in the name of the shareholder. 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 14, 2003.

May I vote confidentially?

Yes. Our policy is to treat all shareholder meeting proxies, ballots and voting tabulations confidentially, if the shareholder has requested confidentiality on the proxy or ballot.

If you so request, your proxy will not be available for examination nor will your vote be disclosed prior to the tabulation of the final vote at the Annual Meeting except (i) to meet applicable legal requirements, (ii) to allow the independent election inspectors to count and certify the results of the vote or (iii) where there is a proxy solicitation in opposition to the Board of Directors, based upon an opposition proxy statement filed with the Securities and Exchange Commission. The independent election inspectors may at any time inform us whether or not a shareholder has voted.

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 14, 2003;

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.

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Who will count the votes?

Representatives of EquiServe Trust Company, N.A. 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 each of the nominees for director named in this proxy statement;

FOR approval of the proposal to amend the Company's Long Term Incentive Plan;

FOR the ratification of KPMG LLP as our independent auditors for the fiscal year 2003; 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 EquiServe Trust Company, N.A., which may be reached at 1-877-439-4986.

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, the proposal to amend the Long Term Incentive Plan and the proposal to ratify the selection of KPMG LLP as our independent auditors for fiscal year 2003 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 17, 2003, or their duly appointed proxies. If you are a registered owner and plan to attend the meeting in person, please detach and retain the admission ticket which is attached to your proxy card and return the proxy card with the "Annual Meeting" box marked. If you hold your shares in street name and plan to attend the meeting, you may obtain an admission ticket in advance by sending a written request, with proof of ownership, such as a bank or brokerage firm account statement, to the Company's transfer agent, EquiServe Trust Company, N.A., P.O. Box 43016, Providence, Rhode Island 02940-3016. Admittance to the annual meeting will be based upon availability of seating. Shareholders who do not present admission tickets at the meeting will be admitted upon verification of ownership at the admissions desk. 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 17, 2003, 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 four 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 proposal will be considered separately. The ratification of KPMG LLP as our independent auditors, the request to amend the Long Term Incentive Plan and each 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.

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BOARD OF DIRECTORS INFORMATION

What is the composition of the board of directors and how often are members elected?

Our Board of Directors presently consists of 14 directors and is divided into three classes. Two current directors, D. Ronald Daniel and John L. Weinberg, are not standing for reelection. Therefore, after the Annual Meeting, the Board will consist of 12 directors. Each class is elected for a three-year term. The Board of Directors currently consists of Class I directors whose terms expire at the 2004 Annual Meeting, Class II directors whose terms expire at the 2005 Annual Meeting and Class III directors whose terms expire at this Annual Meeting.

How often did the board meet in fiscal 2002?

The Board of Directors met six times during fiscal 2002. 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). Mr. Grissom and Ms. Hill joined the Board in 2003.

What are the committees of the board?

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The Board of Directors has standing Audit, Compensation, Executive/Finance and Nominating and Governance Committees. All members of the Audit and Compensation Committees are non-employee directors.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2002
Audit: Sidney Kohl, Chair James Dimon Massimo Ferragamo Robert Holland, Jr. Jackie Trujillo J. David Grissom (joined Committee in January 2003)	Possesses sole authority regarding the selection and retention of independent auditors Reviews and has oversight over the Company's internal audit function Reviews and approves the cost and scope of audit and non-audit services provided by the independent auditors Reviews the independence, qualification and performance of the independent auditors Reviews the adequacy of the Company's internal systems of accounting and financial control Reviews the annual audited financial statements and results of the audit with management and the independent auditors Reviews the Company's accounting and financial reporting principles and practices including any significant changes Advises the Board with respect to Company policies and procedures regarding compliance with applicable laws and regulations and the Company's Worldwide Code of Conduct and Policy on Conflict of Interest Other functions of the Committee are set forth in the charter attached at Exhibit A	13
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Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2002
Compensation: Robert J. Ulrich, Chair D. Ronald Daniel* Kenneth G. Langone Thomas M. Ryan John L. Weinberg*	Reviews and recommends changes to the executive compensation plans and programs Reviews and approves the compensation of senior executive officers Monitors the performance of the chief executive officer and other senior executives	4

Oversees the Company's executive compensation plans
Reviews management succession planning

Executive/Finance:

Andrall E. Pearson, Chair
D. Ronald Daniel*
James Dimon
David C. Novak
John L. Weinberg*

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

Nominating and Governance:

Kenneth G. Langone, Chair
James Dimon
Sidney Kohl
Robert Holland
Thomas M. Ryan

Identifies and proposes to the Board suitable candidates for Board members and Board vacancies** 1
Review and reassess from time to time the adequacy of the Company's Corporate Governance Guidelines
Receive comments from all directors and report annually to the Board with assessment of the Board's performance

*
Not standing for reelection

**
The committee will consider those recommendations by shareholders which are submitted, along with biographical and business experience information, to the Chief Executive Officer or the Chair of the Nominating and Governance Committee.

How are directors compensated?

Employee directors do not receive additional compensation for serving on the Board of Directors. Each director who is not an employee of Yum, except for Mr. Pearson, receives an annual stock grant retainer with a fair market value of \$75,000 and an annual grant of vested options to buy \$50,000 worth of Yum common stock at a price equal to its fair market value on the date of grant. Non-employee directors, except for Mr. Pearson, 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. Directors may also defer payment of their retainers pursuant to the Directors Deferred Compensation Plan. Deferrals may not be made for less than one year. We also pay the premiums on directors' and officers' liability and business travel accident insurance policies.

Andrall E. Pearson became Founding Chairman and retired as an employee of Yum on January 1, 2001. As Founding Chairman, Mr. Pearson was asked by the Board to continue contributing in several strategic areas. In recognition for this contribution, as well as for his past contribution, we provide Mr. Pearson with the following while he continues to serve as a director through May 2003: \$300,000

annual retainer (prorated in 2003), secretarial support, and use of the corporate jet for business and personal travel (or reimbursement for a leased jet). Effective June 1, 2003 and provided Mr. Pearson is reelected as a director, he will be paid the same annual stock grant retainer and receive the same annual grant of vested options as other non-employee directors. He will also receive secretarial support and use of the corporate jet for business purposes (or reimbursement for a leased jet).

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 32.

Does Yum have any significant business relationships with entities associated with our directors?

During fiscal 2002, affiliates of Harman Management Corporation, as a KFC franchisee, paid royalties of approximately \$11,374,735 and contingent store opening fees of approximately \$1,575,000 to KFC Corporation, a subsidiary of Yum. The store opening fees are held in escrow and may be returned to Harman Management Company if the related new restaurant units are not opened within 18 months of payment. Jackie Trujillo, Chairman of the Board of Harman Management Corporation, is a director of Yum.

INFORMATION ON THE GOVERNANCE OF THE COMPANY

YUM! Brands Corporate Governance

The business and affairs of Yum are managed under the direction of the Board of Directors, which represents the shareholders of the Company. 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.

Board Independence and Expertise

Board and Board Committee Independence. A substantial majority of the Board of Directors are independent directors, with the Chairman being the only current management member of the Board. The founding Chairman, Mr. Pearson retired from the Company December 31, 2000.

The Audit Committee, the Compensation Committee, and the Nominating and Governance Committee are composed of independent directors under the New York Stock Exchange ("NYSE") rules currently in place.

There are no interlocking directorships and none of our independent directors receives any consulting, advisory, legal or other non-director fees from the Company.

Director Qualifications. The Nominating and Governance Committee is responsible for identifying, reviewing, assessing and recommending to the Board candidates to fill vacancies on the Board that occur for any reason. This Committee has established director candidate guidelines setting forth criteria that are considered in evaluating the candidacy of any individual as a member of the Board.

Audit Committee Independence and Financial Literacy. All members of the Audit Committee are independent directors who meet the independence and financial literacy requirements of the NYSE.

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. The Board has recently revised the charters of the Audit and Nominating and Governance Committees, among other things, to reflect certain current best practices in corporate governance. The current revised Audit Committee charter is included as Exhibit A to this Proxy Statement. The Audit Committee charter has also been revised to incorporate certain changes required, or which are expected to be required, under the Sarbanes-Oxley Act of 2002 and the rules issued thereunder, as well as changes expected to be required by the NYSE.

Corporate Governance Guidelines. The Board of Directors has documented its corporate governance in the YUM! Brands, Inc. Corporate Governance Guidelines, which were adopted in November of 2001 and recently updated to reflect certain best practices and recommendations of the NYSE.

Guidelines for Business Conduct. 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 set forth information and procedures for employees to report ethical or accounting concerns, misconduct or violations of the Code in a confidential manner.

Significant Board Practices

Private Executive Sessions. Our independent directors meet at regularly scheduled executive sessions on a bi-monthly basis. These executive sessions are attended only by the non-management directors and are presided over by Sidney Kohl.

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 Evaluation. The Board has instituted 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.

Board and Board Committee Access 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 Advisers. 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.

Stock Ownership by Directors

Director Equity-Based Compensation. 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.

Stock Ownership by Executive and Senior Management

Stock Ownership Guidelines. The Compensation Committee has adopted formal stock ownership guidelines that set minimum expectations for executive and senior management ownership and retention of stock. These guidelines are discussed at page 39. 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 Board of Directors has nominated each of the following individuals for election at the annual meeting:

J. David Grissom;

Bonnie G. Hill;

Kenneth G. Langone; and

Andrall E. Pearson.

If elected, we expect that Messrs. Grissom, Langone and Pearson and Ms. Hill will serve as Class III Directors and hold office until the 2006 annual meeting of shareholders and until their respective successors have been elected and qualified. Messrs. Langone and Pearson are standing for reelection. Mr. Grissom and Ms. Hill are standing for election by shareholders for the first time. In light of Mr. Pearson's continuing contribution and his role as founding Chairman, the Nominating and Governance Committee has waived the Company's normal retirement policy for directors.

Biographical information about each of the nominees, including their present occupations and business experience, follows. **The Board recommends that you vote FOR the election of these nominees.**

J. David Grissom

Age 64
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 and Provident Financial Corporation, and Chairman of the Board of Trustees of Centre College. He was appointed a director of Yum on November 21, 2002 (and joined the Board in January 2003), and is standing for election by shareholders for the first time at the 2003 Annual Meeting.

Bonnie G. Hill

Age 61
Director since March 2003
Chairman, 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 Chief Operating Officer of Icon Blue, Inc., a brand operating company. 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 ChoicePoint Inc., AK Steel Holding Corporation, Albertson's Inc., Hershey Foods Corporation, The Home Depot, Inc., and National Grid Group plc. She also serves on the boards of many charitable organizations. She was appointed a director of Yum on March 20, 2003 and is standing for election by shareholders for the first time at

the 2003 Annual Meeting.

Kenneth G. Langone

Age 66
Director since 1997

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

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Founder, Chairman of the Board, Chief Executive Officer and President, Invemed Associates, LLC

founder of Home Depot, Inc. and has been a director since 1978. He is also a director of ChoicePoint, Inc., General Electric Co., and Unifi, Inc.

Andrall E. Pearson

Age 76

Director since 1997

Founding Chairman, Yum

Andrall E. Pearson became Founding Chairman of Yum effective January 1, 2001. From August 15, 1997 to December 31, 2000, he served as Chairman of the Board of Yum, and he previously served as Chief Executive Officer of the Company from October 21, 1997 to January 1, 2000. Mr. Pearson served as an operating partner of Clayton, Dubilier & Rice, a leveraged buy-out firm, from 1993 to 1997. He was President and Chief Operating Officer of PepsiCo, Inc. from 1971 through 1984 and served on PepsiCo's Board of Directors for 26 years, retiring in April 1996. From 1985 to 1993 he was a tenured professor at Harvard Business School. Mr. Pearson is a director of Citigroup Inc. He is also a trustee of the New York University Medical School.

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 three nominees receiving the highest number of votes cast at the meeting will be elected.

Who are the other directors?

The other directors of the Company whose terms of office continue after this annual meeting are listed below. Each of these directors will serve until the annual meeting of shareholders in the year indicated and until their respective successors have been elected and qualified.

Class I Directors Terms Expiring In 2004

Robert Holland, Jr.

Age 62

Director since 1997

Former Owner and Chief Executive Officer, WorkPlace Integrators

Robert Holland, Jr. maintains a consulting practice for strategic development assistance to senior management of Fortune 500 companies. Prior to this, he was Chief Executive Officer of WorkPlace Integrators, Michigan's largest Steelcase office furniture dealer, from June 1997 until April 2001. From 1995 to 1996, he was President and Chief Executive Officer of Ben & Jerry's Homemade, Inc.

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From 1981 to 1984 and from 1991 to 1995, Mr. Holland served as Chairman and Chief Executive Officer of Rokher-J, Inc., which participates in business development projects and provides strategy development assistance to senior management of major corporations. Mr. Holland is also a director of MONY Group Inc., Mazaruni Granite Products, Carver Federal Bank and Lexmark International, Inc.

Sidney Kohl

Age 72

Director since 1997

Sidney Kohl, along with other family members, developed Kohl's Food Stores, Wisconsin's largest supermarket chain, and Kohl's Department Stores, now a national (New York Stock Exchange) department store chain. He served as President and Chairman when the two entities were sold in 1972. Since 1980, Mr. Kohl has been the president of the Sidney Kohl Company which owns and manages a variety of investments and owns and manages real estate it has developed. Mr. Kohl is a director of Kinko's, Inc.

David C. Novak

Age 50

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. Mr. Novak joined Pizza Hut in 1986 as Senior Vice President, Marketing. In 1990, he became Executive Vice President, Marketing and National Sales, for Pepsi-Cola Company. In 1992 he became Chief Operating Officer, Pepsi-Cola North America, and in 1994 he became President and Chief Executive Officer of KFC North America. He is a director of Bank One Corporation.

Jackie Trujillo

Age 67
Director since 1997
Chairman of the Board, Harman Management Corporation

Jackie Trujillo has been Chairman of the Board of Harman Management Corporation, one of KFC's largest franchisees, since 1995. She joined the Harman Management Corporation organization in 1953 and held various positions, becoming Executive Vice President of Operations in 1983, with responsibility for operations of its restaurants in Utah, Colorado, Washington and Northern California. From 1987 to 1995, she served as Executive Vice Chairman of Harman Management Corporation.

Class II Directors Terms Expiring in 2005

James Dimon

Age 47
Director since 1997
Chairman and Chief Executive Officer, Bank One Corporation

James Dimon is the Chairman and Chief Executive Officer of Bank One Corporation, a position he has held since 2000. From November 1998 until he assumed his position with Bank One, he was a private investor. Prior to that he served as President of Citigroup Inc., having held that position during October and November 1998 following the merger of Travelers Group Inc. and Citicorp. From September 1991 until October 1998, he was a director of Travelers Group Inc. From November 1993 to October 1998, he was President and Chief Operating Officer of Travelers Group Inc., as well as serving in several other executive positions with Travelers' subsidiaries Smith Barney, Inc. and Salomon Barney, Inc. during that period. Mr. Dimon is a trustee of New York University Medical Center and a director of the Center for Addiction and Substance Abuse.

Massimo Ferragamo

Age 45
Director since 1997
President and Vice 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 Mayers Jewelers, Inc.

Thomas M. Ryan

Age 50
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. 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 FleetBoston Financial Corporation and Reebok International Ltd.

Robert J. Ulrich

Age 59
Director since 1997
Chairman and Chief Executive Officer, Target Corporation and Target Stores

Robert J. Ulrich is Chairman and Chief Executive Officer of Target Corporation and Target Stores. He became Chairman and Chief Executive Officer of Target Stores in 1987 and assumed his additional present position with Target Corporation in 1994.

**ITEM 2: APPROVAL OF THE PROPOSAL TO AMEND
THE COMPANY'S LONG TERM INCENTIVE PLAN
(Item 2 on the Proxy Card)**

What am I voting on?

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A proposal will be presented at the Annual Meeting to amend the YUM! Brands, Inc. Long Term Incentive Plan (the "Plan" or the "1999 Plan") which was originally approved by the Company's shareholders on May 20, 1999 (formerly the Tricon Global Restaurants, Inc. Long Term Incentive Plan). On January 23, 2003, the Board adopted, subject to shareholder approval, an amendment to the Plan which proposes to increase the total number of shares of the Company's common stock that are available for grants under the Plan from 15,200,000 shares to 29,800,000. The 14,600,000 share increase represents slightly less than 5% of the outstanding stock as of the record date for the Annual Meeting. In addition, the Plan is being amended to make certain other technical and clarifying changes. The amendment would also modify some of the plan limits. (This is described below in more detail under "What Are the Limits on Awards Under the Plan?")

If the Plan, including the performance goals under the Plan, are approved by shareholders, certain Awards made under the Plan will be eligible to qualify as "performance-based compensation" that is exempt from the \$1 million deduction limit (as described below) imposed by Section 162(m) of the Internal Revenue Code and 29,800,000 shares of common stock will be authorized and available for Awards under the Plan. A summary of the material provisions of the Plan, as amended, is set forth below and is qualified in its entirety by reference to the Plan, as amended, set forth in Exhibit B. If the Plan is not so approved, the increase in the number of shares reserved under the Plan pursuant to the amendment will not take effect.

The purpose of the plan is to:

motivate Participants, by means of appropriate incentives, to achieve long-range corporate goals;

attract and retain persons eligible to participate in the plan;

provide incentive compensation opportunities that are competitive with those of similar companies; and

further align Participants' interests with those of the Company's other shareholders through compensation that is based on stock and thereby promote the long-term financial interest of the Company and its subsidiaries, including the growth in value of the Company's equity and enhancement of long-term shareholder return.

To achieve these objectives, the Plan provides for the grant of the following "Awards":

non-qualified and incentive stock options;

stock appreciation rights ("SARs"); and

other stock awards including stock units, restricted stock units, performance shares, performance units, and restricted stock.

Who is eligible to participate in the plan?

The Committee (defined below) may grant one or more Awards to any employee of the Company or its subsidiaries and to any director of the Company (the "Participants"). As of December 28, 2002, the Company and its subsidiaries had approximately 244,000 employees. The specific employees who initially will be granted Awards under the Plan and the type and amount of any such Awards will be determined by the Committee.

What types of awards may be granted?

OPTIONS. The Committee may grant options under the Plan to purchase stock which may be either non-qualified stock options or incentive stock options. The purchase price of a share of stock under each option shall not be less than the fair market value of a share of stock on the date the option is granted. The option shall be exercisable in accordance with the

terms established by the Committee. In general, the Committee intends that the option terms will provide that options will become exercisable in equal proportions on the four anniversary dates after grant and will require the Participant to be employed up until the date of exercise. (In the case of options granted to our restaurant general managers, area coaches and franchise business leaders grants generally vest four years after the grant.) The full purchase price of each share of stock purchased upon the exercise of any option shall be paid at the time of exercise. Except as otherwise determined by the Committee, the purchase price shall be payable in cash, in stock (valued at fair market value as of the day of exercise), or in any combination thereof. The Committee may impose such conditions, restrictions, and contingencies on Stock acquired pursuant to the exercise of an option as the Committee determines to be desirable.

STOCK APPRECIATION RIGHTS. The Committee may grant a stock appreciation right ("SAR") in connection with all or any portion of a previously or contemporaneously granted option or independent of any option grant. An SAR entitles the Participant to receive the amount by which the fair market value of a specified number of shares on the exercise date exceeds an exercise price established by the Committee. The exercise price may not be less than 100% of the fair market value of the stock at the time the SAR is granted. Such excess amount shall be payable in Stock, in cash, or in any combination thereof, as determined by the Committee.

OTHER STOCK AWARDS. The Committee may grant stock units (a right to receive Stock in the future), performance shares (a right to receive stock or stock units contingent upon achievement of performance or other objectives), performance units (a right to receive a designated dollar amount of stock contingent on achievement of performance or other objectives) and restricted stock and restricted stock units (a grant of stock and the right to receive stock in the future, respectively, with such shares or rights subject to a risk of forfeiture or other restrictions that lapse upon the achievement of one or more goals relating to completion of service by the Participant or the achievement of performance or other objectives, as determined by the Committee). Any such Award shall be subject to such conditions, restrictions and contingencies as the Committee determines.

The Company will require a minimum two year vesting or performance period. The Company does intend to award restricted shares with a two year vesting period in the case of annual incentive deferrals payable in restricted shares. These awards (described more fully at page 40) are granted as a settlement of earned annual incentives and are designed to encourage employee stock ownership. In addition, employees are permitted to defer their salary or annual incentive into stock units payable at a date elected by the employee. This feature is also designed to encourage employee stock ownership.

What performance goals may be used for "performance-based compensation" awards?

A federal income tax deduction will generally be unavailable for annual compensation in excess of \$1 million paid to any of the five most highly compensated officers of a public corporation. However, amounts that constitute "performance-based compensation" are not counted toward the \$1 million limit. The Committee may designate any Award described in the preceding paragraphs as intended to be "performance-based compensation." Any Awards so designated shall be conditioned on the achievement of one or more performance goals, as required by Section 162(m) of the Internal Revenue Code. The performance goals that may be used by the Committee for such Awards shall be based on any one or more of the following Company, subsidiary, operating unit or division performance measures: cash flow;

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earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; revenues; stock price; or total shareholder return. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity, shares outstanding, investments, assets or net assets. To satisfy the requirements that apply to performance-based compensation, these goals must be approved by the Company's shareholders, and approval of the Plan will constitute approval of the foregoing goals.

Who administers the plan?

The Plan is administered by a committee (the "Committee") selected by the Board and consisting solely of two or more outside members of the Board. If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

What is the authority of the committee?

The Committee will have the authority and discretion to select from among the Eligible Individuals those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and subject to certain limits, to cancel or suspend Awards. To the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, the Committee will have the authority and discretion to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States. The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award agreement made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan. Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Until action to the contrary is taken by the Committee, the Committee's authority with respect to matters concerning participants below the Executive Officer level is delegated to the Chief Executive Officer and Chief People Officer of the Company.

What are the limits on awards under the plan?

The maximum number of shares of stock that may be delivered to Participants and their beneficiaries originally authorized under the Plan was 15,200,000 shares of stock. To the extent any shares of stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of stock are not delivered because the Award is settled in cash or used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of stock available for delivery under the Plan. If the exercise price of any stock option granted under the Plan is satisfied by tendering shares of stock to the Company (by either actual delivery or by attestation), only the number of shares of stock issued net of the shares of stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of stock available for delivery under the Plan. It is proposed that shareholders approve an amendment that would increase the number of shares available under the Plan from 15,200,000 to 29,800,000. For purposes of applying the limit of the number of shares of stock available under the Plan,

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the amendment would provide that each share of stock delivered to a Participant or beneficiary pursuant to the grant of other stock awards (including stock units, restricted stock units, performance shares, performance units, and restricted stock) would be counted as covering two shares of stock, and would reduce the total number of shares of stock available for delivery under the Plan by two shares; except, however, restricted shares or restricted units granted as settlement of earned annual incentives will be counted as covering one share and will reduce the total number of shares of stock available for delivery under the Plan by one share.

The amendment would also modify the following specific limits in the Plan:

increase the number of shares from 2,000,000 to no more than 4,500,000 shares of stock that may be issued for options and SARs granted to any one individual in any five-calendar-year period;

increase the number of shares from 300,000 to no more than 1,500,000 shares of stock that may be issued for stock unit, restricted stock, restricted stock unit, and performance share awards that are intended to be "performance-based compensation" (as described below) granted to any one individual during any five-calendar-year period;

increase the number of shares from 500,000 to no more than 6,000,000 shares of stock that may be issued for stock units, restricted stock, and performance units awards (except that stock units, restricted stock and restricted stock units granted with respect to the deferral of salary or of annual cash incentive awards and in lieu of the receipt of such awards will not count toward this maximum); and

increase the dollar limit from \$1,000,000 to no more than \$4,000,000 that may be covered by performance unit awards that are intended to be "performance-based compensation" granted to any one individual during any one-calendar-year period.

The shares of stock with respect to which Awards may be made under the Plan shall be shares currently authorized but unissued and shares purchased in the open market or in private transactions. At the discretion of the Committee, an Award under the Plan may be settled in cash

rather than stock. The closing price with respect to the Stock on December 27, 2002 was \$24.12 per share.

The Committee may use shares of stock available under the Plan as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a subsidiary.

In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee may adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include: (i) adjustment of the number and kind of shares which may be delivered; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the exercise price of outstanding options and SARs; and (iv) any other adjustments that the Committee determines to be equitable.

The Company does not intend to request shareholders to approve the authorization of additional shares under the Plan until at least 2005.

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

What happens to awards upon a change in control?

Generally, the Committee may provide under the terms of any Award that upon a change in control, as defined in the Plan, all outstanding options and SARs will become fully exercisable and all stock units, restricted stock, restricted stock units and performance shares will become fully vested. Any restricted

shares attributable to deferrals under the Company's deferral plan shall become fully vested upon a change of control.

What is the duration of the Plan?

The Plan will continue in effect, until terminated by the Board; provided, however, that no award may be granted under the Plan after the ten-year anniversary of the effective date of the Plan. However, any awards that are outstanding after the Plan termination will remain subject to the terms of the Plan.

May the Plan be amended or terminated?

The Board may, at any time, amend or terminate the Plan, provided that no amendment or termination may, in the absence of consent to the change by the affected Participant, adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board. However, no amendment may increase the limits on shares, decrease the minimum option or SAR exercise price, or modify the restrictions on repricing without shareholder approval.

What is the tax treatment of awards under the Plan?

The following is a brief description of the federal income tax treatment that will generally apply to Awards under the Plan based on current federal income tax rules.

NON-QUALIFIED STOCK OPTIONS. The grant of a non-qualified stock option will not result in taxable income to the Participant. Except as described below, the Participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the Stock acquired over the exercise price for those shares, and the Company will be entitled to a corresponding tax deduction. Gains or losses realized by the Participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such Stock equal to the fair market value of the shares at the time of exercise.

INCENTIVE STOCK OPTIONS. The grant of an incentive stock option will not result in taxable income to the Participant. The exercise of an incentive stock option will not result in taxable income to the Participant provided that the Participant was, without a break in service, an employee of the Company or a subsidiary during the period beginning on the date of the

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grant of the option and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the Participant is disabled, as that term is defined in the Internal Revenue Code). The excess of the fair market value of the Stock at the time of the exercise of an incentive stock option over the exercise price is an adjustment that is included in the calculation of the Participant's alternative minimum taxable income for the tax year in which the incentive stock option is exercised.

If the Participant does not sell or otherwise dispose of the Stock within two years from the date of the grant of the incentive stock option or within one year after the transfer of such Stock to the Participant, then, upon disposition of such Stock, any amount realized in excess of the exercise price will be taxed to the Participant as capital gain and the Company will not be entitled to a corresponding tax deduction. A capital loss will be recognized to the extent that the amount realized is less than the exercise price.

If the foregoing holding period requirements are not met, the Participant will generally realize ordinary income at the time of the disposition of the shares, in an amount equal to the lesser of (i) the excess of the fair market value of the Stock on the date of exercise over the exercise price, or (ii) the excess, if any, of the amount realized upon disposition of the shares over the exercise price, and the Company will be entitled to a corresponding tax deduction. If the amount realized exceeds the value of the shares on the date of exercise, any additional amount will be capital gain. If the

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amount realized is less than the exercise price, the Participant will recognize no ordinary income, and a capital loss will be recognized equal to the excess of the exercise price over the amount realized upon the disposition of the shares.

STOCK APPRECIATION RIGHTS. The grant of an SAR will not result in taxable income to the Participant. Upon exercise of an SAR, the amount of cash or the fair market value of Stock received will be taxable to the Participant as ordinary income and the Company will be entitled to a corresponding deduction. Gains and losses realized by the Participant upon disposition of any such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of exercise.

PERFORMANCE SHARES AND PERFORMANCE UNITS. A Participant who has been granted a performance share award or performance unit award will not realize taxable income at the time of grant and the Company will not be entitled to a corresponding deduction. The Participant will have compensation income at the time of distribution equal to the amount of cash received and the then fair market value of the distributed shares. The Company will be entitled to a corresponding tax deduction.

RESTRICTED AND OTHER STOCK. A Participant who has been granted a restricted stock award will not realize taxable income at the time of grant and the Company will not be entitled to a corresponding deduction, assuming that the restrictions constitute a "substantial risk of forfeiture" for federal income tax purposes. Upon the vesting of Stock subject to an Award, the holder will realize ordinary income in an amount equal to the then fair market value of those shares, and the Company will be entitled to a corresponding tax deduction. Gains or losses realized by the Participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of vesting. Dividends paid to the holder during the restriction period, if so provided, will also be compensation income to the Participant and the Company will be entitled to a corresponding tax deduction. A Participant may elect pursuant to section 83(b) of the Internal Revenue Code to have income recognized at the date of grant of a restricted stock award and to have the applicable capital gain holding period commence as of that date. If the Participant makes this election, the Company will be entitled to a corresponding tax deduction.

Will the company withhold tax under the Plan?

The Company may withhold amounts from Participants to satisfy withholding tax requirements. Subject to guidelines established by the Committee, Participants may have Stock withheld from Awards or may tender Stock to the Company to satisfy tax withholding requirements.

Does the Plan satisfy the requirements of Section 162(m)?

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Section 162(m) of the Internal Revenue Code disallows a federal income tax deduction for certain compensation in excess of \$1 million per year paid to each of the Company's chief executive officer and its four other most highly compensated executive officers (collectively, the "Covered Employees"). Compensation that qualifies as "performance-based compensation" is not subject to the \$1 million limit. The Plan has been structured to permit Awards and payments that will satisfy the requirements applicable to performance-based compensation.

What is the tax treatment of awards upon a change in control?

Any acceleration of the vesting or payment of Awards under the Plan in the event of a change in control of the Company may cause part or all of the change in control benefits involved to be treated as an "excess parachute payment" under the Internal Revenue Code, which may subject the Participant to a 20% excise tax and preclude a tax deduction by the Company.

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Should a participant in the Plan seek professional tax advice?

The preceding discussion is based on federal tax laws and regulations presently in effect, which are subject to change, and the discussion does not purport to be a complete description of the federal income tax aspects of the Plan. A Participant may also be subject to state and local taxes in connection with the grant of Awards under the Plan. The Company suggests that Participants consult with their individual tax advisors to determine the applicability of the tax rules to the Awards granted to them in their personal circumstances.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE PROPOSAL TO AMEND THE YUM! BRANDS, INC. LONG TERM INCENTIVE PLAN.

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.

Equity Compensation Plan Information

The following table summarizes, as of December 28, 2002, the equity compensation plans under which we may issue shares of stock to our directors, officers and employees under the 1999 Plan and our 1997 Long Term Incentive Plan ("1997 Plan"), SharePower Plan and Restaurant General Manager Stock Option Plan ("RGM Plan").

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	44,720,316(1)\$	17.49(2)	12,357,713(3)
Equity compensation plans not approved by security holders(4)	8,499,318 \$	20.59	4,222,255
Total	53,219,634 \$	17.99	16,579,968

(1)

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Includes 3,577,593 shares issuable in respect of restricted stock units, performance units and deferred units.

- (2) Excludes restricted stock units, performance units and deferred units referred to in footnote 1 above.
- (3) Includes 2,349,447 shares available for issuance of awards other than options, warrants or rights under the 1997 Plan. Includes 500,000 shares available for issuance of awards other than options, warrants or rights under the 1999 Plan prior to the approval of Item 2.
- (4) Awards are made under the RGM Plan.

What are the key features of the 1999 Plan?

The 1999 Plan provides for the issuance of up to 15,200,000 shares of stock as non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares or performance units. Only our employees and Directors are eligible to receive awards under the 1999 Plan. The purpose of the 1999 Plan is to motivate participants to achieve long range goals, attract and retain eligible employees, provide incentives competitive with other similar companies and

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align the interest of employees and directors with those of our shareholders. The 1999 Plan is administered by the Compensation Committee of the Board of Directors. The exercise price of a stock option grant under the 1999 Plan may not be less than the average market price of our stock on the date of the grant, and no options may have a term of more than ten years. The options that are currently outstanding under the 1999 Plan generally vest over a one to four year period and expire ten years from the date of the grant. The 1999 Plan was approved by the shareholders in May 1999. If this Item 2 is approved by shareholders, the total number of shares in the 1999 Plan will increase to 29,800,000.

What are the key features of the 1997 Plan?

The 1997 Plan provides for the issuance of up to 45,000,000 shares of stock. Effective January 1, 2002, only stock appreciation rights, restricted shares and performance restricted stock units may be issued under this plan. We intend to utilize this plan with respect to payouts on shares from our deferral plans where the deferral payout is subject to a risk of forfeiture. Prior to December 31, 2001, we utilized this plan to make stock option awards similar to the stock option awards described in the 1999 Plan description above and to make two restricted performance unit awards to Mr. Novak, our Chairman and Chief Executive Officer. This plan was originally approved by PepsiCo, Inc. as the sole shareholder of the Company in 1997, prior to the spin-off of the Company from PepsiCo on October 6, 1997.

What are the key features of the SharePower Plan?

The SharePower Plan provides for the issuance of up to 14,000,000 shares of stock. The SharePower Plan allows us to award non-qualified stock options. Only our employees are eligible to receive awards under the SharePower Plan, except that our executive officers may not receive awards under this plan. The SharePower Plan is administered by the Compensation Committee of the Board of Directors. The exercise price of a stock option grant under the SharePower Plan may not be less than the average market value of our stock on the date of the grant and no option may have a term of more than ten years. The options that are currently outstanding under the SharePower Plan generally vest over a one to four year period beginning on the date of grant. The SharePower Plan was originally approved by PepsiCo, Inc. as the sole shareholder of the Company in 1997, prior to the spin-off of the Company from PepsiCo, Inc. on October 6, 1997.

What are the key features of the RGM Plan?

The RGM Plan provides for the issuance of up to 15,000,000 shares of common stock at a price equal to or greater than the average market price of our stock on the date of grant. The RGM Plan allows us to award non-qualified stock options. Only our employees are eligible to receive awards under the RGM Plan, except that our executive officers may not receive awards under this plan. The purpose of the RGM Plan is (i) to give restaurant general managers ("RGMs") the opportunity to become owners of stock, (ii) to align the interests of RGMs with those of Yum's other shareholders, (iii) to emphasize that the RGM is Yum's #1 leader, and (iv) to reward the performance of RGMs. In addition, the Plan provides incentives to Area Coaches, Franchise Business Leaders and other supervisory field operation positions that support RGMs and have profit and loss responsibilities within a defined region or area. While all non-executive officer employees are eligible to receive awards under the RGM plan, over two-thirds of the awards granted have been to RGMs or their direct supervisors in the field. Grants to

RGMs generally have four year vesting and expire after ten years. The RGM Plan is administered by the Compensation Committee of the Board of Directors and the Committee has delegated its responsibilities to the Chief People Officer of the Company. The Board of Directors approved the RGM Plan on January 20, 1998.

ITEM 3: RATIFICATION OF INDEPENDENT AUDITORS
(Item 3 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 2003. The Audit Committee of the Board of Directors has selected KPMG to audit our consolidated financial statements. During fiscal 2002, KPMG served as our independent auditors and also provided other audit related and tax services.