

October 30, 2023

Via UPS and email: mary.hobson@yum.com

Brian Cornell, Chairman of the Board
YUM! Brands, Inc.
1441 Gardiner Lane
Louisville, KY 40213

Dear Mr. Cornell:

We, the undersigned investors, representing more than \$19 billion in assets under management or advisement, are writing to express concern over the lack of transparency in YUM's lobbying activities.

To address these concerns YUM must prepare a report, updated annually, disclosing the company's policies and procedures governing lobbying including the decision making and Board oversight and all payments by the company used for direct or indirect lobbying or grassroots communications at all levels of government.

In 2022, the food and beverage industry spent nearly \$28 million on federal lobbying.¹ With such significant spending on political issues, comes significant risk to investors. Lobbying activity that is unaligned with a company's stated goals and values can have negative effects on shareholder value. Robust and publicly accessible federal lobbying disclosure requirements allow investors to protect themselves from the risks of corporate lobbying activity on the federal level. However, when investors attempt to protect themselves from the risks linked to state and local level corporate lobbying activities, they face a Sisyphean task.

To get the relevant data, investors must navigate a labyrinth of state and local government websites that lack uniformity in disclosure requirements. While some states may require a company to submit quarterly disclosures on their lobbying spending, other states, such as Florida, might only disclose a spending range (ex: \$1.00-\$9,999.99), and thirty-one states have no such reporting requirements. Adding to this difficulty, the websites where this data is hosted may be unavailable for technological reasons.

A further challenge for investors attempting to piece together a company's state and local level lobbying activity is that many companies have "indirect" lobbying expenditures, which take the form of contributions to trade associations and social welfare groups that the company might be a member of, which then use this money to lobby for its interests. Recently, the National Restaurant Association (NRA) has lobbied to weaken child labor restrictions. The NRA supported bills seeking to raise the maximum amount of hours a child can work, eliminate the permitting process for youth work, and remove restrictions on children doing hazardous work. Additionally, state-level restaurant associations have lobbied in favor of bills to lower the minimum age to serve alcohol in Iowa, Kentucky, and Idaho.² While YUM says that it aims to drive "good growth," its state and local level lobbying activity says otherwise.³

After an engagement by the SOC Investment Group earlier this year, Chipotle, one of the largest names in the Quick Service and Fast Casual Restaurant Industry (QSR) industry, updated its lobbying disclosures to

¹ <https://www.opensecrets.org/federal-lobbying/industries/summary?id=N01>

² <https://www.epi.org/blog/alcohol-service-age/>

³ <https://www.yum.com/wps/wcm/connect/yumbrands/7792058c-7cd6-4819-b0d0-eee4ffbf1aeb/2022-Report-080923.pdf?MOD=AJPERES&CVID=oDrEZkp>, page 12.

provide annually (from 2022 onwards) its federal and state level direct payments, including referendum expenditures, as well as disclosure of all dues and other payments made to trade associations and social welfare groups with non-deductible contributions broken out, including efforts at a federal, state, and local level.

Our proposal requesting similar disclosures was on the ballot at this year's YUM annual meeting, where it was supported by 41.9% of votes cast. We had similar proposals on the ballot at other large companies in the QSR industry this season, and they each received above average support levels from independent shareholders. The average support level for lobbying proposals this year was 32.9%. These high levels of support indicate that investors were particularly interested in seeing expanded lobbying disclosures from companies in the QSR industry and recognize the risks that may arise from YUM's lobbying activities and its association with the lobbying activities of the NRA, International Franchise Association, United States Chamber of Commerce, National Retail Federation and any other trade groups it contributes to.

For investors to be able to better understand potential risks related to YUM's lobbying activity, the company must prepare a report, updated annually, disclosing:

- The Company's policy and procedures governing lobbying (both direct and indirect) and grassroots lobbying communications.
- Payments by the Company used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
- "Dues and any other payments" to trade associations.
- The full amount of the dues and any other payment to trade associations, with a breakout of the non-deductible portion of the payment in its report. These trade association disclosures will include individual entries for all levels of organizational membership (i.e., national, state, county, local).
- The full amount of dues and any other payments to 501(c)(4) organizations, with a breakout of the non-deductible portion of the payment in its report.
- Description of management's decision-making process and the Board's oversight for making payments described above.

We urge YUM to consider our recommendations and look forward to hearing back from you by close of business November 17, 2023. To coordinate a meeting, please contact, Louis Malizia, Corporate Governance Director, SOC Investment Group at lmalizia@socinvestmentgroup.com or via phone at (202) 497-6924. We look forward to your response.

Sincerely,

Congregation of St. Joseph
Daughters of Charity, Province of St. Louise
Mercy Investment Services, Inc.
Region VI Coalition for Responsible Investment
School Sisters of Notre Dame Cooperative Investment Fund
Sisters of Charity of Saint Elizabeth
Sisters of the Humility of Mary
SOC Investment Group
Trinity Health
Tulipshare, Sustainable Investment Fund