



June 27, 2022

Mr. David Gibbs, Chief Executive Officer
Yum! Brands, Inc.
1441 Gardiner Lane
Louisville, KY 40213

Dear Mr. Gibbs:

We write to you in your capacity as Chief Executive Officer and Chairman of the Board of Yum! Brands, Inc. (“Company”). The purpose of this letter is to alert you to apparent mismanagement that threatens waste of Company assets, violations of federal civil rights laws, and breaches of fiduciary duty.

The Company describes one of its restaurant brands Pizza Hut as “the largest restaurant chain in the world specializing in the sale of ready-to-eat pizza products.” It acknowledges that shareholder value substantially depends on “our corporate reputation and on the value and perception of our brands.” It further acknowledges that “our corporate reputation” and shareholder value will suffer “from negative publicity or consumer sentiment regarding Company action or brand imagery...or a real or perceived failure of corporate governance.” Yum! Brands, Inc., Form 10-K at 3, 19 (Dec. 31, 2021), <https://bit.ly/3NvAkYE>.

On June 2, 2022, management substantially damaged Pizza Hut’s family and child-friendly brand and reputation by promoting books “celebrating drag kids [sic]” as part of “Pride Month.” One book, titled “Big Wig,” was aimed by management at children in grades “Pre-K-3” (ages 2-8). It depicts a young boy cross-dressing. Another, titled “Be Amazing: A History of Pride,” was aimed by management at children in grades “Pre-K-1” (ages 2-6). It promotes “drag queens.” See Yum! Brands, Inc., “BookIt!” (last accessed June 7, 2022), <https://bit.ly/3Nrs4Jj>. Sexualizing young boys ostensibly in the name of affirming “gay pride” or “gender identity” creates significant legal and moral hazards. Regardless, the business justification for promoting cross-dressing to children is not at all obvious. We are unaware of facts suggesting that such conduct creates shareholder value or enhances the Pizza Hut brand among consumers. Rather, the empirical evidence indicates such conduct may substantially and needlessly destroy shareholder value.¹

¹ See Phil Hall, *The Crisis at Disney: Part 1, Bob Chapek’s Blunder Road*, Markets Insider (June 21, 2022), <https://bit.ly/3zTe6vM>.

Additionally, management promises to increase the “representation of Black and Latinx [sic] U.S. associates among our executive and management ranks, franchisees and suppliers over the next ten years *to match the combined demographics of these groups within the U.S.*” Form 10-K at 8 (emphasis added). However, this is patently illegal. First, since the Civil Rights Act of 1866 (codified at 42 U.S.C. 1981), federal law has prohibited all forms of racial discrimination in private contracting. As the late Justice Ginsburg noted, Section 1981 is a “‘sweeping’ law designed to ‘break down all discrimination between black men and white men’ regarding ‘basic civil rights.’” *Comcast Corp. v. Nat’l Ass’n of Afr. Am.-Owned Media*, 140 S.Ct. 1009, 1020 (2020) (Ginsburg, J. concurring) (quoting *Jones v. Alfred H. Mayer Co.*, 392 U.S. 409, 432 (1968)). Second, racial, ethnic, and national origin “balancing” in hiring, training, and promotion is patently illegal under Title VII of the Civil Rights Act of 1964. *See* 42 U.S.C. §§ 2000e-2(a), (d). Decades of case law have held that — no matter how well intentioned — policies that seek to impose racial balancing are prohibited. *See, e.g., United Steelworkers of America v. Weber*, 443 U.S. 193, 208 (1979); *Johnson v. Transp. Agency*, U.S. 616, 621, 632 (1987). Third, “Latinx” is a word without fixed or intelligible meaning. If the Company is using “Latinx” as a proxy for men and women of a specific national or genetic origin related to the Spanish language, and if it is hiring, training, or promoting such individuals because of this characteristic, then it is necessarily engaging in unlawful national origin discrimination.

Management’s conduct, as outlined above, has needlessly exposed the Company to potential state and/or federal civil rights investigations and enforcement actions and suggests either a disregard for its fiduciary obligations or a major breakdown in its compliance controls. The Company is organized and carried on primarily for the profit of its shareholders, and the powers of its officers and directors are to be employed solely for that end. If the Company’s officers and directors are unable to demonstrate that the above-described conduct and policies clearly and concretely create shareholder value, then they are violating their fiduciary duty to shareholders by spending the Company’s funds to advance idiosyncratic political and social views.

Therefore, to prevent the waste of the Company’s assets, to repair and safeguard the Company’s brand, goodwill, and reputation among its core customers, to protect the Company’s shareholders, and in fulfillment of your fiduciary duty to ensure the Company’s compliance with civil rights laws, we demand that you and the Board immediately take the following steps.

1. Retain an independent counsel for a full investigation of and a report on the events and circumstances behind management’s dissemination of books promoting the sexualization of young boys as “drag queens” and targeting pre-kindergarten through grade three children. The Board should transparently disclose to the Company’s employees and shareholders, by releasing contemporaneous emails and other communications, how and why, precisely, management believed such conduct would

create shareholder value and enhance brand reputation. Among other things, all communications to or from the Company's General Counsel regarding this matter should be made available, and the Company should promptly and transparently publish all studies and analytic data demonstrating that the promotion of "celebrating drag kids [sic]" and other like measures enhances the Company's brand reputation and promotes alignment between its restaurant business and the tastes and preferences of its core U.S. and foreign customers.

2. Immediately cease and desist from all contracting and employment practices that discriminate based on race, color, sex, or national origin, and/or that are designed to "match the combined demographics" of any racial or other group. The Company should also immediately cease and desist from making any statements promoting or promising contracting and employment outcomes based on matching "combined demographics." Finally, the Company should retain an independent counsel to conduct a compliance audit of the Company's hiring and contracting practices and then make that report fully and transparently available to investors and shareholders.
3. In anticipation of litigation, preserve all records relevant to the issues and concerns noted above, including but not limited to paper records and electronic information, including email, electronic calendars, financial spreadsheets, PDF documents, Word documents, and all other information created and/or stored digitally. This list is intended to give examples of the types of records you should retain. It is not exhaustive.

Thank you in advance for your cooperation.

Sincerely,

Reed D. Rubinstein
America First Legal Foundation

Cc: Paget Alves, Director
Keith Barr, Director
Chris Connor, Director
Brian Cornell, Director
Tanya Domier, Director
Lauren Hobart, Director
Mirian M. Graddick-Weir, Director

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