
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

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

Filed by the Registrant

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 under §240.14a-12

Yum China Holdings, 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 all boxes that apply):

- No fee required.
- Fee paid previously with preliminary materials.
- Fee computed on table in exhibit required by Item 25(b) per Exchange Act Rules 14a-6(i)(1) and 0-11.
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YumChina

NYSE: YUMC and HKEX: 9987

Shareholder Engagement

September 2022



Cautionary Statement on Forward-Looking Statements & Non-GAAP Measures

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as "expect," "expectation," "believe," "anticipate," "may," "could," "intend," "belief," "plan," "estimate," "target," "predict," "project," "likely," "will," "continue," "should," "forecast," "outlook," "commit" or similar terminology. These statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable under the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements include, without limitation, statements regarding the future strategies, growth, business plans, investment, dividend and share repurchase plans, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, the expected impact of the COVID-19 pandemic, the anticipated effects of our innovation, digital and delivery capabilities and investments on growth and beliefs regarding the long-term drivers of Yum China's business, developments relating to the listing of Yum China's common stock on the NYSE and the HKEX, the details, timing, and completion of the Proposed Primary Conversion (as hereinafter defined), future issuances of stock or stock repurchases, and compensation arrangements, including pursuant to the proposed new equity incentive plan. Forward-looking statements are not guarantees of performance and are inherently subject to known and unknown risks and uncertainties that are difficult to predict and could cause our actual results or events to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or assumptions will be achieved. The forward-looking statements included in this presentation are only made as of the date of this presentation, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. Numerous factors could cause our actual results or events to differ materially from those expressed or implied by forward-looking statements, including, without limitation: whether we are able to achieve development goals at the times and in the amounts currently anticipated, if at all, the success of our marketing campaigns and product innovation, our ability to maintain food safety and quality control systems, changes in public health conditions, including the COVID-19 pandemic and regional outbreaks caused by existing or new COVID-19 variants, our ability to control costs and expenses, including tax costs, as well as changes in political, economic and regulatory conditions in China and the United States. In addition, other risks and uncertainties not presently known to us or that we currently believe to be immaterial could affect the accuracy of any such forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q) for additional detail about factors that could affect our financial and other results.

Executive Summary

- Yum China, a Delaware corporation, is primary listed on the NYSE and secondary listed on the HKEX
- YUMC is pursuing a voluntary conversion to a primary listing on the HKEX (“Proposed Primary Conversion”) to broaden our investor base, increase liquidity and mitigate the risk of delisting from NYSE under the Holding Foreign Companies Accountable Act (HFCAA)
- Certain corporate governance and regulatory requirements differ for secondary listed vs. primary listed issuers on the HKEX
- YUMC is in the process of aligning its corporate governance practices with the requirements of the HKEX
- Certain of these changes will require a shareholder vote under Hong Kong Listing Rules:
 1. Approve the Board’s continuing authority to issue up to 20% of YUMC’s outstanding shares;
 2. Approve the Board’s continuing authority to authorize YUMC’s repurchase of up to 10% of YUMC’s outstanding shares; and
 3. Approve the Yum China Holdings, Inc. 2022 Long Term Incentive Plan (the “2022 LTIP”)
- YUMC is calling a Special Meeting on or around October 11, 2022 (Beijing time) to provide shareholders an opportunity to vote on these matters
- The Proposed Primary Conversion is conditional upon receiving shareholders’ approval on all proposed items at the Special Meeting and obtaining the necessary approvals from the HKEX

Best-in-Class Governance

Strongly Committed to Best-in-class Governance Policies
Highest Standards as Measured Against Peers

Highest Overall
ISS QualityScore*

- Yum China's governance practices include:

- ✓ Independent Board Chairman
- ✓ 9 of 10 director nominees are independent
- ✓ Annual election of all directors
- ✓ Proxy access for director nominees by stockholders
- ✓ Majority voting policy for elections of directors in uncontested elections
- ✓ One share, one vote
- ✓ Stockholders holding $\geq 25\%$ have the power to call special meetings
- ✓ Director and executive officer stock ownership policies
- ✓ Active stockholder engagement
- ✓ No poison pill
- ✓ Director Retirement Age Policy
- ✓ Prohibition on hedging or other speculative trading of YUMC stock

- Governed by Delaware law and subject to U.S. federal securities laws as a domestic issuer.
- Subject to **full disclosure requirements** and NYSE listing rules, unlike foreign private issuers (most companies that are dual listed in the U.S. and HK).



ISS
Governance
QualityScore:

1

* Score as of August 17, 2022. ISS score ranges from 1 to 10. A score in the 1st decile (GQS = 1) indicates relatively higher quality governance practices and relatively lower governance risk. Conversely, a score in the 10th decile (GQS = 10) indicates relatively lower quality governance practices and relatively higher governance risk.

Primary Conversion and Estimated Timeline

What: secondary listing → primary listing (on HKEX)

How: submission and approval of conversion application with HKEX

Why: broaden investor base, increase liquidity, and mitigate risk of delisting from NYSE as a result of HFCAA*

Next: possible inclusion of Southbound Stock Connect in China after successful conversion



* Holding Foreign Companies Accountable Act

** Subject to shareholders' approval and HKEX approval

Special Meeting Agenda: 3 Proposed Items

Background

- As a secondary-listed issuer, YUMC has been and is currently waived from strict compliance with certain provisions of the Hong Kong listing rules and the applicable Hong Kong laws and regulations
- As a primary-listed issuer, YUMC will be subject to the full regime of the applicable Hong Kong laws and regulations, unless a specific waiver or exemption has been obtained from the HKEX or the SFC of Hong Kong
- A Special Meeting is thus proposed

Proposed Items

- | | |
|---|--|
| 1 | To approve the Board's continuing authority to issue up to 20% of YUMC's outstanding shares |
| 2 | To approve the Board's continuing authority to approve YUMC's repurchase of up to 10% of YUMC's outstanding shares |
| 3 | To approve the 2022 Long Term Incentive Plan |

Proposal 1: Share Issuance up to 20% of Outstanding Shares

NYSE rule

- Shareholder approval required for issuance of common stock, or securities convertible into common stock, representing 20%+ of stock or voting power prior to issuance
- Exception for public issuance for cash
- Rule is intended to prevent dilution to existing shareholders

HKEX rule

- Shareholder approval required prior to issuance of any common stock (in and outside of HK).
- Approval can be transaction-specific or a general mandate, adopted annually
- Typical practice in Hong Kong is to adopt a general mandate at the annual meeting for up to 20% of outstanding shares

Proposal

- YUMC will hold initial vote on general mandate in October 2022, and at annual meetings thereafter
- Proposal will give authority to Board until deadline for 2023 annual meeting
- No current plans to issue common stock or securities convertible into common stock

Proposal 2: Share Repurchase up to 10% of Outstanding Shares

NYSE rule

- Shareholder approval is not required

HKEX rule

- Shareholder approval required prior to repurchase of any common stock on the HKEX
- Approval can be transaction-specific or a general mandate, adopted annually
- Typical practice in Hong Kong is to adopt a general mandate at the annual meeting for up to 10% of outstanding shares

Proposal

- YUMC will hold initial vote on general mandate in October 2022, and at annual meetings thereafter
- Proposal will give authority to Board until deadline for 2023 annual meeting
- YUMC will apply 10% aggregate cap to all purchases in U.S. and Hong Kong

Proposal 3: 2022 Long Term Incentive Plan

NYSE rule Shareholder approval required for equity-compensation plan

HKEX rule Shareholder approval required for equity-compensation plan

Say on Pay	Approval Rate		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
	94% ✓	93% ✓	89% ✓

- Proposal**
- Board/Compensation Committee will have authority to grant awards under the 2022 LTIP subject to total share limit under the plan and up to the 10th anniversary of shareholder approval
 - The 2022 LTIP is similar to the 2016 Plan but will comply with HKEX listing rules, including
 - Individual limit (grant of 1% of total shares issued over a 12-month period requires shareholder approval)
 - Connected person grant (grant of 0.1% of total shares issued over a 12-month period requires shareholder approval)

Key Corporate Governance Features of the 2022 LTIP

The following features of the 2022 LTIP are designed to reinforce alignment between the equity compensation arrangements awarded pursuant to the 2022 LTIP and our stockholders' interests:

- Awards will be subject to a one-year minimum vesting period, subject to limited exceptions set forth in the 2022 LTIP
- Full Value Awards reduce the available share pool on a two-for-one basis, while stock options and SARs reduce the share reserve on a one-for-one basis
- No discounting of stock options or SARs
- No repricing or replacement of underwater stock options or SARs without stockholder approval
- No dividend equivalents on stock options or SARs
- No dividends or dividend equivalents paid on unearned awards
- Annual non-employee director compensation limit
- During any five calendar-year period, no individual may receive stock options and SARs with respect to more than 9,000,000 shares or Full Value Awards with respect to more than 3,000,000 shares, subject also to the annual limit set forth by the HKEX.
- Clawback /recovery policy continues to apply
- No Tax Gross-ups
- No "liberal" change in control definition
- Double-trigger vesting for equity awards in the event of a change in control

*In the forthcoming Special Meeting, the Company seeks shareholders' approval of the 2022 LTIP including the **31 million shares** to be reserved for issuance under the 2022 LTIP, representing **~7.4%** of shares of common stock outstanding as of August 24, 2022.*

Appendix

About Yum China

- Market cap: ~US\$20 billion¹
- Primary listed on the NYSE and Secondary listed on the HKEX
- Majority of shares trade on the NYSE (average daily trading volume ~2.7 million shares in NYSE² and ~206,000 shares³ in HKEX)
- China's largest restaurant company⁴, operating 12,000+ restaurants in 1,700+ cities
- Exclusive rights in mainland China to KFC, Pizza Hut and Taco Bell. Also operates Little Sheep, Huang Ji Huang, COFFii & JOY and Lavazza stores in China
- Employs ~400,000 employees



1. As of 8/15/2022

2. Data from YUMC for 8/3/2021 through 8/2/2022: <https://ir.yumchina.com/stock-quote-and-chart>

3. Data from HKEX for 8/3/2021 through 8/2/2022: https://www.hkex.com.hk/Market-Data/Securities-Prices/Equities/Equities-Quote?sym=9987&sc_lang=en

4. In terms of 2021 system sales

HFCAA Background

December 2021

SEC adopted final rules implementing the HFCAA, pursuant to which the SEC will identify companies subject to the HFCAA, known as "Commission-Identified Issuers"

Early 2024, or early 2023 if AHFCAA is adopted

YUMC's common stock may be involuntarily delisted from the NYSE

December 2020

HFCAA became law

Requires the SEC to prohibit the securities of any "covered issuer" from being traded on any of the U.S. securities exchanges, including the NYSE, if the auditor of the covered issuer's financial statements is not subject to PCAOB inspection for three consecutive years, beginning in 2021
May be reduced to two consecutive years under pending legislation Accelerating Holding Foreign Companies Accountable Act (AHFCAA)

March 2022

YUMC was identified as a Commission-Identified Issuer after filing of its 2021 annual report with SEC