







# CONTENTS



## YUM CHINA

|                           |    |
|---------------------------|----|
| REMARKS BY YUM CHINA CEO  | 4  |
| ABOUT THIS REPORT         | 6  |
| ABOUT US                  | 7  |
| OVERVIEW                  | 9  |
| SUSTAINABILITY HIGHLIGHTS | 12 |
| EXTERNAL RECOGNITION      | 13 |
| CORPORATE GOVERNANCE      | 14 |
| SUSTAINABILITY MANAGEMENT | 15 |
| STRATEGY AND GOVERNANCE   | 16 |
| STAKEHOLDER ENGAGEMENT    | 19 |
| MATERIALITY ASSESSMENT    | 20 |



## FOOD

|   |    |
|---|----|
| THE JOURNEY TOWARDS A RELIABLE FOOD SAFETY ECOSYSTEM      | 23 |
| A HOLISTIC APPROACH TO DELIVER SAFE AND HIGH QUALITY FOOD | 26 |
| BALANCED AND NUTRITIOUS MEALS                             | 32 |
| BUILDING AN INTELLIGENT SUPPLY CHAIN                      | 36 |
| ADDRESSING EMERGING INDUSTRY CHALLENGES                   | 38 |
| JOINING STAKEHOLDERS TO BUILD A HEALTHY CHINA             | 40 |



## ENVIRONMENT

|  |    |
|--|----|
| PROMOTING GREEN TRANSITION TO ADDRESS ENVIRONMENTAL CHALLENGES | 45 |
| SAFEGUARDING THE ENVIRONMENT                                   | 48 |
| ACTING ON CLIMATE CHANGE                                       | 49 |
| PACKAGING AND WASTE STEWARDSHIP                                | 53 |
| A SUSTAINABLE SUPPLY CHAIN                                     | 58 |



## PEOPLE

|   |    |
|---|----|
| DEVELOPING FUTURE-READY CULTURE AND WORKFORCE FOR DIGITAL ERA | 61 |
| "DIGITAL" CULTURE POWERING EFFICIENCY                         | 64 |
| "DIGITAL" TALENT BUILDING EMPLOYABILITY                       | 66 |
| DIVERSIFIED PLATFORM ENABLING SELF-REALIZATION                | 71 |
| HEALTHCARE AND WELFARE ENHANCING ENGAGEMENT                   | 73 |



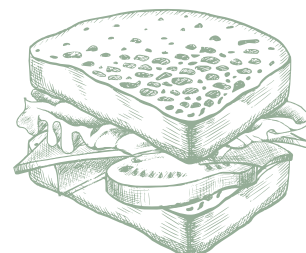
## COMMUNITY

|  |    |
|--|----|
| CREATING FAR-REACHING AND POSITIVE SOCIAL IMPACT               | 77 |
| SUPPORTING TARGETED POVERTY ALLEVIATION IN INNOVATIVE WAYS     | 80 |
| LEVERAGING EDUCATION AND CULTURE TO STRENGTHEN SOCIAL COHESION | 83 |
| BEING A GOOD NEIGHBOR IN THE COMMUNITY BY ADDRESSING ITS NEEDS | 88 |
| ADVOCATING HEALTHY LIFESTYLES AND SPORTSMANSHIP                | 91 |



## APPENDIX

|                            |     |
|----------------------------|-----|
| KEY PERFORMANCE INDICATORS | 94  |
| GRI CONTENT INDEX          | 95  |
| ASSURANCE REPORT           | 101 |
| BASIS OF ASSURED DATA      | 102 |





## REMARKS BY YUM CHINA CEO

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We live in an age of unprecedented opportunity underpinned by transformative innovations and increased global connectivity. However, this is not without pressing global challenges such as climate change and economic inequality. It is against this backdrop that I recently visited Davos where global leaders convened to discuss the role of stakeholders in a more cohesive and sustainable world. This sustainable development is aligned with our strategy to create a responsible ecosystem with stakeholders across the value chain. I am delighted to present our third annual sustainability report since we went public in 2016. In the following pages you will learn more about our sustainability strategy and developments.

As China's largest\* restaurant company, we are committed to succeeding with our partners, consistently providing safe and nutritious food for customers, while promoting economic, social, and environmental sustainability. We believe that the commitment to sustainability is critical for our planet and our posterity and inextricably linked to the fate of the company and our contemporaries. The restaurant industry still sees greater potential in addressing the challenge, which calls for the joint effort of multiple stakeholder groups across the globe. Yum China, as the leader in the industry, is committed to this cause.

We firmly support the United Nations 2030 Agenda for Sustainable Development Goals (SDGs) and this is reflected in our sustainability priorities. With over 450,000 employees in 9,200 restaurants, and together with our customers and suppliers, we are meeting these challenges head on. Together, we work to promote sustainable development.

Our vision is to become "The World's Most Innovative Pioneer In The Restaurant Industry". The relentless pursuit of innovation is a strong impetus steering our business development and driving the implementation of sustainability. In 2019, our digital innovation has

created sustainable value in three strategic focus areas - Food, Environment and Community.

Food safety and product variety remain the key area of our business development. In 2019, we continued to utilize artificial intelligence (AI), Internet of Things (IoT) and other digital technologies to build a more intelligent and efficient supply chain and strengthen food safety management. Relying on our strong menu innovation capabilities, our brands launched approximately 400 new and upgraded products last year, providing customers more delicious and nutritious choices.

To address the global issues of climate change and plastic pollution, we adopt the Sustainability 4R Principles (Reduce, Reuse, Recycle and Replace) and employ digital and intelligent technologies to continuously improve energy efficiency and reduce the carbon footprint of our restaurants. We have also been exploring more eco-friendly materials and designs to reduce the use of single-use packaging. Additionally, we have launched digital platforms to engage customers in public welfare and environmental protection activities. Notably, on top of the KFC Reusable Serving Basket program, our grassland revitalization initiative has engaged tens of thousands of customers.

As a "Top Employer China" certified by the Top Employers Institute, we provide a working environment of "Fair, Care, Pride" and we are committed to cultivating innovative talents in the digital era. Through digital technologies, we empower employees in their pursuit of sustainable career development in a fast-changing world. In 2019, we made further progress in advancing gender equality, including endorsing the Women's Empowerment Principles (WEPs), demonstrating our commitment to promoting gender equality in the workplace, industry and communities.

\*In terms of system sales

We have been actively exploring new ways of using digital technologies to fight poverty and have extended our poverty alleviation efforts from nutrition to education. In 2019, as part of our One Yuan Donation program, we offered online coding courses to school children in remote and less developed areas, improving their digital literacy and skills through distance learning. We have collaborated with the China Internet Development Foundation (CIDF), to advocate and inspire positive use of the internet and promote public interest.

Entering 2020, the COVID-19 outbreak was declared a public health emergency of international concern. Yum China responded swiftly to protect the health of our employees, customers, and communities. Leveraging our digital capabilities, we pioneered contactless delivery and takeaway services as safe and desirable alternatives for customers to enjoy our meals. We have also provided free meals and financial support to the frontline workers combating this outbreak and have been working side by side with local communities to get through this challenging time.

On our journey towards sustainable development, we will continue to work with our employees, customers, partners, industry associations and other stakeholders to bring about positive changes to society.



**Joey Wat**  
Chief Executive Officer  
Yum China Holdings, Inc.



“  
*We are committed to succeeding with our partners, consistently providing safe and nutritious food for customers, while promoting economic, social, and environmental sustainability.*  
”



# ABOUT THIS REPORT

Yum China Holdings, Inc. (Yum China) publishes an annual Sustainability Report (“The Report”) to communicate with stakeholders about our management and practices in sustainable development. This is the third report released since 2018.

### Reporting Period

The reporting period covers January 1 to December 31, 2019, though some facts and figures may fall outside of the period if necessary.

### Reporting Cycle

The Report is published annually. The most recent report was released in May 2019.

### Reporting Scope

Yum China Holdings, Inc. and its subsidiaries and branches.

### Basis of Preparation

The Report is prepared in accordance with the Global Reporting Initiative (GRI) *Sustainability Reporting Standards (GRI Standards)* issued by the Global Sustainability Standard Board (GSSB) and also refers to the rating requirements of the Dow Jones Sustainability Indices (DJSI), GB/T 36000-2015 *Guidance on Social Responsibility*, *The UN 2030 Agenda for Sustainable Development* and other relevant international and Chinese standards and guidelines for sustainable development.

### Preparation Process

- 1 Kick-off
- 2 Materiality identification and data collection
- 3 Opinion solicitation and review
- 4 Report design and translation
- 5 Data assurance by 3<sup>rd</sup> party
- 6 Release

### Data Source

Relevant information, data and cases are collected from Yum China. All members of the Yum China Leadership Team have reviewed and approved the Report.

### Reference

“Yum China Holdings, Inc.” in the Report is also referred to as, “Yum China”, “YUMC”, “We” and “the Company”.

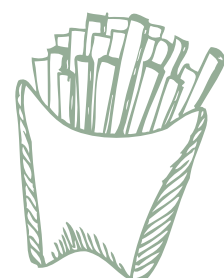
### Report Access and Feedback

The Report is available in Chinese and English, in print and electronic formats. If you have any suggestions, please contact us as follows:

E-mail: [CSR@yumchina.com](mailto:CSR@yumchina.com)  
 Address: 6F-16F, YumChina Building,  
 20 Tian Yao Qiao Road, Shanghai 200030,  
 China

### Note

- The data on energy consumption (page 49), greenhouse gas (GHG) emissions (page 49), water consumption (page 51), and green building standards (page 52) in the Report includes data from all company-owned and unconsolidated affiliate restaurants of the KFC and Pizza Hut brands accounting for about 90% of the total number of Yum China’s restaurants. Other data and targets in this Report cover all business operations of Yum China.
- Data and figures are reported in RMB with the exception of the Yum China stock price which is shown in USD.







## ABOUT US

# TO BE THE WORLD'S MOST INNOVATIVE PIONEER IN THE RESTAURANT INDUSTRY

A company based in China and well integrated into local communities, Yum China has witnessed tremendous economic success and rapid changes that have transformed the fabrics of Chinese society over the years. The Company aims to become "The World's Most Innovative Pioneer In The Restaurant Industry". To this end, we continue to develop products for Chinese customers, and explore innovative business models to help us maximize customer satisfaction and achieve sustainable growth.









## OVERVIEW

9,200



Restaurants including 1,006 new stores opened in 2019

1,300+



Cities and towns

450,000+



Employees

(data by the end of 2019)

Yum China is the largest restaurant company in China in terms of system sales, and the Company's story in the country dates back to 1987. The Company has exclusive rights in Mainland China to operate KFC, China's leading quick-service restaurant brand; Pizza Hut, the leading casual dining restaurant brand in China; and Taco Bell, a California-based restaurant chain serving innovative Mexican-inspired food. The Company also

owns the East Dawning, Little Sheep, Huang Ji Huang and COFFii & JOY concepts outright.

As of the end of 2019, Yum China had 9,200 restaurants in over 1,300 cities and towns. More than 450,000 employees serve over 2 billion customers per year.



**使命 MISSION**

让生活更有**滋味**

Let's Make Every Life Taste Beautiful

全球最**创新的**  
餐饮**先锋**

**愿景 VISION**

The World's Most Innovative Pioneer In The Restaurant Industry

Best in the World





# OVERVIEW

## Growth Powered by Innovation

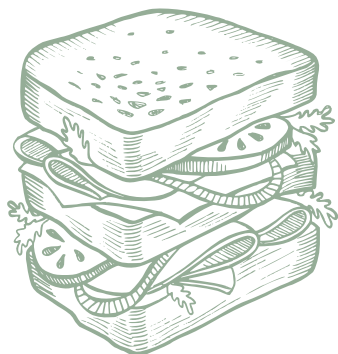
Yum China's vision is to become "The World's Most Innovative Pioneer In The Restaurant Industry". Innovation and technology advancement, as a means to achieve operation and cost efficiency, extend the runway for growth and enhance customer experience, has always been the focus and key driver of Yum China's business and growth. Yum China's efforts in innovation include, among others, food innovation, value innovation, innovation with digitalization, delivery business and best in-store experience. In 2019, the Company opened a world-class innovation center in downtown Shanghai. The innovation center is an integrated research and development facility designed to enable the rapid roll-out of innovative products catering to local customers' tastes.

At the heart of Yum China's digital ecosystem are the KFC and Pizza Hut Super Apps, which constitute a powerful digital

ecosystem for an immersive customer experience to engage with customers wherever they are, and extend beyond food to various unique fields and social responsibility activities.

Delivery is a key growth driver for Yum China, especially as we continue to expand into lower-tier cities. The platform's AI-driven dispatching system and logistics support is transforming the relationship between customers, riders and restaurants.

Yum China will continue to invest in innovation, particularly in the areas of digitalization, technology and supply chain. This is expected to promote innovation-driven profitable growth, increase operational flexibility and agility and ensure first-class execution that consistently exceeds customer expectations.





1



2



3



4



5



6



- 1 Fully Automated Dessert Kiosk at KFC
- 2 Innovation Center in Shanghai
- 3 Pizza Hut Food Delivery Robot at the 2019 China International Import Expo









- 4 KFC Food Truck at the 2019 World Internet of Things Convention
- 5 KFC Unmanned Aerial Vehicle (UAV) Delivery Experiment at the 2019 Asian Food Festival
- 6 Automatic Delivery WOW Bucket





# SUSTAINABILITY HIGHLIGHTS

We prioritize sustainability goals and commitments in the strategic pillars of Food, Environment and Community, and continuously track progress.

| Material Topic  | Goal and Commitment   | Progress in 2019   |
|---|---|--|
| <br><b>GHG / Energy Efficiency</b>             | - Reduce average restaurant energy consumption and GHG emissions by an additional 10% by 2025, as compared to the 2017 baseline   | Reduced average restaurant energy consumption by <b>8.3%</b> and GHG emissions by <b>8.6%</b>  |
| <br><b>Water Management</b>                    | - Reduce average restaurant water consumption by an additional 10% by 2025, as compared to the 2017 baseline  | Reduced average restaurant water consumption by <b>5.6%</b>  |
| <br><b>Sustainable Packaging</b>               | - All customer facing, plastic based packaging is recyclable  | Used recyclable plastic materials for all newly developed plastic packaging items  |
| <br><b>Green Building</b>                     | - All newly-built restaurants are in full compliance with the Yum China Green Building Standards  | <b>100% Complete</b>   |
| <br><b>Responsible Sourcing</b>              | - Yum China CSR Audit covers all critical suppliers   | <b>100% Complete</b>   |
| <br><b>Sustainable Sourcing</b>              | - Only purchase RSPO-certified palm oil<br>- Refuse to purchase paper products from suppliers that knowingly cause deforestation  | <b>100% Complete</b>   |
| <br><b>Food Safety &amp; Quality</b>         | - Food safety & quality audit covers 100% of restaurants and logistics centers<br>- Food safety & quality training and testing covers 100% of restaurants' and logistics centers' employees | <b>100% Complete</b>   |
| <br><b>Diversity &amp; Equal Opportunity</b> | - No less than 50% of our total workforce is female<br>- Women are employed, trained, promoted, and retained at a rate of no less than 50%  | Female share of total workforce <b>61.5%</b><br>Percentage of women in employees hired and trained <b>55.9%</b><br>Percentage of women in employees promoted <b>62.3%</b><br>Percentage of women in employee turnover <b>55.4%</b> |
| <br><b>Community Care</b>                    | - Our employees volunteer no less than 1.5 million hours per year   | <b>100% Complete</b>   |





## EXTERNAL RECOGNITION



Yum China was certified as a **Top Employer China** for the second consecutive year.

Yum China was one of the three Chinese companies selected for the **Bloomberg Gender-Equality Index (GEI)** for the second consecutive year.

Yum China ranked among the **Top 5 in the Restaurant and Leisure Industry in the Dow Jones Sustainability Indices (DJSI)**.

Yum China's Investor Day was awarded the **Greater China Best Investor Event (Large Cap)** by IR Magazine.

Yum China was awarded the **Restaurant Chain Innovation** by China Chain Store and Franchise Association for its smart supply chain management.

Yum China became the **First Chinese Restaurant Company in China to Receive International Sustainability and Carbon Certification (ISCC)** certification for used cooking oil that will be converted into sustainable biodiesel.

Yum China won the **China Benefit Corporation**.

Yum China was awarded the **Brand of the Year for the Catering Industry of ROI Awards** at ROI Festival.

KFC's grassland revitalization initiative was awarded the **Innovative Public Welfare Project of the Year**.

KFC's Fried Chicken "Pocket Store" won **3 Gold Cannes Lions Awards**.

Pizza Hut Grow Local Initiative won the **2019 China CSR Excellence Award** and **Global CSR Awards™ Best Community Program**.



# CORPORATE GOVERNANCE

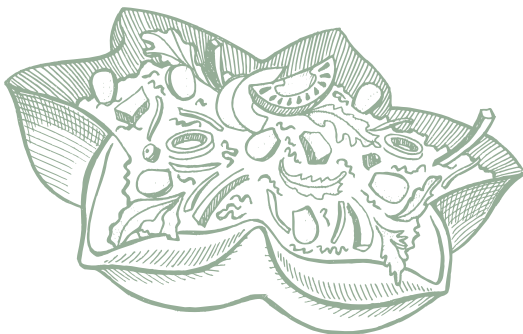
Good corporate governance is a critical factor in achieving business success and in fulfilling the Board of Directors' responsibilities to stockholders. The business and affairs of the Company are managed under the direction of the Board to ensure that the Company's strategies and business practices are aligned with the interests of stockholders.

Highlights of our corporate governance policies and practices are described below:

|  |  |
|--|--|
| <b>Director Independence</b>             | <ul style="list-style-type: none"> <li>Independent Board Chairman</li> <li>10 of 11 directors are independent</li> </ul>   |
| <b>Director Elections and Attendance</b> | <ul style="list-style-type: none"> <li>Annual election of all directors</li> <li>Majority voting policy for elections of directors in uncontested elections</li> <li>Proxy access for director nominees by stockholders</li> <li>95% director attendance at Board and committee meetings in 2019</li> </ul>  |
| <b>Board Refreshment and Diversity</b>   | <ul style="list-style-type: none"> <li>Directors with experience, qualifications and skills across a wide range of public and private companies</li> <li>Directors reflect a diversity of gender, race and ethnicity</li> <li>Average director age of 56 as of March 27, 2020</li> <li>Independent and non-management directors may generally not stand for re-election after age 75</li> </ul>  |
| <b>Other Governance Practices</b>        | <ul style="list-style-type: none"> <li>Active stockholder engagement</li> <li>No shareholder rights plan (also known as a poison pill)</li> <li>Director and executive officer stock ownership policies</li> <li>Policy prohibiting hedging or other speculative trading of Company stock</li> <li>Policy regarding resignation if any director experiences a significant change in professional roles and responsibilities</li> <li>Board access to senior management and independent advisors</li> </ul> |

## Risk Management

The Board of Directors maintains overall responsibility for overseeing the Company's risk management framework. The Audit Committee, the Compensation Committee and the Food Safety Committee assist the Board with specific risk management. For more information regarding the Board's role in risk oversight, please refer to our 2020 Proxy Statement.



Yum China's website provides certain corporate governance information, including Corporate Governance Principles, Charters of each committee and Yum China's Code of Conduct. You can visit [ir.yumchina.com](http://ir.yumchina.com), the Investor Relations website, and click the "Corporate Governance" option under "ABOUT YUM CHINA" to obtain the above corporate governance documents.

Please visit our Investor Relations website and refer to our 2020 Proxy Statement for a comprehensive overview and detailed information regarding the Company's corporate governance.

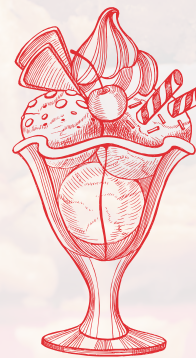


## YUM CHINA

# SUSTAINABILITY MANAGEMENT

Yum China is committed to providing safe and nutritious food for customers and contributing to social and environmental sustainability. We spare no efforts to improve the Food We Eat, the Water We Drink, and the Air We Breath - to achieve our mission - "Let's Make Every Life Taste Beautiful".

As China's leading restaurant and NYSE-listed company, our business operations have significant economic, social and environmental impact. Therefore, the communities have high expectations for our ability to integrate business growth with sustainability. We are also aware of the profound responsibilities and opportunities brought by the global challenges including climate change and plastic pollution. Making sustainable development an integral part of the corporate strategy will not only help us identify opportunities for sustainable development, promote flagship products and business innovation, but also build mutually beneficial stakeholder relationships, thereby enhancing the Company's long-term value.





# STRATEGY AND GOVERNANCE

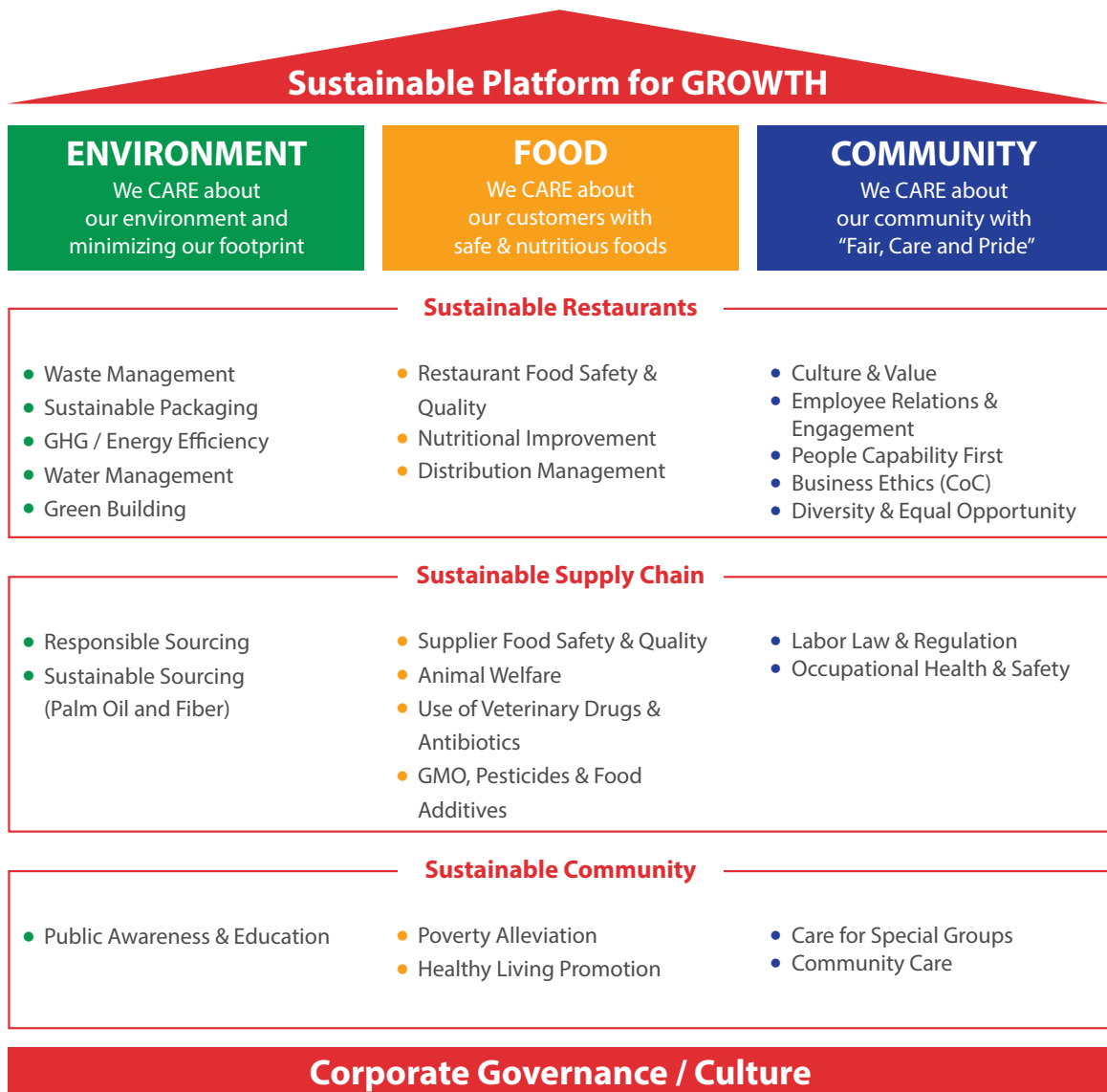
## Sustainability Strategy

Our sustainability strategy is effectively integrated with the company's long-term business growth strategy - "Sustainable Platform for Growth". In 2017, we identified material issues and established the roadmap for improvement through a comprehensive materiality assessment. In 2018, we further developed the sustainability strategy and Environment, Social and Governance (ESG) disclosure methodology. In 2019, we revisited the material issues and the emerging industry challenges and linked our strategic action and priorities to the SDGs to support the UN 2030 Agenda. Representative stakeholders were engaged along the way.

By having a solid corporate governance system and culture of Founders' Mentality, Yum China has prioritized material issues in the three strategic pillars of Environment, Food and Community.

In the Environmental pillar, we aim to reduce our environmental footprint through 4R Principles (Reduce, Reuse, Recycle and Replace). In the Food pillar, we are committed to providing safe, healthy and delicious food for every customer to drive our sustainable growth. In the Community pillar, we pay attention to all stakeholders in the value chain, including our employees, customers and communities where our 9,200 restaurants are located. We share our culture of "Fair, Care, Pride", and strive to create a positive social impact for value chain partners and communities.

We are committed to building Sustainable Restaurants, a Sustainable Supply Chain together with supplier partners, and a Sustainable Community together with stakeholders.



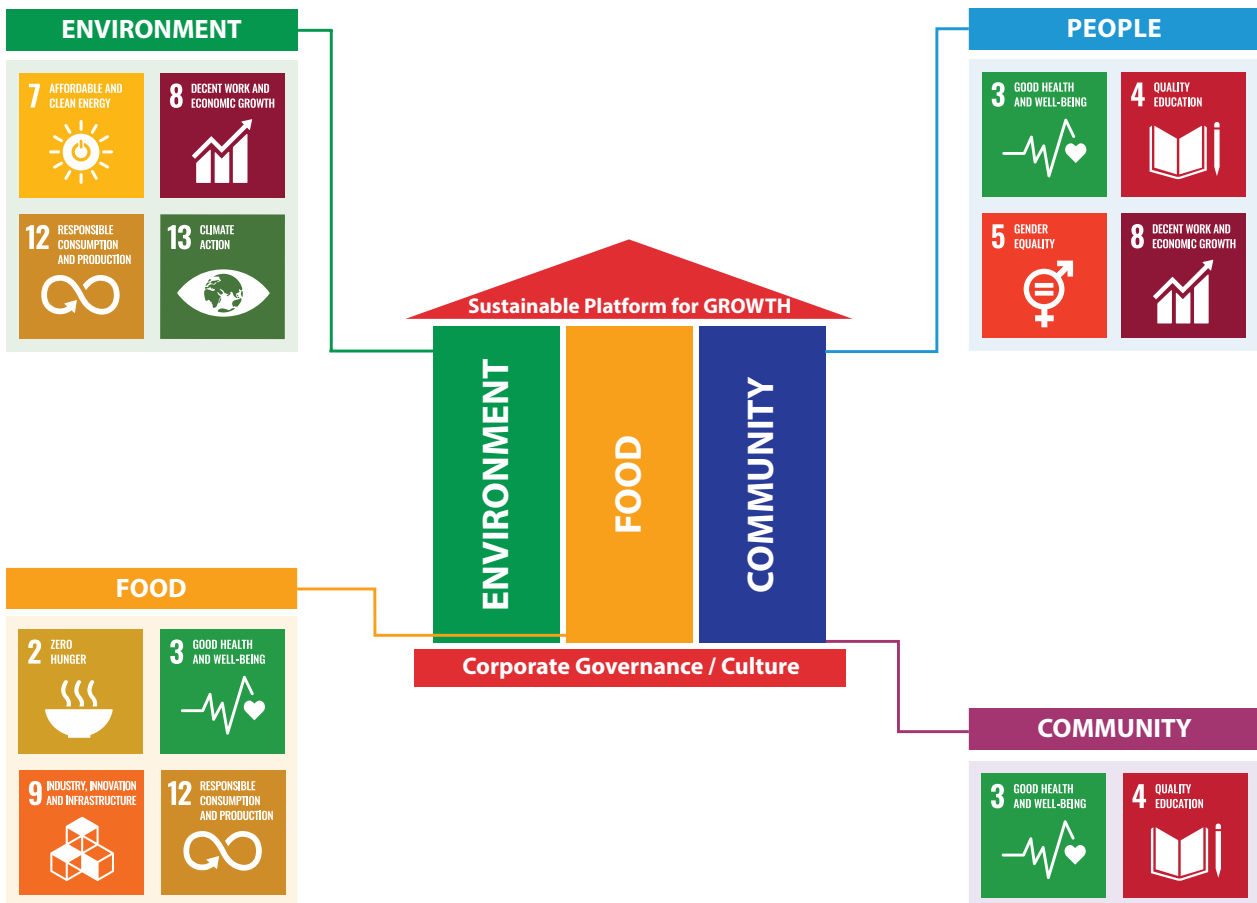


# STRATEGY AND GOVERNANCE

## Priority Contribution to the SDGs

The SDGs are a collection of 17 global goals that balance the environmental, social and economic dimensions of sustainable development. The SDGs define the UN 2030 Agenda for Sustainable Development, providing strategic framework for enterprises meeting the requirements of the SDGs and integrating sustainable development into their operations.

In 2019, Yum China analyzed the correlation between our material issues and the SDGs from the strategic standpoint of Environment, Food and Community and identified how we could contribute to the SDGs on which we have the most significant impact. As a responsible company, Yum China will be further working towards developing our targets and actions designed to support the UN 2030 Agenda.



### Sustainable Development Goals (SDGs)

- |       |                             |        |   |        |  |
|-------|-----------------------------|--------|---|--------|--|
| SDG 1 | No Poverty                  | SDG 8  | Decent Work and Economic Growth         | SDG 12 | Responsible Consumption and Production |
| SDG 2 | Zero Hunger                 | SDG 9  | Industry, Innovation and Infrastructure | SDG 13 | Climate Action                         |
| SDG 3 | Good Health and Well-Being  | SDG 10 | Reduced Inequalities                    | SDG 14 | Life Below Water                       |
| SDG 4 | Quality Education           | SDG 11 | Sustainable Cities and Communities      | SDG 15 | Life On Land                           |
| SDG 5 | Gender Equality             |        |   | SDG 16 | Peace, Justice and Strong Institutions |
| SDG 6 | Clean Water and Sanitation  |        |   | SDG 17 | Partnerships for the Goals             |
| SDG 7 | Affordable and Clean Energy |        |   |        |  |





# STRATEGY AND GOVERNANCE

## Management Structure and Mechanism

Since the company went public in 2016, Yum China has taken the opportunity to establish sustainability governance all the way from the Board of Directors to the frontline restaurant teams. The Company appoints a sustainability officer and

builds a professional sustainability team. Sustainability has become an important part seamlessly integrated into Yum China's business strategy, and into the daily operations of all the functions.



### Board of Directors

- Oversee framework of the sustainability strategy and ESG outcomes



### Yum China Management Team

- Corporate Risk Assessment Roundtable
  - Brands, supply chain, public affairs and other functions regularly assess risks related to sustainability
  - Develop strategies and control measures on risks identified



### Sustainability Team

- Develop and execute sustainability strategy and roadmap
- Improve sustainability performance / ESG ratings
- Build a sustainability culture



### Cross-functional Teams

- Carry out sustainability projects / initiatives
- Improve sustainability performance / ESG ratings



### Market Operation Teams

- Carry out sustainability projects / initiatives
- Customer and community care

Yum China Sustainability Management System

The sustainability team collaborates with other functions and external entities to assess the internal and external challenges, to better understand the concerns of stakeholders, and to align Yum China's sustainability strategy and roadmap with the SDGs. Externally, the sustainability team works on ESG ratings, sustainability reporting, non-financial performance disclosure, and respond to investors' queries. Internally, the sustainability team continuously identifies and mitigates sustainability risks, and drives related initiatives to ensure regulatory compliance.

In 2019, in collaboration with other functions and stakeholders, Yum China's sustainability team pushed forward many key sustainability initiatives with significant progress achieved. The Yum China Sustainability Award was launched to recognize those individual(s) and team(s) who have made outstanding contributions to Yum China's sustainability development.





## STAKEHOLDER ENGAGEMENT

Identifying and engaging stakeholders is an important driver of Yum China's sustainability development. We incorporate stakeholders' expectations and focused areas into Yum China's sustainability development planning for performance improvement. Yum China has stakeholder engagement practices in place. Eight key stakeholder groups are identified with different engagement approaches accordingly.

| Stakeholder Groups  | Engagement Approaches  | Expectations and Concerns  |
|---|--|--|
| <b>Franchisors, Shareholders and Investors</b><br>Yum! Brands, institutional investors, ESG rating agencies, etc. | <ul style="list-style-type: none"> <li>• Annual Shareholder Meetings</li> <li>• Annual and Quarterly Reports</li> <li>• Press Releases</li> <li>• Investor Day and Conferences</li> <li>• Emails and Telephone Communications</li> </ul>                             | <ul style="list-style-type: none"> <li>• Returns on Investment</li> <li>• Information Disclosure</li> <li>• ESG Management and Performance</li> </ul>  |
| <b>Government and Regulators</b><br>Food safety regulators, central and local government, etc.                    | <ul style="list-style-type: none"> <li>• Regular Conferences</li> <li>• Seminars</li> <li>• Written Replies to Public Inquiries</li> </ul>   | <ul style="list-style-type: none"> <li>• Food Safety and Quality</li> <li>• Environmental Compliance</li> <li>• Contribution to the Development of <i>Healthy China</i></li> <li>• Poverty Alleviation</li> <li>• Industrial Development</li> <li>• Support Vulnerable Groups</li> </ul> |
| <b>Customers</b><br>Organizations and individuals who purchase products from Yum China                            | <ul style="list-style-type: none"> <li>• Direct Communications in Restaurants</li> <li>• Customer Satisfaction Surveys and Feedbacks</li> <li>• Customer Service Centers</li> <li>• Customer Activities</li> <li>• Social Media</li> <li>• Online Service</li> </ul> | <ul style="list-style-type: none"> <li>• Safe, Reliable and Delicious Food</li> <li>• Good Dining Experience and Food Service</li> </ul>   |
| <b>Employees</b><br>Employees of Yum China  | <ul style="list-style-type: none"> <li>• Employee Communication and Feedback Platforms</li> <li>• Employee Engagement Surveys</li> <li>• RGM Conventions</li> <li>• Founders' Day</li> </ul>   | <ul style="list-style-type: none"> <li>• Fair Working Environment</li> <li>• Capability Improvement and Development Opportunities</li> <li>• Welfare and Security</li> <li>• Flexible Working Time</li> </ul>  |
| <b>Supply Chain Partners</b><br>Suppliers, logistics service providers, construction service providers, etc.      | <ul style="list-style-type: none"> <li>• Business Review Meetings</li> <li>• Management Team Dialogues</li> <li>• Supplier Visits</li> <li>• Supply Chain Partners Conventions</li> </ul>  | <ul style="list-style-type: none"> <li>• Business Development</li> <li>• Management Capability Building</li> <li>• Fostering Development of the Industry</li> </ul>  |
| <b>Franchisees</b><br>Yum China's brand franchisees   | <ul style="list-style-type: none"> <li>• Business Review Meetings</li> <li>• Annual Franchise Conventions</li> </ul>   | <ul style="list-style-type: none"> <li>• Capability Building and Development Support</li> <li>• Brand Development</li> </ul>   |
| <b>Associations and NGOs</b><br>Industry associations, institutes, universities and NGOs                          | <ul style="list-style-type: none"> <li>• Working Committees, Groups and Meetings</li> <li>• Seminars and Lectures</li> <li>• Duties in Associations</li> </ul>   | <ul style="list-style-type: none"> <li>• Fostering Development of the Industry</li> </ul>  |
| <b>Communities</b><br>The communities where Yum China operates  | <ul style="list-style-type: none"> <li>• Community Visits</li> <li>• Regular Dialogues</li> <li>• Volunteer Activities</li> </ul>  | <ul style="list-style-type: none"> <li>• Contribution to Communities</li> <li>• Employee Volunteers</li> </ul>   |



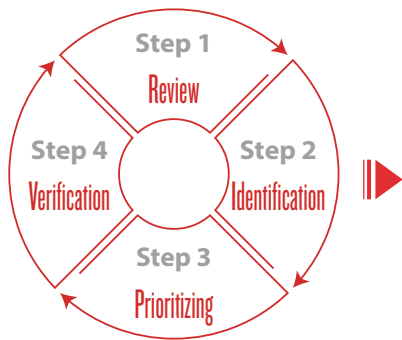
# MATERIALITY ASSESSMENT

We prioritize our impact on the economy, society and environment amid a wide range of sustainability topics. We engage stakeholders throughout the materiality assessment process which helps determine the key topics under our pillars of Food, Environment, People and Community in our value chain to support long-term sustainability management.

## Methodology

We worked with a third-party consulting firm to conduct rigorous materiality assessment process in 2017. In total, 418 survey responses were gathered, and 33 interviews were conducted, which helped us prioritize 28 material issues. In 2018, we revisited these identified material issues.

In 2019, following the GRI Standards, we reviewed and analyzed the material issues identified in 2018 and conducted 18 interviews with stakeholders.



### Step 1: Review

- Review of 2018 materiality assessment
- Peer brands' benchmarking
- Stakeholder analysis
- Strategy and value chain analysis



### Step 2: Identification

- Internal & external stakeholders' engagement and interviews
- Identify and adjust material issues

### Step 3: Prioritization

- Prioritize according to internal and external expectations

### Step 4: Verification

- Finalize the revised material issues

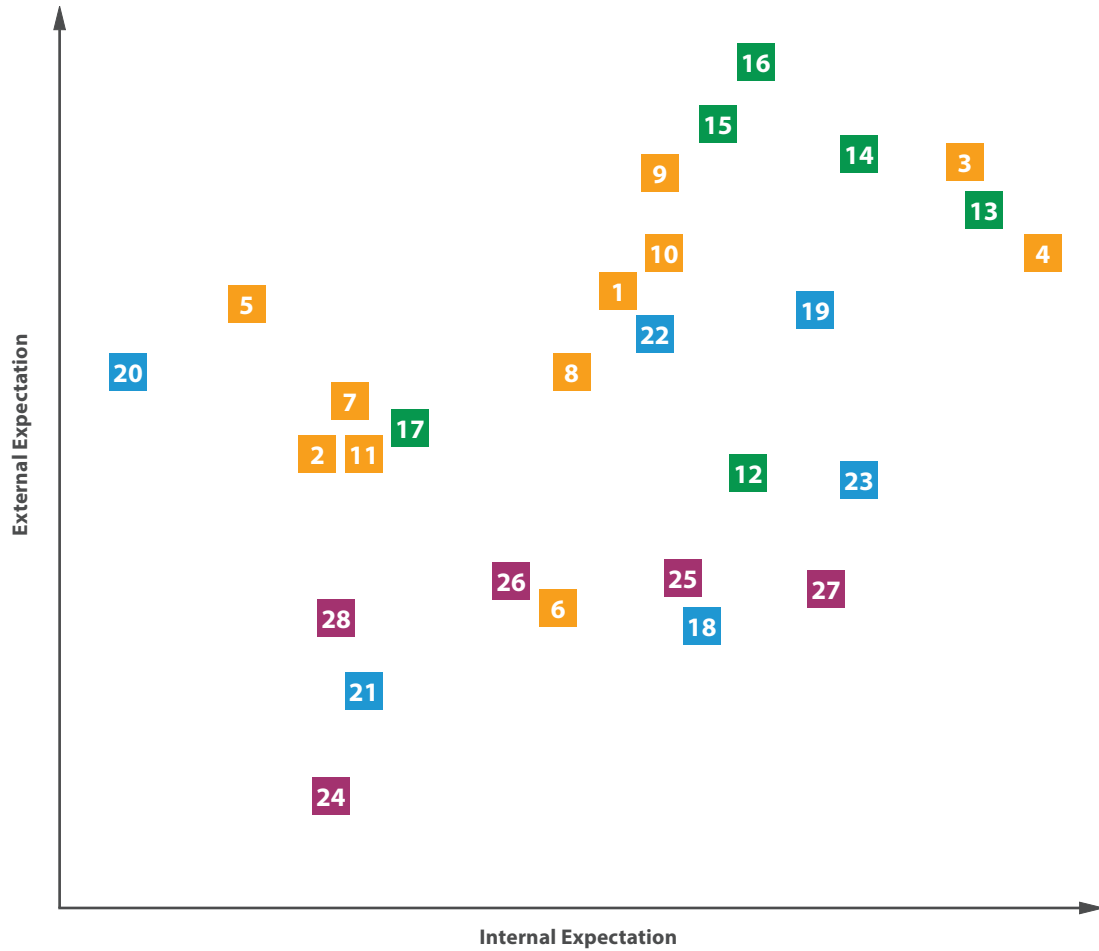




# MATERIALITY ASSESSMENT

## Materiality Assessment Results

Through preliminary analysis, prioritization and verification, we have confirmed 28 key material issues in the aspects of food, environment, people and community, and clarified the content and boundary of each material issue. More details on these material issues can be found in the Report.



### FOOD

- 1 Nutritional Improvement
- 2 More Choices
- 3 Supplier Food Quality and Safety
- 4 Restaurant Food Quality and Safety
- 5 Animal Welfare
- 6 Responsible Sourcing
- 7 Genetically Modified Food
- 8 Crisis Management
- 9 Antibiotics
- 10 Food Additives
- 11 Distribution Management

### ENVIRONMENT

- 12 Sustainable Sourcing
- 13 Sustainable Packaging
- 14 Energy Efficiency / GHG
- 15 Water Management
- 16 Waste Management
- 17 Green Building

### PEOPLE

- 18 Employee Relations and Engagement
- 19 People Capability First
- 20 Occupational Health and Safety
- 21 Diversity and Equal Opportunity
- 22 Business Ethics (CoC)
- 23 Culture and Value

### COMMUNITY

- 24 Poverty Alleviation
- 25 Care for Special Groups
- 26 Healthy Life Advocacy
- 27 Community Care
- 28 Public Awareness and Education









## FOOD

# THE JOURNEY TOWARDS A RELIABLE FOOD SAFETY ECOSYSTEM

Food safety and quality is the top priority of what we do here at Yum China. Since the Company's first day in China, food safety and quality has been our primary focus as we strive to build customer trust in every bite. Apart from food safety and quality, nutrition and health has become one of our focuses in conjunction with people's living standards. In support of national policies in this area, we advocate balanced and healthy diets and contribute to the *Healthy China Initiative*. We are passionate about facilitating cooperation and raising public awareness of food safety, nutrition and healthy living, so as to create a trustworthy food ecosystem.





# OVERVIEW

## Sustainability Background

- Food safety attracts wide attention in China and internationally. *The Food Safety Law* strengthens government supervision as well as business responsibilities in food safety.
- *The Outline of Healthy China 2030 Plan, National Nutrition Plan 2017-2030, Chinese Dietary Guideline (2016)* and other policies and guidelines advocate balanced and nutritious diets and healthy lifestyle.
- Investors have higher expectations on information transparency regarding food quality, safety and nutrition.
- Customers have a growing demand for safe, healthy and nutritious food.

## Contribution to the SDGs

### High Relevance

2  
ZERO HUNGER

3  
GOOD HEALTH AND WELL-BEING

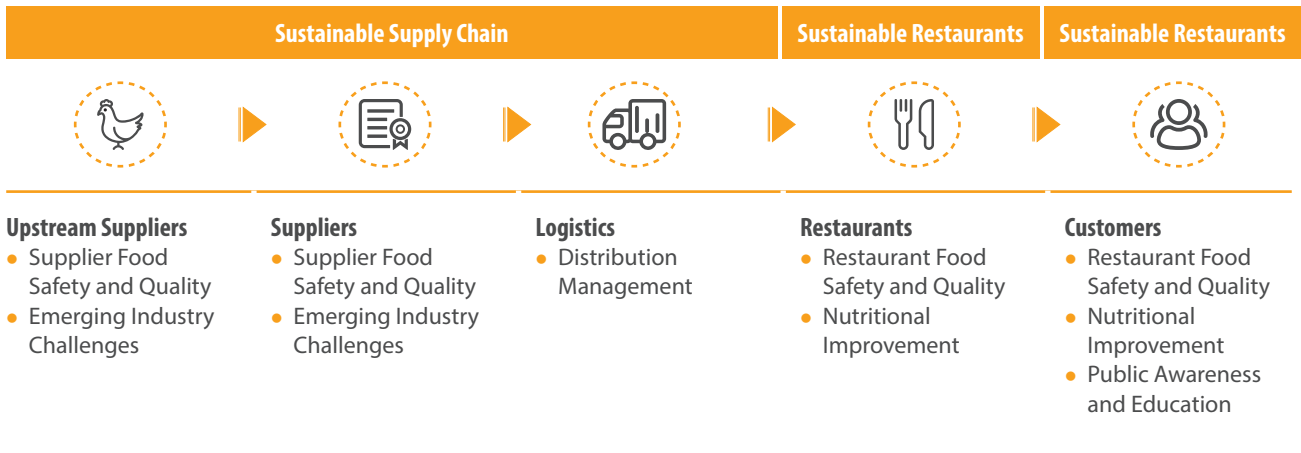
9  
INDUSTRY, INNOVATION AND INFRASTRUCTURE

12  
RESPONSIBLE CONSUMPTION AND PRODUCTION

### Medium Relevance

17  
PARTNERSHIPS FOR THE GOALS

## Key Material Issues Across the Value Chain



**Our Goal and Commitment**

**Food Safety and Quality**

- Food safety and quality audit covers 100% of restaurants and logistics centers
- Food safety and quality training and testing covers 100% of restaurants' and logistics centers' employees



## OUR PATHWAY

### Our Management Approach

#### Food Safety and Quality

**Holistic Governance and Oversight** - We have established a comprehensive and holistic governance system that extends from the Yum China Food Safety Committee of the Board of Directors to various functions to oversee the execution of procedures, measures and standards to ensure food safety and compliance.

**A Multi-tiered Food Safety Culture** - We deem food safety an integral part of our corporate culture, and require employees and suppliers to follow this practice.

**Full Value Chain Reinforcement** - Food safety and quality management is embedded all the way from upstream suppliers, suppliers, logistics centers, restaurants to delivery.

**Emerging Industry Challenges** - We closely monitor emerging challenges such as veterinary drugs, pesticides, food additives and GMO. We have established Animal Welfare Policies, and developed strategies to drive development that benefits all industrial stakeholders.

#### Nutrition and Health

**Food Innovation** - Through the Innovation Center, we work with suppliers to develop nutritious and delicious food for customers.

#### Public Awareness and Education

**Contribution to Healthy China** - We actively participate in industry standards setting, and support scientific research and programs on food safety and health.

| Materiality Topic   | Our Direction  | Progress in 2019   |
|---|--|--|
| Restaurant Food Safety and Quality                                | Secure a standardized food safety system at every restaurant   | <ul style="list-style-type: none"> <li>Conducted 17,000+ food safety and quality audits (i.e. Operational Excellence Checks) on the restaurants across China</li> <li>Conducted 3,400+ product checks on main menu items</li> </ul>  |
| Supplier Food Safety and Quality                                  | Ensure suppliers and upstream suppliers compliance with relevant laws and regulations and the Company's food safety standards  | <ul style="list-style-type: none"> <li>Conducted 370+ announced audits and 220+ unannounced audits on suppliers</li> <li>Conducted sampling tests of 680 key materials provided by 182 suppliers</li> </ul>  |
| Distribution Management   | Ensure supply chain efficiency, promote food safety and the building of an intelligent supply chain  | <ul style="list-style-type: none"> <li>Logistics centers adopted IoT to monitor real time product temperature in trucks during transportation</li> </ul>   |
| Nutritional Improvement   | Provide diverse, delicious, nutritious and healthy food, and advocate healthy lifestyle and balanced diet<br><br>Diversify menus with more delicious and nutritious food | <ul style="list-style-type: none"> <li>Use of fruits and vegetables increased by 8%</li> <li>KFC launched a vegetarian burger</li> <li>Approximately 400 new and updated products were launched by our brands</li> </ul>   |
| Animal Welfare  | Constantly promote animal welfare in our supply chain and in the industry  | <ul style="list-style-type: none"> <li>Formulated <i>Yum China Animal Welfare Policies</i></li> </ul>  |
| GMO, Pesticides, Food Additives, Veterinary Drugs and Antibiotics | Closely monitor industry challenges, and develop effective response measure to promote the development of the industry   | <ul style="list-style-type: none"> <li>All domestic broiler suppliers will abandon the use of growth-promoting antimicrobials according to China regulatory requirements</li> </ul>  |
| Public Awareness and Education                                    | Promote industrial food safety management, support education and research in catering businesses, and build public awareness of food safety, nutrition and health        | <ul style="list-style-type: none"> <li>Contributed to the formulation of 28 food safety related standards</li> <li>Chinese Nutrition Society-Yum China Dietary Health Foundation sponsored 7 projects</li> <li>Hosted 24 sessions of food safety awareness and education, benefitting more than 90,000 people</li> </ul> |





## A HOLISTIC APPROACH TO DELIVER SAFE AND HIGH-QUALITY FOOD

Food safety and quality is the cornerstone of our corporate culture, and the very reason why we are so successful in winning customers. Given our hundreds of suppliers and their upstream farming and planting bases, 24 logistics centers and 9,200 restaurants, any food safety risk will undermine our business and jeopardize customer trust that we value so greatly. Therefore, food safety and quality management is embedded in our value chain, involving all participants from upstreams, suppliers, logistics centers, restaurants to delivery. With a rigorous management process in place, we minimize the risks to food safety from farm to fork, and serve safe and high quality food to gain customers' trust in every bite.

### A Comprehensive Governance System

Yum China has established a holistic internal governance system that extends from the Yum China Food Safety Committee of the Board of Directors to various functions and departments. This governance system provides comprehensive oversight and effective execution of various management systems, measures and standards to ensure food safety and compliance.

The Food Safety Committee assists the Board of Directors in its oversight of the Company's practices, programs,

procedures and initiatives relating to food safety. The Food Safety Office oversees food safety and compliance practices, training, advocacy, risks monitoring and early warning. The Quality Assurance function establishes a comprehensive multi-level management system covering all major aspects of our operations, including suppliers, logistics, restaurants and delivery. It conducts annual regular or random audits to ensure the system's adequacy and effectiveness and to drive continuous improvement.

|   |  |   |
|---|--|---|
| <br><b>Board of Directors / Food Safety Committee</b> | <ul style="list-style-type: none"> <li>● The Board of Directors oversees the Company's risk management framework</li> <li>● Food Safety Committee under the Board of Directors               <ul style="list-style-type: none"> <li>□ Established in 2017 and currently composed of three directors</li> <li>□ Assisting the Board of Directors in its oversight of the Company's practices, programs, procedures and initiatives relating to food safety</li> </ul> </li> </ul> | <b>Yum China Food Safety Advisory Committee</b> <ul style="list-style-type: none"> <li>● Provided expert input on food safety at Yum China</li> <li>● Met twice in 2019, one for food safety management of raw materials and the other for supply chain food safety management empowered by digital technologies</li> </ul> |
| <br><b>Yum China Management Team</b>                 | <ul style="list-style-type: none"> <li>● Corporate Risk Assessment Roundtable               <ul style="list-style-type: none"> <li>□ Brand, Supply Chain, Public Affairs and other functions regularly assess food safety and other risks</li> <li>□ Develop strategies and control measures, and drive the implementation across the organization</li> </ul> </li> </ul>  |   |
| <br><b>Supply Chain Management Team</b>              | <ul style="list-style-type: none"> <li>● Supply Chain Risk Assessment Meeting               <ul style="list-style-type: none"> <li>□ Quality Assurance, Food Safety, Procurement Management and other functions</li> <li>□ Assess risk management in such areas as suppliers, logistics and restaurants, and formulate preventive measures</li> </ul> </li> </ul>  |   |
| <br><b>Quality Assurance Team</b>                    | <ul style="list-style-type: none"> <li>● Strict food safety audits on suppliers, logistics centers and restaurants</li> <li>● Improvement through capability building and coaching</li> </ul>  |   |
| <br><b>Brand Restaurant Operations Teams</b>         | <ul style="list-style-type: none"> <li>● Restaurant duty manager inspections</li> <li>● District manager patrol inspections</li> </ul>   |   |
| <br><b>Yum! Brands / Yum China Audit Teams</b>       | <ul style="list-style-type: none"> <li>● Food safety / quality audit</li> </ul>  |   |

Our Food Safety Governance Structure

Yum! Brands conducts an audit on Yum China every two years to ensure the effectiveness of the Company's food safety management. In 2019, Yum China's internal audit team reviewed the food safety and quality management system, and concluded that the system, covering the entire supply chain and restaurants, works effectively in continuous risk monitoring and crisis management.

Placing a high value on preventive measure and end-to-end management, we closely monitor emerging trends and keep improving our risk protection system. In 2019, we monitored typical industry risks such as fungi-caused food poisoning, mycotoxin, back-of-house (BOH) unhygienic practice, foreign bodies in food, and recalls. We adopted a layered mechanism to ensure quick response, and conducted internal checks for continuous improvements.

## A HOLISTIC APPROACH TO DELIVER SAFE AND HIGH-QUALITY FOOD

### A Multi-tiered Food Safety Culture

Food safety is our primary responsibility, which won't be compromised by any factor including cost. We have been steadfastly delivering our commitments to food safety, and its values are highly emphasized in our corporate culture.

#### Our Commitments to Food Safety

- Food safety and quality are the top priorities and define the corporate value of Yum China.
- Yum China strives to build an industry-leading food safety management system to meet customer expectations of safety and quality.
- Yum China, as a highly responsible corporate citizen, aims to play a leading role in the industry.

#### Promoting a Culture of Food Safety among Suppliers

Suppliers are Yum China's important partners in safeguarding food safety, and a positive culture can help mitigate the risks to food safety. In the 2018 version of the *Yum China Food Safety Audit*, an additional requirement for our suppliers is to set up their own food safety culture. The *Yum China Supplier Handbook* released in 2019 again underscores the importance of the culture. We coach our suppliers to use scientific tools and methods to integrate the food safety culture into their respective food safety management process, and to create a working environment that encourages full participation in such practices.

#### Raising Employee Awareness of Food Safety

We see to it that every employee identifies with the value of food safety and takes concrete action to deliver it. We require new recruits to read and sign *Yum China Code of Conduct Confirmation Letter* (applicable to office employees) which lists the basic principles and norms for food safety management, take the online course on food safety and understand that food safety remains our top priority.

As restaurants play a key role in minimizing food safety risks and implementing safety requirements, we require new restaurant employees to read and sign the *Employee Handbook Confirmation Letter* and watch the video on employee compliance. We also provide orientation training, on-the-job training and Code of Conduct posters to increase employee awareness of food safety, and help them better understand and observe the Company's food safety standards.



“

*Ensuring food safety and quality is an unshakable fundamental priority of Yum China. In the past three decades, we have built a comprehensive food safety and quality management system from corporate culture to governance implementation, covering the whole value chain from farm-to-fork. Innovation-driven, we explore cutting-edge technologies such as artificial intelligence and blockchain, to better ensure food safety.*

- Danny Tan  
Chief Supply Chain Officer

”



# A HOLISTIC APPROACH TO DELIVER SAFE AND HIGH-QUALITY FOOD

## Supply Chain Management

The food we provide to customers moves along a supply chain that involves such participants as suppliers or upstream suppliers and logistics service providers before it is processed and served at the restaurants. Each link of the chain is under rigorous control and checks in order to ensure trust in every bite.



### Upstream Suppliers

- Traceability System
- Upstream Management Requirements
- Farm Register System
- Broiler Veterinary Drug Registry and Expert Review System
- Upstream Assessment System

### Suppliers

- Supplier Approval System
- Material Specification
- Supplier Training
- Supplier Performance Evaluation
- Food Safety and Quality Audits
- Yum China Food Safety Sampling Tests

### Logistics

- Incoming Checks
- Cold-chain Management
- Pest Control
- Employee Training
- Food Safety and Quality Audits

### Restaurants / Delivery

- Operating Standard
- Employee Training
- Food Safety and Quality Audits
- Delivery Platform and Riders Management
- Food Protection Seals

Yum China's Food Safety and Quality Management Across the Value Chain

## Upstream Suppliers

We require our suppliers to put in place the upstream supplier approval and monitoring procedures to effectively identify and manage all the potential risks to food safety, authenticity, compliance of raw materials (including food packaging) and the quality of final products.

### • Management of Broiler Poultry Upstream Suppliers

Poultry is one of our major food ingredients. We have established an upstream breeding management system for poultry suppliers, requiring them to inspect and register farms in accordance with our standards. Only poultry from registered farms can be processed and released into the supply chain.

#### Yum China poultry upstream supplier management initiatives:

- **Institution**  
Establish the upstream supplier farming management system, covering farming, slaughtering, processing, self-inspection and self-control, and invite veterinary drug experts to assess the compliance and scientific use of veterinary drugs by upstream suppliers, guide and urge suppliers for continuous improvement.
- **Mechanism**
  - Conduct unannounced checks on upstream farms and food safety inspections to verify the effect of suppliers and upstream suppliers management.
  - Grade upstream broiler suppliers based on their performance assessment results and thus drive them to upgrade management.
- **Information platform**  
Establish the electronic farm information system, register the bills of veterinary drugs and upstream farms, and realize dynamic management and real-time tracking.

### • Promotion of Good Agricultural Practices

As the leading restaurant company in the country, Yum China has always been committed to providing safe and trustworthy farm products for customers. Upholding our vision for food safety, we also see it as our duty to share advanced technologies and managerial experience with farmers, improve the management level of the whole supply chain of farm products and drive the progress of the farming industry.

Agricultural safety starts from source. Yum China attaches great importance to planting farm management, and carries out strict management from the planting base selection, soil and water sources safety, planting technology, pesticide management, fertilizer use, good manufacturing practices and other aspects, effectively preventing the occurrence of food safety issues.

In 2018, we started to promote the implementation of Yum China GAP (Good Agricultural Practices) in our vegetable bases, and had 100% coverage in our butterhead lettuce bases by the end of 2019. In the future we will continue to extend it to other vegetable bases to achieve the goals of preventing food safety hazards, establishing sustainable agriculture and continuously improving farm management system.





## A HOLISTIC APPROACH TO DELIVER SAFE AND HIGH-QUALITY FOOD

### Suppliers

We purchase a large number of food raw materials and packaging materials every year, and our selection and management of suppliers is directly related to the safety and quality of our products. We attach great importance to the traceability of the supply chain. By guiding suppliers to gradually manage their own upstream, we can not only fulfill our commitment to food safety from farm to fork, but also push the whole industry forward.

#### • Supplier Management

Yum China boasts rigorous supplier approval procedures, including risk assessment, qualifications and compliance check, factory approval audit and checks for special categories of materials. In addition, we ensure routine supplier management through announced or unannounced audits, to verify whether the supplier's food safety and quality management system continuously meets our requirements.

Our Quality Assurance function has comprehensive performance management system to regularly assess suppliers' performance in food safety and quality. Based on the assessment results, we grade suppliers as T1, T2, and T3 with T1 being the best and T3 being in great need for improvement. We reward T1 suppliers with incentives, support T2 and T3 suppliers with improvement counseling, and eliminate those who fail to meet the requirements, thus driving suppliers to seek continuous improvement. For suppliers of raw materials with lower food safety risks (such as some ambient products and seasonings), we require them to obtain the Global Food Safety Initiatives certification and/or assessment for food safety and regulatory compliance.

Yum China signs with suppliers the raw material specification that complies with Chinese laws and regulations and Yum China's requirements. In addition to suppliers' in-house testing, we have a regular inspection plan to verify the compliance of the supplier's food materials with our standards. Every year, we conduct regular unannounced food safety tests on meats (including poultry), seafood, seasonings and other key materials. We take samples at supplier locations and entrust a third-party lab with testing and only those products in compliance with standards can be released into the Yum China supply chain.

#### • In 2019

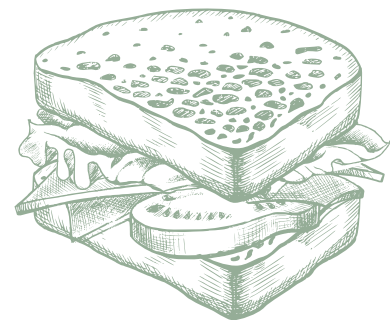
- The proportion of T1 suppliers reached **56%** (by the end of 2019)
- Conducted **370+** food safety and quality announced audits and **220+** unannounced audits on suppliers

#### • Supplier's Capability Building

We partner with our suppliers to provide safe and high-quality food for customers, and share with them our advanced knowhow and experience in food safety and quality management. We also offer them long-term training programs on farming techniques, animal welfare, processing quality, process control and compliance to improve their technical know-how and management.

2019 saw the 14<sup>th</sup> consecutive training sessions of our Supplier Tracking Assessment and Recognition (STAR) system. It covers food safety risk assessment, hazard analysis and critical control point (HACCP), food safety culture, good manufacturing practices, foreign body and pest prevention and control, and production process control. The training outlines Yum China's detailed requirements on food safety management and helps suppliers to improve management.

In 2019, we hosted several workshops to discuss how to build the food safety culture and improve category management, review cutting-edge research and technological advancement, share scientific research and best practices in all aspects, and improve management skills.



“

*The training is very helpful, with technical terms and applicable conditions well explained. I wish there were more case studies and group activities. I also hope that the training will be held more often and open to more people, so as to bring home Yum China's ideas and requirements about food safety and quality management to more workers in relevant posts.*

- A STAR Trainee

”

# A HOLISTIC APPROACH TO DELIVER SAFE AND HIGH-QUALITY FOOD

## Logistics Centers

Yum China has established an advanced logistics system, in-house management team and logistics network. Our nationwide logistics network included 24 logistics centers and 5 consolidation centers across China, providing efficient, safe and reliable logistics services for our restaurants through cohesive and effective management.

An advanced and comprehensive cold chain design is employed at the logistics centers to ensure that the temperature of chillers, freezers, inbound and outbound deliveries meet the Company's standards at all times. IoT has enabled real-time cold chain management. We have started real-time monitoring of the product and ambient temperature in in-transit vehicles since June 2019 across the country, to ensure the temperature of frozen and refrigerated products is up to requirements upon delivery to restaurants. We also started warehouse freezer and refrigerator temperature monitoring to further enhance our food safety management. The warehouse management system (WMS) is in place to enable product e-tracking from suppliers, logistics centers and restaurants.

## In 2019

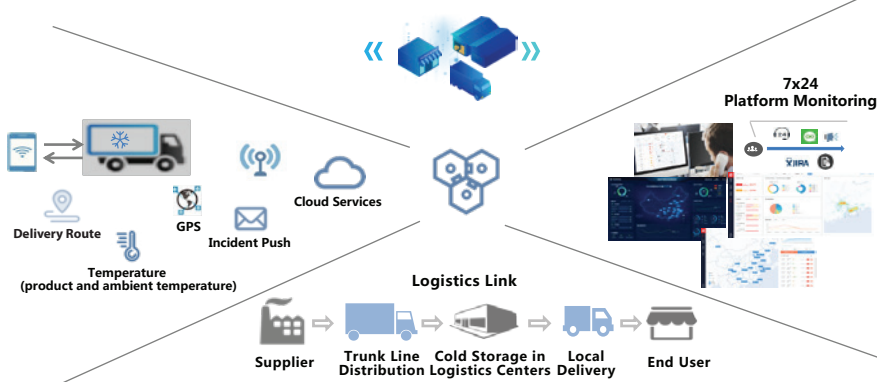
- Over 1,800 audits and routine inspections performed on logistics service (including warehouse and transportation) providers

Each of our logistics centers is staffed with a full-time quality assurance specialist responsible for inspecting storage facilities and the receipt, distribution, and unloading of goods. The logistics distribution system is audited as per the *Logistics Center Audit*.



Scan to Explore Yum China Logistics\*

### Whole Chain Traceability and Real-time Temperature Monitoring



IoT-enabled Transparent Cold-chain Management

\* The data in the video was by July 2019.



## A HOLISTIC APPROACH TO DELIVER SAFE AND HIGH-QUALITY FOOD

### Restaurant Operation and Delivery

Yum China conducts risk assessment before the launch of each new product, project, equipment or business. It provides early warnings about potential risks, and works to ensure the restaurants' food safety and quality management system complies with Chinese laws and regulations. In addition, there is an annual restaurant review to identify potential food safety and quality risks at an early stage, take effective response measures, mitigate the risks and eliminate food safety hazards. The Quality Assurance function regularly conducts unannounced Operation Excellence Checks of all restaurants covering food safety, product quality and customer service. We also conduct regular product quality inspections on main menu items, and perform microbiological testing of restaurants' utensils, cutlery, water, ice, and food to ensure they meet the required standards.

Yum China has established industry-leading restaurant operating standards and procedures to ensure that each restaurant implements consistent food safety standards and serves food that is consistent in quality and taste. The restaurant operating standards and procedures include food materials receipt, products and materials storage, shelf life management, thawing, cooking, personal hygiene, and tools and equipment disinfection. During business hours, the restaurant duty manager and the area manager check the

### ❖ In 2019

- Conducted **17,000+** food safety and quality audits (i.e. Operational Excellence Checks) on the restaurants across China
- Conducted **3,400+** product checks on main menu items
- Microbiological testing of **83,000+** samples

execution of food safety and quality related standards and measures.

Yum China has established its own delivery service teams for KFC and Pizza Hut. Our delivery management program includes close monitoring of food preparation, delivery time, delivery food safety protection, and equipment cleaning and maintenance. We require all third-party delivery partners to sign and strictly implement the *Letter of Commitment on the Food Safety and Quality Practice of Delivery Food*, stipulating clear requirements for regulatory compliance, staff management, catering requirements, delivery facilities, equipment and strict management of third-party platforms. For example, all delivery food for all brands is sealed with tamper proof labels to ensure food safety throughout the delivery process. In 2019, we compiled the *Yum China Guideline for Delivery Food Safety Management* further specifying safety management measures.







## BALANCED AND NUTRITIOUS MEALS

As China is progressing towards the goals of *Healthy China 2030* and witnessing continuous improvement in living standards, Chinese customers have developed a growing appetite for balanced and nutritious meals, while their taste, consumption behavior and culture are undergoing profound changes. As the leading restaurant company in the country, Yum China embraces state nutrition and health policies and responds actively to meet customers' demands. We have been striving to deliver a greater variety of balanced, nutritious food for our customers.

### Innovative Diverse Offerings

Being an industry leader, Yum China is an innovative pioneer in exploring the fusion of different cuisines. We keep updating our menus to provide a great variety of delicious, nutritious food for patrons.

### In 2019

- Approximately 400 new products launched by our brands

### Product Innovation

Committed to becoming "The World's Most Innovative Pioneer In The Restaurant Industry", guided by customer requirements and healthy living concept, Yum China is driving food innovation from multiple angles, and thus provides diverse offerings for customers. The pursuit of innovation is embedded in every step of food innovation, from new product development to product launch and even after launch tracking and assessment. As to food and packaging innovation, our food innovation (FIT) teams and engineering teams leverage their rich experience and expertise to combine science, technology and art together to bring out the best effect. We have dedicated FIT teams developing new products for our brands such as KFC, Pizza Hut, Taco Bell, East Dawning and Little Sheep. In addition to the exciting taste and more choices, balanced and nutritious meals are also created with the combination of a variety of ingredients such as meat, poultry, grains, dairy products, fruits and vegetables. FIT teams have developed hundreds of products every year by applying different cooking methods.

### More Product Choices

Guided by customer feedback and demands, we continuously enriched our menu offerings with main courses, snacks, beverages, salad and desserts to cover all day parts including breakfast, lunch, afternoon tea, supper, late-night snacks, and delivery. Our limited time offers throughout the year have further increased the variety of our offering, and brought the most popular food to customers.



**Yum China  
Food Innovation Strategy**

- Disruptive Product Innovation
- Expansion of New Product Categories
- New Flavors of Signature Products
- Disruptive Special Offers
- Enriched Product Selections for Different Daypart
- Customized Food Delivery and Ways of Serving
- Festival Products
- New Brands



## BALANCED AND NUTRITIOUS MEALS



New Flavors of Signature Products



Disruptive Product Innovation



现烤火鸡腿  
南关进口，每日现烤

Disruptive Special Offers



Expansion of New Product Categories



New Brands



Customized Food Delivery and Ways of Serving



Festival Products



Enriched Product Selections for Different Daypart



## BALANCED AND NUTRITIOUS MEALS

### Efforts to Deliver Well-balanced, Nutritious Offerings

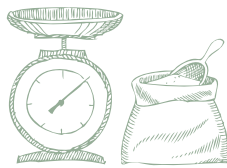
Nutrition and health are closely related. A well-balanced diet is the basic for supplying the nutrients that our body needs and safeguarding human health. As an influential player in the Chinese restaurant industry, Yum China assumes a vital role in supporting customers' balanced diets, by providing more options with delicious taste.

### In 2019

- Purchased more than **52,000** tons of fruits and vegetables, up by **8%** from 2018

### Less Salt, Less Sugar, Less Oil

While trying to satisfy customers' flavor and needs, the FIT team of each of our brands aggressively explores ways of using less salt, sugar and cooking oil in food preparation. Each new product must go through rounds of sensory test by internal specialists and panels before launch, to evaluate its saltiness, sweetness, texture and performance of other indicators. Some permanent products are also subject to sensory test every year, to keep track of the changes in customers' preference and their feedback for product improvement. The results of strict sensory tests can help us find the most-accepted moderate taste and avoid launching products that are too salty, too sweet or too oily.



In particular, we advocate less intake of sugar and reduce the use of sugar by upgrading our products and formulation. For example, KFC offers no-added sugar milk and 13 sugar-free coffee products, and provides sugar packs for diners' own choices. In 2019, KFC launched a sugar-free and fiber-rich coke. Pizza Hut also reduced the use of sugar in its milk-tea products.

### A Wide Variety of Ingredients to Make Well-Balanced Meals



We increase the use of grains, fruits and vegetables, beans and nuts to enrich menu choices and provide customers with balanced meals. For example, we use more than 50 varieties of fruits and vegetables in restaurants to make burgers, pizzas, salads and beverages, such

as butterhead lettuce, cucumber, potato, celery, green bell pepper, tomato, onion, pearl barley, radish, marrow squash, lemon, green kumquat, apple and kiwi, among others.

### Improving Cooking Methods

We increase choices and nutrition through the application of multiple cooking methods in the preparation of food, including frying, roasting, boiling, sautéing and grilling. By combining modern food technologies with traditional cooking methods, we bring the best flavors and most consistent food quality to our customers.

### KFC Vegetarian Burger

KFC launched its first vegetarian burger – the cheese-stuffed mushroom burger in 2019. It was a limited time offer, with the familiar butterhead lettuce, tomato slices and salad dressing. Nutritious and delicious, it was a welcomed addition to our diverse offerings.





## BALANCED AND NUTRITIOUS MEALS

### Care on Kids' Meal

*The Nutrition Guidelines for Meals Offered by the Restaurant Industry to School-Age Children* (referred to below as "Nutrition Guidelines"), released by the Chinese Nutrition Society (CNS) in July 2017, specify that children's meals should include an appropriate amount of calories and balanced nutrients, and take food and nutrients beneficial for children's health and growth with less oil and less salt. The varieties of food, including grains, vegetables, fruits, meat-based foods, eggs and milk are also required.

Yum China attaches great importance to the nutrition and health of children in China and is committed to providing children with balanced food that tastes delicious and is also healthy and nutritious. KFC has introduced Kid's Meals that comply with these Nutrition Principles. KFC Kid's Meals include a chicken and ham panini, sweet corn sticks and milk.



1份鸡肉火腿帕尼尼  
1份香甜粟米棒  
1杯萌泡泡牛奶

快乐儿童餐食物种类搭配  
依据中国营养学会  
《餐饮业提供学龄儿童正餐营养指导原则》

Kid's Meals by KFC





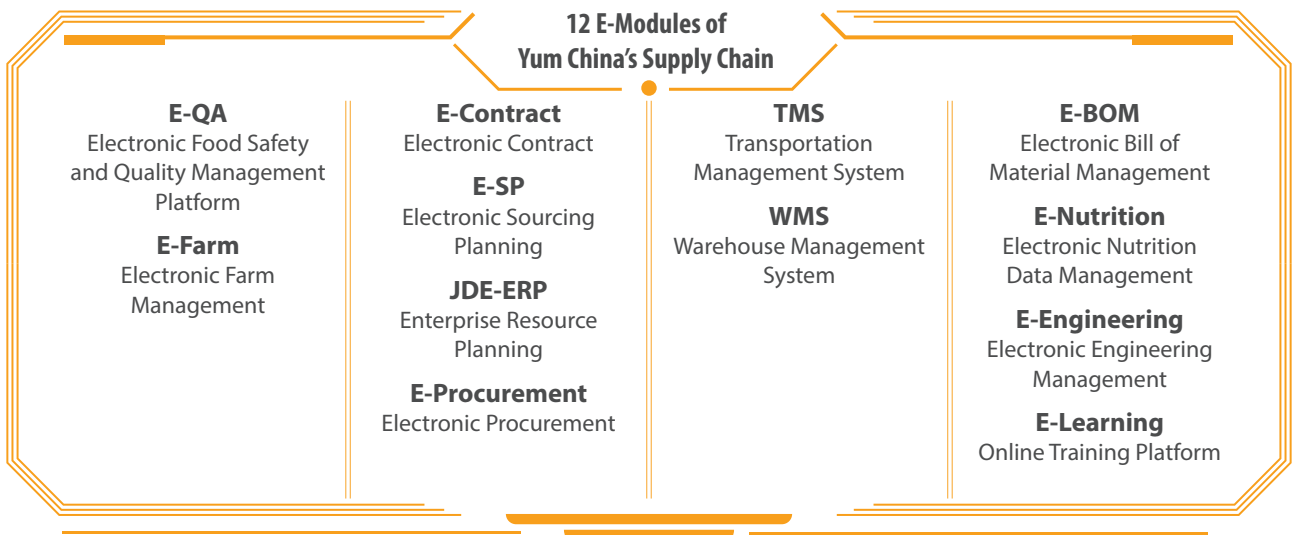
## BUILDING AN INTELLIGENT SUPPLY CHAIN

Yum China builds our core competitive advantage on a smart, efficient and agile supply chain, which is the foundation and key to the innovative, safe and high-quality product offering to our customers. The restaurant industry in China has embarked upon a new era with a market size worth 4 trillion RMB; it is constantly reshaped by emerging opportunities and challenges. In response, Yum China embraces digitization as one of our core strategies, leapfrogs via innovative technology, builds a world-class supply chain, leads the industry, and realizes the long-term sustainable growth.

### A Supply Chain Led by Digitalization

Upholding our vision, we ensure efficiency and agility of the entire supply chain through technologies and innovation, e.g. AI, IoT and digitalization of food safety management, to build an intelligent supply chain. We have built 12 independent

e-modules to manage different aspects of the supply chain. On top of that, we are in the process of building a data center to access every module of the supply chain for data integration and lean management.



### E-QA Electronic Food Safety and Quality Management Platform

In 2013, Yum China developed the plan for the industry's first electronic food safety and quality management platform for suppliers, logistics centers and restaurants. Since the launch of the system in 2015, we have expanded the management module every year to include supplier audit, compliance check of food additives used by suppliers, raw material specification, supplier performance assessment, product quality non-conformity, restaurant / logistics center audit and performance assessment. In 2019, we added the module of non-food materials and their supply management to realize the full digitalization of our food safety and quality management system.

### E-BOM Electronic Bill of Material Management

The industry leading E-BOM was launched in December 2019 to enable digital management of product formulation and improved communication across functions of the whole supply chain. E-BOM and E-SP together support product innovation and quickly respond to customers' needs through data capturing and analyses of product sales, nutrients and other attributes.

### Kunshan Support Center

In September 2019, a world-class sorting system was launched in our Kunshan Support Center (KSSC). It covers storage and delivery of smallwares, uniforms, marketing and promotional items, storage and trunk line transportation in bulk, and e-commerce related logistics service. The automated sorting system enables 10 times faster operation, which enhances the efficiency of logistics capacity for e-commerce business.



Automated Intelligent Sorting System in KSSC



## BUILDING AN INTELLIGENT SUPPLY CHAIN

### Creating Value with Suppliers

We regard suppliers as our closest allies and sustain our partnerships through joint contribution, shared benefits and mutual growth. The ability to innovate is rooted in our selection and assessment of suppliers. The wisdom of innovative suppliers is the backbone to our own innovation.

In order to develop creative and popular products, Yum China invites suppliers with outstanding performance in quality management to participate in the new product innovation process. Suppliers participating in new product innovation are divided into 2 categories: those who are innovative

and capable of providing comprehensive solutions are the primary suppliers and those who support the primary suppliers to innovate new products are the cooperating suppliers. We now have about 50 such suppliers, with whom we share innovation methods, processes and industry insights, whose innovation ability we assess on a regular basis, and with whom we grow and innovate together. We highly appreciate communication and cooperation with the suppliers. In addition to the regular food materials supplier convention, we hosted the first logistics service supplier convention in 2019.







## ADDRESSING EMERGING INDUSTRY CHALLENGES

Yum China continuously monitors changes in policies, laws and regulations affecting the food industry and food safety issues in the supply chain. We pay close attention to emerging industry challenges such as animal welfare, food-borne diseases, pesticides and veterinary drug management, food additives and GMO. We calibrate our control priorities based on the urgency and importance of food safety related risks.

### Animal Welfare

Proper animal welfare ensures the healthy growth of animals and promotes high-quality and sustainable development of agriculture and animal husbandry so that premium animal products are provided for human beings. It is part of our social responsibility to improve the health and welfare of all animals in our supply chain. In 2019, we developed the *Yum China Animal Welfare Policies* in compliance with existing laws and regulations and in light of China's current situation and the industry's characteristics. The policy establishes a series of animal welfare standards for our suppliers of farmed animal protein, and regulates their behavior from animal farming to slaughtering.

Since 2017, Yum China has launched animal welfare audits for broiler chicken farming and slaughtering. We will, as always, strive to create a collaborative platform that brings together experts, industry associations, farming and processing enterprises, and upstream and downstream industry experts, and actively explore ways to improve animal welfare, promote success experience and best practices, and drive continuous improvement in animal welfare management across the industry.

### We Promote Proper Animal Welfare by Honoring the Globally Recognized Five Freedoms:

- i. Freedom from hunger, thirst and malnutrition
- ii. Freedom from fear and distress
- iii. Freedom from physical and thermal discomfort
- iv. Freedom from pain, injury and disease
- v. Freedom to express normal patterns of behavior



Yum China Has Developed A Series of Animal Welfare Policies, Including Poultry, Livestock and Aquaculture.

### Food-Borne Diseases

The food industry has long been exploring ways to prevent food-borne diseases. Priority is given to preventive food safety plans, such as the Environmental Pathogen Program, to monitor microbiological hazards in the food production environment. Hazard analysis is shifting the focus from finished product testing to proactive environment monitoring. Environment Pathogen Programs are an early warning system for microbiological hazards.

In 2019, Yum China revised the *Environmental Pathogen Monitoring Standard* to guide and regulate suppliers in formulating an effective environmental pathogen monitoring plan to verify the effectiveness of the sanitation standard operating procedures and other preventative controls, and to help prevent microbial contaminants from entering the final products.

## ADDRESSING EMERGING INDUSTRY CHALLENGES

### Veterinary Drug Management

Yum China requires farmers, producers, and veterinarians to use veterinary antimicrobials responsibly to ensure the well-being of human beings and animals. We have adopted a series of measures to manage suppliers on regulatory compliance and judicious use of drugs in the breeding of livestock, poultry and aquatic products. Veterinary antimicrobials are important agricultural means for the prevention, control and treatment of animal diseases. Judicious and responsible use is in line with Yum China's long-term commitment to animal health and welfare. We adopt existing best practices and introduce new technologies to reduce, or if possible, eliminate broilers' need for antimicrobials treatment. Yum China has pioneered measures to promote scientific broiler farming and standardized use of veterinary drugs.

#### Scientific Use

- We use existing best practices and explore new technologies to reduce and eliminate, if possible, the need for antimicrobials treatment in broilers.
- We have released *Technical Manual on Broiler Farming* and *Guide to the Use of Veterinary Drugs* to promote scientific farming by suppliers.



#### Growth-Promoting Antimicrobials

- From 2016, we analyzed the development trend of antimicrobials used in domestic broiler breeding industry, and took the lead in planning the gradual removal of growth-promoting agents that are important to human beings.
- Our domestic broiler suppliers will complete the national plan 100% ahead of schedule in line with the requirements issued by the National Ministry of Agriculture and Rural Affairs in 2019 for the gradual cessation of the use of growth-promoting antimicrobials in feed.

#### Antimicrobials

- To protect human health and respond to the *National Action Plan for the Suppression of Antimicrobial Resistance 2016-2020* and *The National Action Plan on Animal Origin Antimicrobial Resistance (2017-2020)* by the Ministry of Agriculture and Rural Affairs, we work with industry experts, scientists and suppliers to develop the control plan to gradually reduce the use of antimicrobials in poultry breeding.

On the premise of national conditions and regulatory compliance, Yum China promotes scientific breeding, judicious use, and best practice as alternatives for antimicrobials use. We provide medicine reduction plan for domestic broiler suppliers annually and will continue to make progress in the coming years.

### Pesticide Management

Yum China places the management of pesticide residue amongst the priorities of food safety. Together with suppliers, we keep exploring better management practices and promote Yum China Good Agricultural Practices (GAP) at upstream vegetable bases. We have adopted rigorous control measures concerning base selection, soil and water safety, planting technology, pesticide management, fertilizer use, and good practices operations. We also set up a strict monitoring system of pesticide residue and test regularly to ensure compliance with national laws and regulations.



### Food Additives

Yum China attaches great importance to suppliers' use of food additives and has taken the following measures in this regard.

- Suppliers must provide proof of their compliance with national standards on food additives, to strengthen their compliance awareness and internal check mechanism.
- We promptly notify suppliers the latest food-governing laws, regulations and standards for their compliance.
- We conduct sampling tests on additives in food materials to verify compliance.

### GMO

Yum China respects and supports Chinese government policy on agricultural development, and abides by the national laws and regulations on safety assessment, approval and administration of genetically modified agriculture products. We continue to monitor the latest developments of international research on GMO biology and food, follow China related laws and regulations, and require our raw material suppliers to be fully compliant.





## JOINING STAKEHOLDERS TO BUILD A HEALTHY CHINA

As a leader of the Chinese restaurant industry, it is the responsibility and duty of Yum China to promote joint social governance of food safety and elevate public awareness of health. We work closely with the regulators, industry associations, and academic community to drive the development of the food industry and ensure food safety. At the same time, we also play an important role in food safety advocacy and education programs.

### Facilitating Industry-wide Development and Joint Social Governance

Food safety requires joint social governance. For years, Yum China has been active in cooperation and engagement with regulators, industry associations, food research institutes and suppliers, to jointly enhance the food safety and quality management level and the awareness of integrity and compliance across the industry, and to jointly respond to food safety challenges.

#### ... In 2019

- Provided suggestions on the formulation of **28** standards
- The Food Safety Advisory Committee had convened **28** expert meetings since its inception in 2006, where over **200** special reports were shared.

### Yum China Coordinates Stakeholders to Drive the Development of the Food Industry

#### • Assume Roles in Industry Associations

- Provide professional opinions on laws and regulations and promote the rationalization of regulations
- Conduct in-depth research on emerging challenges in the industry, explore scientific facts, support and promote science popularization, and properly guide customers and media
- Actively mobilize suppliers to jointly promote the scientific and orderly development of the animal farming industry

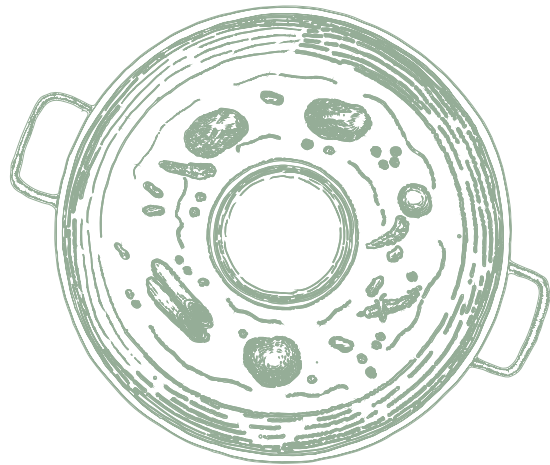
#### • Host and Attend Industry Meetings

- Share Yum China's mature and innovative supplier management experience in several large international and industry exchange meetings
- Host the Expert Meeting of the Expert Advisory Committee on Food Safety where experts from various fields such as food safety, microorganisms and pollutants, animal husbandry and agriculture shared the experience of food safety management at home and abroad and the latest research findings, etc.

#### • Contribute to the Development of Industry Standards

- Actively contribute to food laws and regulations and food safety standards that are inviting public comment based on the industry's reality and corporate management experience
- Support industry associations in formulating group animal welfare standards for broilers and layers, and improve the management level of the whole industry

Yum China is an active and important member of a dozen influential industry organizations, including the Chinese Institute of Food Science and Technology, China Food Information Center, China Cuisine Association, China Chain-Store & Franchise Association and Shanghai Food Safety Federation. We actively respond to and support these organizations' food safety work, take the lead in formulating major industry standards, and ensure that they are well understood and implemented across the industry. Our role in promoting the healthy development of the restaurant industry is recognized and awarded. We hope to promote the common development of the industry and improve its overall management level by sharing our innovation concepts and management experience.





## JOINING STAKEHOLDERS TO BUILD A HEALTHY CHINA

### Supporting Research on Dietary Health

Academic and research institutions play an important role in building a healthy China, and to support their work in dietary nutrition and health, we jointly set up a dietary health foundation with the Chinese Nutrition Society. The CNS-Yum China Dietary Health Foundation, dedicated to the research on dietary health and nutrition, was transformed from the original KFC China Health Foundation initiated in 2007. It is so far the largest and most influential purpose-specific research foundation in China's restaurant industry, and also a strong supporter of academic subject development and technological innovation.

### By the end of 2019

- The Foundation had sponsored over **70** projects with more than **18** million yuan.

In 2019, the Foundation reviewed a total of 60 applications with preference given to healthy restaurant projects and technological innovation for reducing the use of salt, sugar and oil in the food industry. Among them, seven projects filed by such applicants as the Chinese Center for Disease Prevention and Control and China Agricultural University passed the expert review and won the funding.



CNS-Yum China Dietary Health Foundation Annual Meeting & 12<sup>th</sup> Dietary Health Symposium

“

*A balanced diet is the basis for health. The goal and requirements of a balanced diet and the nutrition science is the fertile soil to nurture a healthy nation. Thanks to Yum China's unremitting efforts in this field, the CNS-Yum China Dietary Health Foundation will specialize in the research of nutrition science and play a key role in nudging people to have a balanced diet and live a healthy life.*

**- Prof. Yang Yuexin  
President of Chinese Nutrition Society**

*In the future, we will continue to rely on the strong academic influence of Chinese Nutrition Society and other institutions and professional advice from experts, and apply our experience accumulated over the years to do our part in promoting healthy diet for the Chinese people.*

**- Alice Wang  
Chief Public Affairs Officer of Yum China**

”



## JOINING STAKEHOLDERS TO BUILD A HEALTHY CHINA

### Science Popularization on Food Safety, Nutrition and Health

Building public awareness of food safety, nutrition and other health issues requires long-term and unremitting efforts from all walks of life. Deeply-rooted in China, Yum China has always considered it its duty to promote health literacy and communicate the knowledge with the public via its restaurants.

### In 2019

- 14 KFC stores remodeled as experience spaces for food safety, nutrition and health education for young people
- 243 food safety themed activities launched, benefitting an audience of about 90,000 persons

### Food Safety Education Among Young People

The Yum China “Hand in Hand towards the Future” education campaign for the young on food safety, nutrition and health is an extension of the original national campaign promoting national youth health and safety on school campuses and in communities. It has launched over 400 advocacy and education activities since 2016. In 2018, Yum China was recognized as the “National Youth Food Safety Education Experience Center”. In 2019 we launched a series of science outreach activities in schools and communities in ten cities including Quanzhou, Yantai, Wenzhou and Shenyang. We also remodeled 14 KFC stores to host science popularization activities regularly, including store visits, science lectures, interactive games and virtual reality (VR) activities, thus to disseminate knowledge about food safety, nutrition and health.



Food safety is vital to the health of each and every one of us, and requires joint efforts from all sectors. We look forward to seeing more and more enterprises like Yum China, in addition to having solid food safety management and control, actively play up their strengths to promote health literacy and thus contribute to the healthy growth of young people.

- An official from the Market Regulation Bureau

Food safety education should start from a young age to arm children with related knowledge and skills. Compared with traditional means of education, KFC’s picture booklet is more appealing for children.

- A Parent Whose Kid Participated in the Food Safety Science Popularization Event



KFC Store Visits



Little Guides of KFC Food Safety Knowledge Tours



Learning KFC’s Illustrated Booklet on Food Safety



Watching the Growth of Broilers With the Help of VR Device

## JOINING STAKEHOLDERS TO BUILD A HEALTHY CHINA

### Knowledge Competitions for College Students

In 2019, the YUMC Cup for Food Safety and Nutritional Health Knowledge Competition, originally based in Hangzhou, went national and landed in not only Hangzhou, but also Suzhou, Wuxi, Shanghai, Guangzhou, Kunming and Lanzhou, attracting over 5,000 contestants from over 30 institutions of higher education. The competitions took such forms as intraschool challenge contests, new media project competitions, and online competitions on Alipay, and launched a special webpage to engage with Internet users, attracting over three million visits and responses per day. The event was also widely discussed and circulated on Weibo and other social media platforms.

#### In 2019

- The competition attracted over **5,000** contestants from more than **30** universities.



YUMC Cup for Food Safety and Nutritional Health Knowledge Competition (Zhejiang)



*The YUMC Cup adds fun to formal school learning. Many of its topics are very relevant to our daily life, and very meaningful. I hope our team will win again this year.*

- A Contestant

*The inter-school competition is a high-level event of academic exchange. It is of great help to students' learning by offering them an opportunity to apply their academic knowledge, as well as a bigger picture of the current food industry. The experience will be very helpful to their future career development.*

- Prof. Xia Daozong from Zhejiang Chinese Medical University, a Member of the Expert Panel



### Raising Public Awareness of Nutrition and Health

The National Nutrition Week is a nutrition awareness campaign jointly launched by the Chinese Nutrition Society and the National Institute for Nutrition and Health under the Chinese Center for Disease Control and Prevention, to popularize the nutrition and health-related knowledge. Yum China has supported the initiative for four consecutive years from 2016 to 2019. The 2019 National Nutrition Week put forward the slogans "Nutrition for All, Moderate Prosperity in All Respects" and "Nutrition Comes First in Building a Healthy China", and the theme "A Balanced Diet with Daily Servings of Vegetables and Fruits: Health for Everyone". During the campaign, we designed and provided thematic tray mats in more than 6,000 KFC stores, with a focus on "balanced diet and exercises" and "balanced and nutritious meals", to raise public awareness of healthy diet. Meanwhile, in partnership with the Community Nutrition and Health Management Branch of Chinese Nutrition Society, Beijing Dietetic Association and "Media Tea Party" – a WeChat account of Chinese Industry Paper Association, we conducted a questionnaire survey on journalists and released the Investigation Report on the Healthy Lifestyle for Journalists. Based on data analysis results, we advise journalists on how to have a science-based diet and live a healthy lifestyle, in the hope of spreading scientific knowledge on health matter and promoting a healthy lifestyle with the help of the media.



KFC Tray Mat Specially Designed for the National Nutrition Week

To promote the National Science Popularization Day in September 2019, we collaborated with the Chinese Institute of Food Science and Technology and distributed more than 40 million tray mats themed on food safety and healthy eating in KFC stores in more than 1,300 cities and towns, to help raise public awareness and knowledge.



Tray Mat Featuring 2019 Popular Science Day





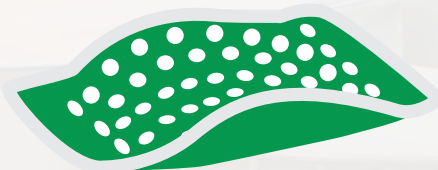


For  
the Love  
of Pizza

## ENVIRONMENT

# PROMOTING GREEN TRANSITION TO ADDRESS ENVIRONMENTAL CHALLENGES

Yum China's restaurants consume a lot of resources in the daily operation, inevitably generating a great deal of GHG emissions and waste. In the face of increasingly severe environmental challenges such as climate change and plastic pollution, we strive to reduce the environmental impact of our business activities and incorporate sustainability into day-to-day operations. We comply with laws and regulations and actively respond to the government's environmental regulatory call on plastics and waste management. We collaborate with supply chain partners to pursue a more sustainable business model, and with customers and communities to translate sustainability challenges into opportunities.





# OVERVIEW

## Sustainability Background

- Climate change and extreme weather events have seriously affected socio-economic development, human health, migration, food security and terrestrial and marine ecosystems.
- *The Paris Agreement* defines the principles, objectives and mechanisms of global action to address global warming and climate change.
- *The China National New-Type Urbanization Plan (2014-2020)* proposes that by 2020, 50% of new buildings in cities will be eco-friendly.
- With the national plastic ban, the Chinese Ministry of Ecology and Environment has piloted the Zero Waste City project in "11+5" cities and regions.

## Contribution to the SDGs

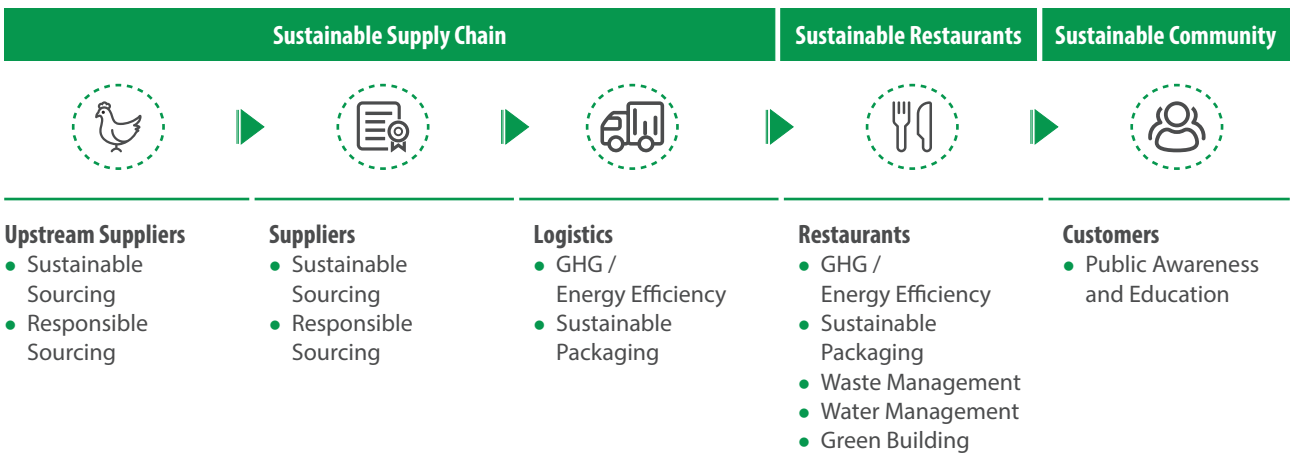
### High Relevance



### Medium Relevance



## Key Material Issues Across the Value Chain



## Our Goal and Commitment

### 1 GHG / Energy Efficiency

Reduce average restaurant energy consumption and GHG emissions by an additional 10% by 2025, as compared to the 2017 baseline

### 2 Water Management

Reduce average restaurant water consumption by an additional 10% by 2025, as compared to the 2017 baseline

### 3 Sustainable Packaging

All customer facing, plastic based packaging is recyclable

### 4 Green Building

All newly-built restaurants are in full compliance with the Yum China Green Building Standards

### 5 Responsible Sourcing

Yum China CSR Audit covers all critical suppliers

### 6 Sustainable Sourcing

- Only purchase RSPO-certified palm oil
- Refuse to purchase paper products from suppliers that knowingly cause deforestation



## OUR PATHWAY

### Our Management Approach

Guided by our 4R Principles, we formulate environmental policies, share our concept and practice of sustainable development, and collaborate with stakeholders to create a sustainable ecosystem.

|                        |   |
|------------------------|---|
| <b>Policies</b>        | We develop environmental management system, climate change strategy, plastic strategy, and update the Supplier Code of Conduct etc.   |
| <b>Targets Setting</b> | We set targets for energy efficiency, water management, sustainable packaging, green building, sustainable sourcing and responsible sourcing, etc., and track progress regularly. |
| <b>Key Projects</b>    | Reusable serving basket, used cooking oil converted into biodiesel, etc.  |

| Materiality Topic                     | Our Direction   | Progress in 2019   |
|---------------------------------------|---|--|
| <b>GHG / Energy Efficiency</b>        | Leverage energy-saving technology and strengthen management to continuously reduce electricity consumption and greenhouse gas (GHG) emissions | <ul style="list-style-type: none"> <li>Implemented the VTA* energy conservation project in about 500 new restaurants across the country, with annual saving of 10 MWh per restaurant</li> <li>Reduced average restaurant electricity consumption by 8.3% and GHG emissions by 8.6% from 2017</li> <li>Saved approximately 19,000 MWh electricity through the use of innovative equipment and energy management system</li> </ul> |
| <b>Water Management</b>               | Leverage water-saving technology and strengthen water management to continuously reduce average restaurant water consumption                  | <ul style="list-style-type: none"> <li>Expanded the testing of the electrostatic thawing tank</li> <li>Reduced average restaurant water consumption by 5.6% from 2017</li> </ul>   |
| <b>Green Building</b>                 | Constantly update and implement Yum China's Green Building Standards  | <ul style="list-style-type: none"> <li>100% of the newly-built company-owned restaurants met Yum China's Green Building Standards</li> </ul>   |
| <b>Sustainable Packaging</b>          | Drive for reduction of single-use packaging, and promote the use of reusable and eco-friendly packaging materials                             | <ul style="list-style-type: none"> <li>Saved over 8,000 tons of paper and 1,000 tons of plastics through packaging reduction initiatives</li> <li>Saved more than 2,000 tons of paper packaging and reduced approximately 20% of restaurant waste through the use of reusable serving basket</li> <li>Used about 20 tons of recycled materials in non-food contact packaging</li> </ul>  |
| <b>Waste Management</b>               | Reduce food loss and waste, used cooking oil and other restaurant and kitchen waste, and actively seek waste recycling opportunities          | <ul style="list-style-type: none"> <li>Reduced food loss and waste by about 50 tons through the use of advanced fryers</li> <li>Converted all the 666,465 kg of used cooking oil in Chengdu KFC restaurants into biodiesel</li> <li>Applied innovative oil-saving equipment and management policy and saved over 1,700 tons of cooking oil</li> </ul>  |
| <b>Responsible Sourcing</b>           | Ensure social and environmental compliance at supply chain  | <ul style="list-style-type: none"> <li>100% of critical suppliers completed the CSR audit</li> <li>99.7% of suppliers graded A and B</li> </ul>  |
| <b>Sustainable Sourcing</b>           | Continue to promote sustainable sourcing practices of key raw materials   | <ul style="list-style-type: none"> <li>100% of the palm oil purchased certified by RSPO</li> <li>Refuse to purchase paper products from suppliers that knowingly cause deforestation</li> </ul>  |
| <b>Public Awareness and Education</b> | Advocate environmental protection in society  | <ul style="list-style-type: none"> <li>Our donations to China Green Foundation helped finance the restoration of more than 1,000,000 square meters of grassland in Siziwang Banner of Inner Mongolia</li> </ul>  |

\* VTA: Value-added Technology Application



YUMC



FOOD



ENVIRONMENT



PEOPLE



COMMUNITY



APPENDIX

## SAFEGUARDING THE ENVIRONMENT

Deeply aware of our environmental responsibilities, Yum China complies with laws and regulations and continuously identifies environmental impact across the value chain. Moreover, we have set sustainable development goals and monitor progress regularly.

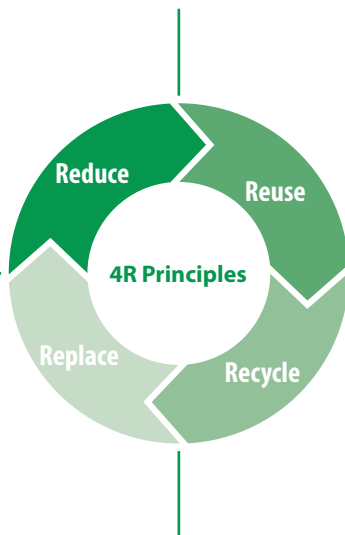
Guided by our 4R (Reduce, Reuse, Replace and Recycle) Principles, we are committed to using less energy and natural resources from the beginning, and reducing waste and packaging so as to minimize our environmental footprint. In partnership with suppliers, we strive to build an entirely sustainable supply chain. In 2019, we updated the environmental management system and stakeholder engagement process.

### Reduce

- Reduce single-use packaging
- Reduce waste generation
- Reduce energy consumption
- Reduce GHG emissions
- Reduce water consumption

### Reuse

- Use of reusable materials
- Use of reusable packaging solutions
- Apply reusable decoration materials



### Replace

- Replace plastic packaging with biodegradable materials
- Purchase sustainable palm oil
- Refuse to purchase fiber from sources that contribute to deforestation
- Use of energy-saving equipment

### Recycle

- Convert used cooking oil into biodiesel
- Waste sorting in restaurants
- Use of recyclable plastic materials





## ACTING ON CLIMATE CHANGE

The ever-growing population and consumption demand are depleting the limited natural resources. The large amount of GHG emitted through human activities leads to global warming, climate-related disasters and other challenges. Although Yum China is not a large consumer of fossil fuels in the traditional sense, we actively identify and assess energy use and GHG emissions across the value chain. We set stretching targets for energy efficiency and emission reduction.

In 2019, we formulated a climate change strategy which defines our methods and measures for energy and GHG management, green building design, and rainforest conservation. We took a deep dive into the various scopes of GHG emissions, and continuously disclose Scope 2 GHG emissions. In the future, we will gradually strengthen the GHG management among upstream suppliers and set clearly defined emission reduction targets.

### Energy Efficiency and GHG Emissions

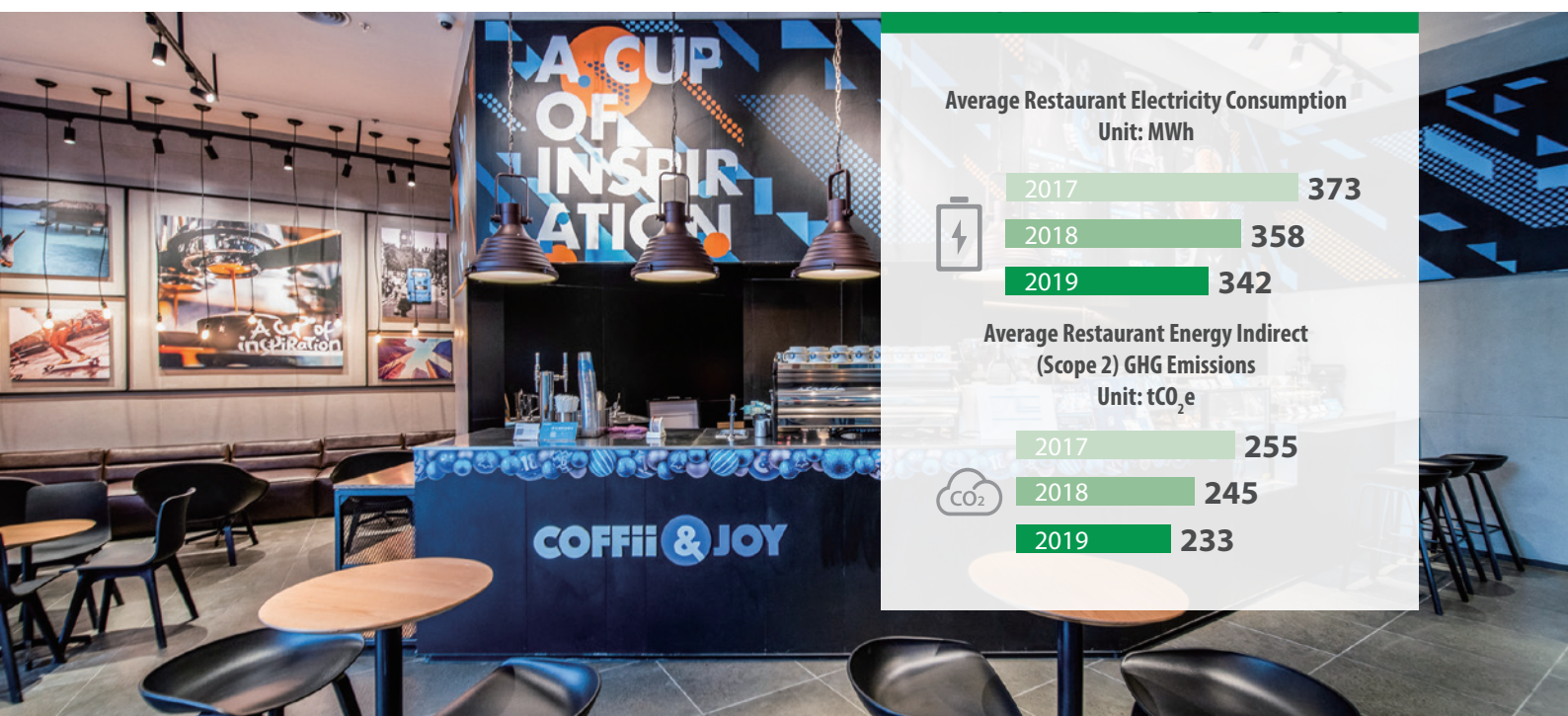
Restaurant construction and operation is an important part of our energy and GHG emissions management. In 2019, we continued to promote the application of innovative energy saving initiatives and technologies to reduce the energy intensity and GHG emissions. In addition, we incorporated energy efficiency into performance evaluation criteria of our restaurant teams.

#### ... In 2019

- Total electricity consumption **2,870,997** MWh
- Indirect (Scope 2) GHG emissions **1,956,072** tCO<sub>2</sub>e
- Saved approximately **19,000** MWh electricity through the use of innovative equipment and energy management system

|  | Installed          | Saved      |
|--|--------------------|------------|
| <b>Kitchen Cooking Fume Exhaust Control System</b> | ~1,200 systems     | ~4,300 MWh |
| <b>Heat Pump Water Heater</b>                      | ~700 systems       | ~7,800 MWh |
| <b>High-Efficiency DC Air Conditioning System</b>  | ~800 restaurants   | ~2,500 MWh |
| <b>LED Lighting</b>                                | ~1,000 restaurants | ~2,100 MWh |
| <b>VTA System</b>                                  | ~500 restaurants   | ~2,500 MWh |

Effect of Yum China's Energy Saving Initiatives / Technologies in 2019



#### Average Restaurant Electricity Consumption Unit: MWh



#### Average Restaurant Energy Indirect (Scope 2) GHG Emissions Unit: tCO<sub>2</sub>e



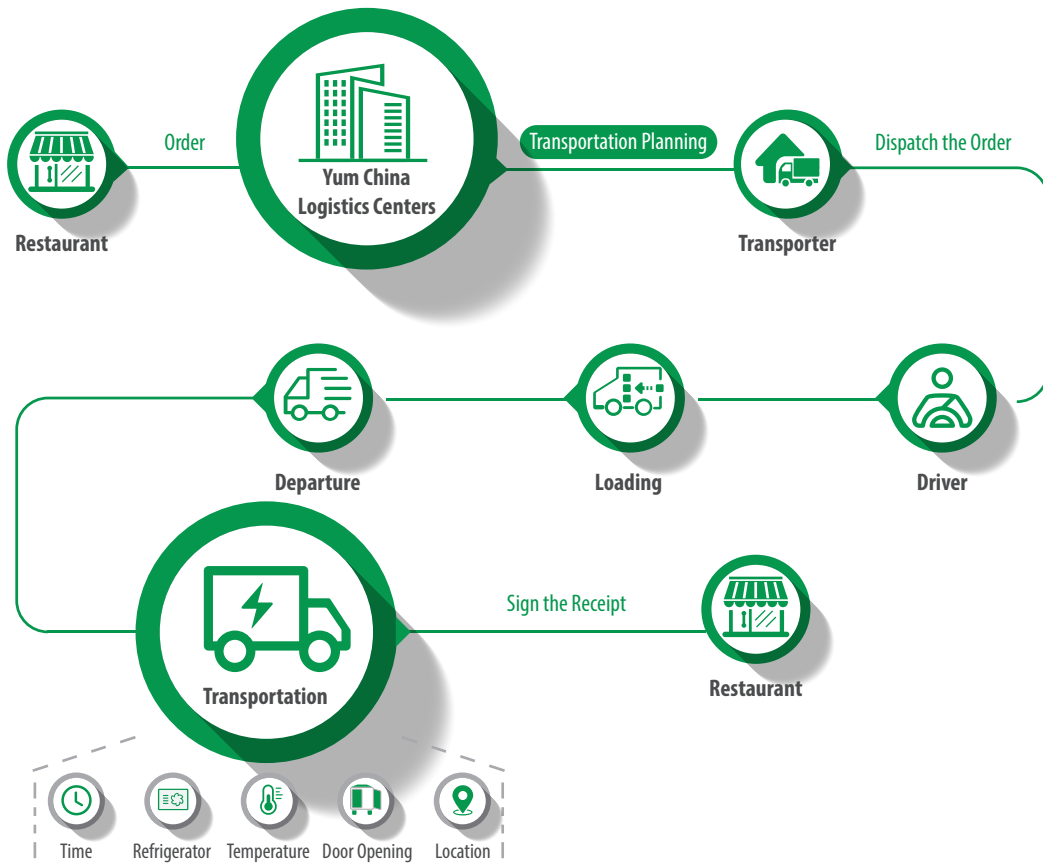


## ACTING ON CLIMATE CHANGE

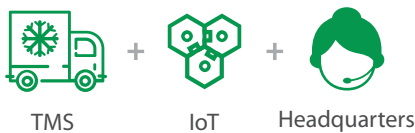
We are aware of the emission reduction opportunities in Yum China's logistics network, consisting of 24 logistics centers and 5 consolidation centers, hundreds of suppliers and their upstream partners.

In 2019, the transport management system (TMS) was implemented to optimize the distribution network and route planning throughout the country, which leads to GHG emissions reduction through optimized vehicle loading rate,

shortened delivery mileage, and less no-load return trips. We explore opportunities to use new-energy vehicles (NEVs) as refrigerated vehicles. In cities rapidly embracing NEVs, such as Shenzhen, we operate small NEV fleets on a trial basis. In addition, we actively explore the use of renewable energy to our fleets. Our logistics centers pilot the use of biodiesel vehicles in Shanghai where this renewable fuel is available in the market. In the future, we will seek for roll-out opportunity.



### Optimizing Route, Real-time Monitoring, and Instant Response



### New/Renewable Energy Fleets



GHG Emissions Reduction Powered by TMS



# ACTING ON CLIMATE CHANGE

## Water Management

We prioritize our water management efforts in reducing water usage and improving resource efficiency. According to statistics, only 0.01% of the planet's water resources is fresh water readily available for human activities, and about 40% of the world population are suffering from water scarcity. China is one of the world's most water-scarce\* countries where per capita water resources are low. We worked with the World Resources Institute (WRI) to assess water resources in the areas where Yum China's restaurants are located. Based on the assessment results, we prioritize the application of water-saving equipment in water-stressed or water-scarce areas.

We actively explore and promote the application of water-saving equipment, and include water efficiency into the performance evaluation criteria of our restaurant teams. In 2019, we commenced pilot testing of thawing equipment in selected KFC restaurants in Beijing, Shanghai and Shenzhen. We also installed water-saving faucets, which consume 50% less water, in newly-built company-owned and remodeled restaurants.



### Water-Saving Faucet

Installed in newly-built and remodeled restaurants, consuming 50% less water



### Electrostatic Thawing

Tested in selected restaurants, to be expanded to more restaurants in the future



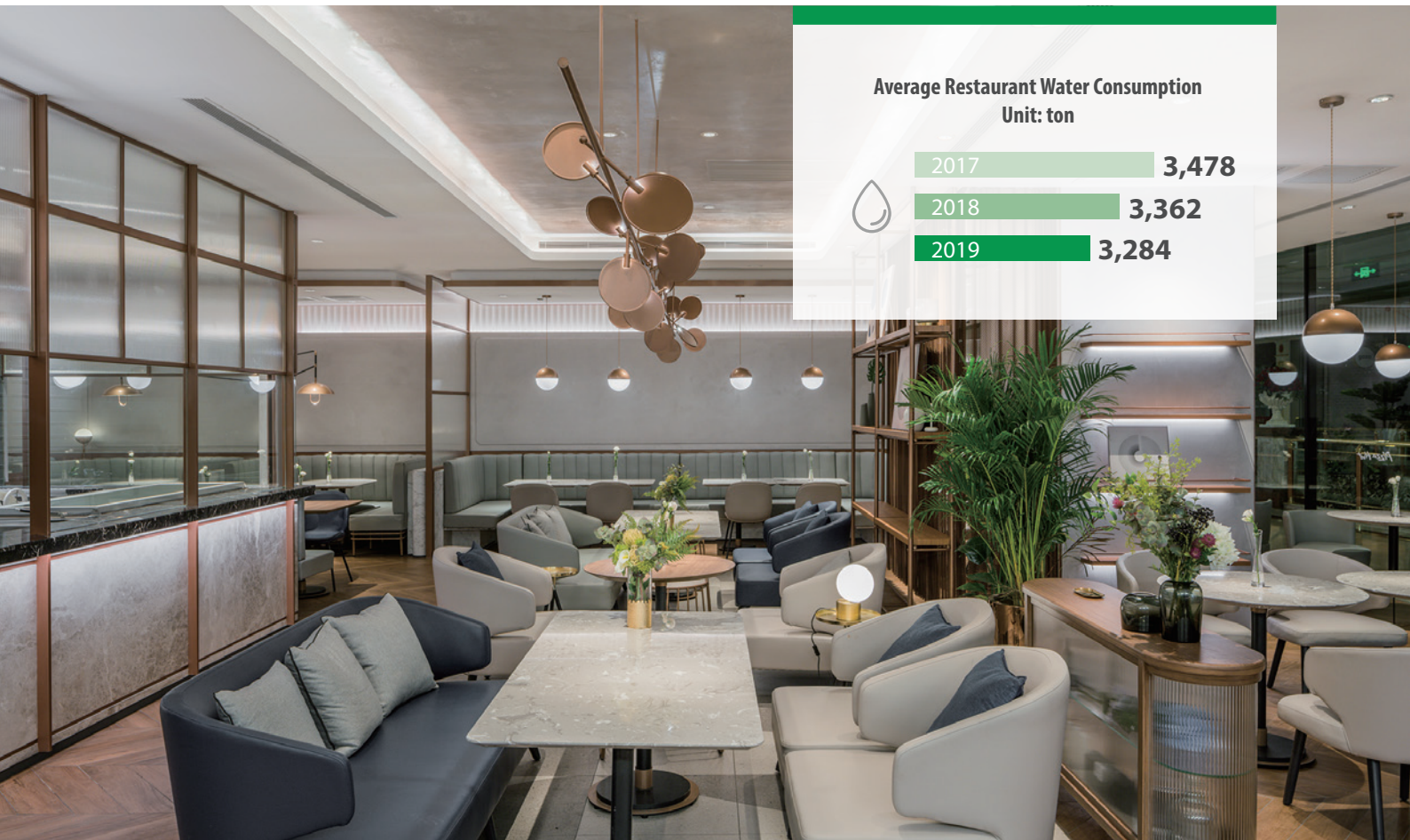
### Cleaning Equipment

Used on a trial basis, to be replicated in more restaurants in the future

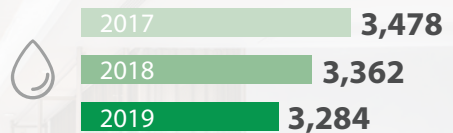
The Innovative Water Saving Initiatives and Technologies Adopted in 2019

## In 2019

• Total water consumption **27,602,012** tons



### Average Restaurant Water Consumption Unit: ton



\*World Water Resource at the Beginning of the 21<sup>st</sup> Century : UNESCO, 2003



# ACTING ON CLIMATE CHANGE

## Green Buildings

Yum China currently operates more than 9,200 restaurants, including 1,006 newly opened in 2019, close to 3 new openings every day. We are aware that restaurant construction and decoration consumes a lot of materials, and daily restaurant operation generates certain environmental impact. To reduce the impact, we have formulated Yum China Green Building Standards by referring to the Leadership in Energy and Environmental Design (LEED) criteria, and consistently incorporated energy-saving, water-saving and environmental protection solutions into sustainable restaurant designs and construction. This resulted in greater resource efficiency, enhanced dining experience, and a healthier and more comfortable workplace environment. We are proud to share that all our newly built company-owned restaurants in 2019 meet Yum China Green Building Standards.

### ... In 2019

- 16 Pizza Hut restaurants in Shanghai named "Green Restaurant" by Shanghai Restaurants Cuisine Association, with 2 of them named as "Model Green Restaurant"

## • More Customer-centered

- Conduct market surveys to better understand customers' needs for a comfortable environment
- Emphasize the needs of local communities, and design dining tables and chairs in a way that appeals to targeted customers

## • More Comfortable

- Adopt the highest national fresh air volume standard for restaurants to keep the indoor air fresh
- Choose top branded DC variable frequency air conditioners
- Use certified LED lamps to create a comfortable lighting environment and protect the vision
- Fully consider ergonomics to ensure the comfort of employees and customers

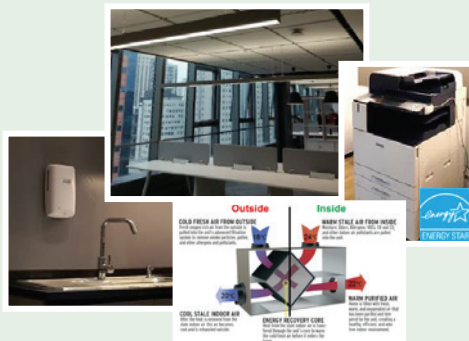
## • More Environmentally-friendly

- Adopt the life cycle principle for application of energy efficient equipment
- Explore the use of SPF boards, aluminum boards and other more environmentally friendly and recyclable decoration materials
- Use better sound-absorbing materials to reduce noise and create a better environment for both customers and restaurant staff

## LEED Gold Certified YumChina Building

YumChina Building, also known as Restaurant Support Center (RSC), is LEED Gold certified, embodying high sustainability standards from design to operation. In 2019, about 412 MWh of electricity and 5,000 tons of water saving were achieved in RSC.

Energy-saving measures in RSC: smart control of lighting and air conditioning systems, daylight sensor, BA-controlled lightening, and automatic light switch-off at the unoccupied office area and meeting room, and areas with sufficient illumination from external windows etc.



## Smart Control of Fresh Air




In 2019, Yum China introduced the VTA system into newly-built and remodeled restaurants, using programmable, sensors and controllers to automatically monitor HVAC equipment. The system monitors real time CO<sub>2</sub> intensity and automatically controls fresh air volume, thus reducing energy consumption and ensuring a comfortable environment. The system can also detect and report anomalies to ensure safe and efficient operation.

By the end of 2019, about 500 restaurants were included in pilot test of VTA, with 10 MWh per restaurant per year saving opportunities expected. In 2020, it is planned to roll out VTA to other brands and more restaurants in Yum China.



## PACKAGING AND WASTE STEWARDSHIP

Restaurant operations inevitably consume a large amount of single-use packaging, and produce different sorts of waste at back of house, generating environmental impact. Guided by our 4R Principles, we are committed to reducing packaging and waste from the source of use. Meanwhile we actively respond to the government call for classification of waste generated during restaurant operation, and engage our customers and other stakeholders to drive for plastic and waste reduction.

| 4R Principles  | Customer-Facing Packaging   | Food Waste (incl. cooking oil)  | Food Loss                                     |
|----------------|--|---|--|
| <b>Reduce</b>  | <ul style="list-style-type: none"> <li>Reduce packaging weight</li> <li>On-request-only provision of disposable cutlery, straws and cup lids</li> <li>Explore more opportunities of reducing disposable packaging</li> </ul> | <ul style="list-style-type: none"> <li>Advanced fryers</li> <li>Operational management</li> </ul>                 | <ul style="list-style-type: none"> <li>AI-powered production forecast</li> <li>Flexible configuration of small fryers</li> </ul> |
| <b>Reuse</b>   | <ul style="list-style-type: none"> <li>Reusable basket</li> <li>Reusable cutlery</li> <li>Reusable straps</li> </ul>   | -   | -  |
| <b>Recycle</b> | <ul style="list-style-type: none"> <li>Application of recyclable raw materials in the design and material selection for packaging</li> <li>Promote the use of recycled materials in non-food contact packaging</li> </ul>    | <ul style="list-style-type: none"> <li>Convert used cooking oil into biodiesel</li> </ul>                         | -  |
| <b>Replace</b> | <ul style="list-style-type: none"> <li>Monitor trends and development of new ecofriendly materials for replacement</li> </ul>  | -   | -  |

Yum China's Packaging and Waste Actions





# PACKAGING AND WASTE STEWARDSHIP

## Sustainable Packaging

The extensive use of disposable packaging is a common challenge in quick-service restaurant and food & beverage industries. We strictly follow relevant China regulations on the use of packaging. Guided by our 4R Principles, we drive innovation in the application of new packaging solutions, new materials and new technologies to reduce packaging usage. We improve our packaging design to achieve the same performance with less material by reducing packaging weight. We ensure the application of recyclable raw materials in the design and material selection for packaging. We explore every opportunity to utilize recycled materials for non-food contact paper packaging where applicable. We drive for reuse model such as the use of reusable serving basket to reduce single-use paper packaging, and raise customers' awareness to protect our environment for sustainable development.

### In 2019

- Saved over **8,000** tons of paper packaging and **1,000** tons of plastic packaging through packaging reduction initiatives
- Saved more than **2,000** tons of paper packaging and reduced approximately **20%** of restaurant waste through the use of reusable serving basket
- Used about **20** tons of recycled materials in non-food contact packaging



## Packaging Weight Reduction

Yum China endeavors to simplify and improve packaging through technology and weight reduction as part of its efforts for sustainable packaging. So far, through innovative packaging design, we have reduced the weight of 20 types of customer-facing, plastic-based packaging items. In 2019, the main reduction initiatives were paper bags for breakfast takeaway and the improved design of egg tart boxes.

## Reusable Serving Basket

The in-house developed reusable serving baskets have been rolled out in more than 6,000 KFC restaurants across China. The basket is designed to reduce single use paper packaging without comprising customers' dining experience. In 2019, we promoted the use of reusable serving basket for other brands in the Company's portfolio.

## Plastic Reduction Initiatives

We actively respond to and comply with relevant China regulations, review the policies governing non-degradable plastic straws, bags and cutlery for reduction. In nearly 400 KFC restaurants in Shenzhen, Zhuhai and Hainan, we took the lead to pilot the on-request-only provision of disposable cup lids and straws to reduce plastic use. We carefully monitor customer feedback and accordingly optimize the restaurant workflow, so as to lay the foundation for promoting the pilot project to all KFC restaurants.

Moreover, Yum China logistics centers introduced reusable straps for some cargos to reduce the plastic stretch films and avoid the generation of plastic waste.



On-request-only Provision of Disposable Straws and Cup Lids



Reusable Straps Applied in Logistics Centers to Reduce Plastic Stretch Films

## PACKAGING AND WASTE STEWARDSHIP

“

*The introduction of the reusable serving basket in more than 6,000 restaurants and the offline grassland revitalization project engages hundreds of millions of customers and aims to raise public awareness of the environmental protection with every dine-in or online order.*

**- Johnson Huang  
General Manager of KFC China**

*I notice the absence of straws, plastic cup lids and other plastics. I give KFC a thumbs up for going green and protecting the environment.*

**- Feedback from A KFC Restaurant Patron**

”



Scan to Explore  
Our Reusable Serving Basket



The Reusable Serving Basket

In April 2019, KFC announced a partnership with China Green Foundation for the restoration of more than one million square meters of grassland in Inner Mongolia. This project is also the first business-funded demonstration project for the sustainable grassland restoration.

In addition to donating money to the above Foundation, KFC has launched online and offline activities to engage customers in the initiative, and advocate green dining and green lifestyle.



KFC Restaurant in Shenzhen Mixc Promotes the Grandpa Kentucky Prairie Project



The Grandpa Kentucky Prairie





YUMC



FOOD



ENVIRONMENT



PEOPLE



COMMUNITY



APPENDIX

## PACKAGING AND WASTE STEWARDSHIP

### Minimizing Waste Impact

Deeply aware of the enormous environment benefits of restaurant waste management, Yum China complies with relevant laws and regulations and implements strict control to ensure that restaurant waste is delivered to qualified and certified disposers. We have formulated the waste management process, and implement the 4R Principles to reduce waste including food loss, used cooking oil and packaging waste.

### ... In 2019

- Saved over **1,700** tons of cooking oil through the use of innovative oil-saving equipment
- Saved about **50** tons of food loss through the use of small, flexible fryers
- Became the first ISCC-certified restaurant company in China to convert used cooking oil into biodiesel
- Amount of used cooking oil converted into biodiesel in Chengdu biodiesel project **666,465** kg, equivalent to reducing potential GHG emissions by about **1,400** tCO<sub>2</sub>e
- KFC and Pizza Hut restaurants in Shanghai converted all the **3,000** tons of used cooking oil collected throughout the year into biodiesel

### Waste Sorting

In 2016, we launched the waste sorting project at selected restaurants and installed classified waste bins to help turn kitchen waste into resources. In active response to the government call for waste sorting, we followed the waste sorting policies in 46 pilot cities and set up assorted waste bins accordingly.

#### Requirements of Regulations and Policies

##### Household Waste Sorting

We set up assorted waste bins in restaurants.

##### On-request-only Provision of Disposable Cutlery in Some Regions

We adopt on-request-only provision of disposable cutlery for both dine-in and takeaway.

Yum China's Response to the Waste Sorting Policies

KFC and Pizza Hut's combined digital membership grew by over one-third in 2019 to 240 million. More and more orders are placed online or via kiosks in the restaurants. So we actively use these channels to raise customers' awareness of environmental protection. Specifically, before the online payment is made, we provide an option for customers to decide the need of disposable cutlery, and only when the customer clicks the 'yes' option will it be delivered along with the meal.

In the meantime, we actively share our management practice on waste sorting. In November 2019, the officials in charge of waste sorting from Beijing Municipal Government and relevant industry associations visited one of our KFC restaurants. The restaurant general manager introduced the policy, procedures, training and assessment regarding waste sorting, and received high praises from the guests.



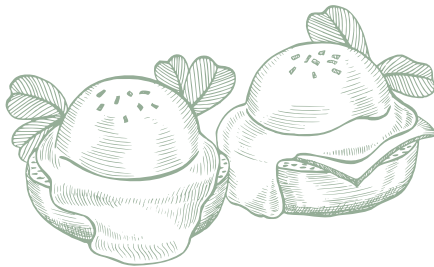
The Assorted Waste Bin in KFC Restaurants



## PACKAGING AND WASTE STEWARDSHIP

### Reducing Food Waste

According to the estimates by the United Nations Food and Agriculture Organization (FAO), around 1/3 of the world's food was lost or wasted every year. Reducing food loss and waste is one of the Sustainable Development Goals of the United Nations and is seen by the international community as an important strategic option to address food security and climate change. In 2019, Yum China introduced sophisticated kitchen equipment and AI technology for precise production forecasting, improved cold chain to reduce food loss, and strengthened the back of house (BOH) operation, effectively reduced the loss and waste of chicken products.

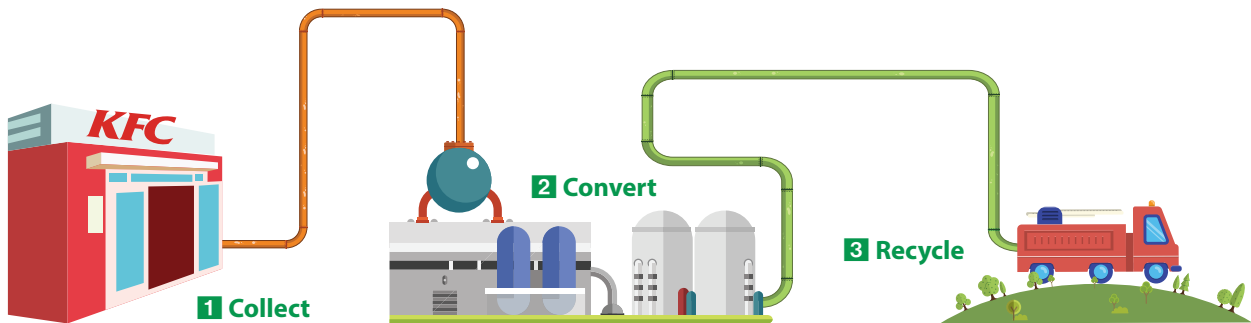


### Converting Used Cooking Oil into Biodiesel

Food preparation and cooking, as an important part of the restaurant operation, produces a lot of used cooking oil. On the premise of compliance, Yum China has been seeking ways to recycle used cooking oil. A feasibility study was started in 2018, and later we launched a small-scale pilot project in Chengdu to convert used cooking oil into biodiesel. As a result, all company-owned (nearly 100) KFC restaurants in Chengdu have established a comprehensive data recording and tracking system in accordance with the ISCC criteria. In February 2019, Yum! Restaurants (Chengdu) Co., Ltd. was certified as an ISCC point of origin, and our storage tank for used cooking oil was certified as an ISCC warehouse.

In addition, we actively track the biodiesel supply in the refined oil market, and explore ways to power our logistics fleets with biodiesel. This results in a complete closed loop, contributing to the circular economy and GHG emissions reduction.

In 2019, we embraced the *Interim Administrative Measures of Shanghai Municipality for the Promotion of Biodiesel Converted from Used Cooking Oil and Grease*, and delivered all used cooking oil produced by KFC and Pizza Hut to a government-designated third-party agency to convert into biodiesel. Our logistics center in Shanghai encouraged service suppliers to use, on a trial basis, biodiesel from CNPC (China National Petroleum Corporation) and Sinopec gas stations to fuel their fleets.





## A SUSTAINABLE SUPPLY CHAIN

As the value chain becomes increasingly globalized and complicated, it is a major challenge to strike a balance between cost-effectiveness and high quality, ecological and social standards and sustainable supply. We have been continuously making efforts to create a sustainable ecosystem. We embrace every opportunity to engage our suppliers to collectively drive environmental sustainability priorities and responsible business practices.

### Jointly Building A Responsible Supply Chain

Yum China has a large and geographically diverse network of suppliers, and social responsibility risks related to the supply chain will pose a serious threat to our business. Therefore, we began to promote supplier corporate social responsibility (CSR) management in 2017 and have established and improved the CSR management and audit requirements.

We require all of our suppliers to sign the *Yum China Supplier Code of Conduct (CoC)* before they become our suppliers to ensure our suppliers are legally compliant with all applicable laws and regulations. We also engage professional third-party auditing firms to conduct on-site CSR audits in areas

### In 2019

- Percentage of CSR audited critical suppliers **100%**

such as child / minor labor, forced labor, health and safety, discrimination, disciplinary measures, working hours, wages and benefits, environmental management and security.

We include CSR and Business Continuity Management (BCM), along with innovation, quality, safety, and cost optimization, as performance evaluation criteria in the Yum China Business Review for supply chain management.

### Supplier CSR Management



#### Audit

Third-party auditors assess suppliers' social and environmental performance. A-grading suppliers are deemed the best performing while C-grading suppliers are considered high risk.

#### In 2019

Nearly **400** suppliers were covered in Yum China's CSR audit. The coverage will be further expanded in the future.

#### Training

Training and capability building of CSR competence

#### In 2019

**13** CSR training sessions were organized for more than **200** suppliers.

#### Awareness Building

Promote the concept of CSR through suppliers' conferences, meetings and communications

#### In 2019

CSR was one of the agenda at Yum China's 2019 Supplier Partners Convention.

#### Management Requirements

All suppliers sign the *Yum China Supplier Code of Conduct (CoC)*.

#### In 2019

The Supplier CoC is updated to highlight ethical standards such as human rights, labor practice and environmental compliance.

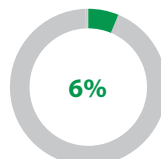
Yum China's Supplier CSR Management Measures



## A SUSTAINABLE SUPPLY CHAIN

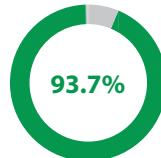


Key Areas of Yum China's Supplier CSR Audit



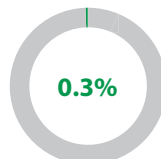
**CSR Ratings: A-grading**

Score  $\geq 90/100$  AND without any critical issue  
Valid for 24 months



**CSR Ratings: B-grading**

$80/100 \leq$  Score  $< 90/100$  AND without any critical issue  
Valid for 12 months



**CSR Ratings: C-grading**

Score  $< 80/100$  OR with any critical issue  
Immediate remediation and re-audit is required.  
If the supplier is still graded C in the follow-up audit, it is considered to be at high risk, and the partnership is to be carefully reviewed by Yum China.

2019 Supplier CSR Audit Results

### Business Continuity Management (BCM)

To enhance our suppliers' awareness and capabilities in risk management, we work with third-party agencies to conduct the onsite BCM audit, which identifies the risks faced by suppliers in terms of assets and operations and then recommends preventive measures. In addition, we encourage our suppliers to extend risk management and best practice to their upstream suppliers to enhance the sustainability of the entire supply chain.



### Partner with Suppliers to Promote A Sustainable Supply Chain

Sunner Group is the most important poultry supplier of Yum China. Since Yum China conducted the CSR audit in 2017, Sunner has put in place a CSR system as required, and extended the CSR requirements to its upstream suppliers. Sunner actively responds to the national *Renewable Energy Law* by building a sustainable industry. The Group transforms the traditional "resources-products-wastes discharge" linear model into a new feedback circular economy development model of "resources-products-wastes-renewable resources". Specifically, the surplus produced in the breeding, slaughtering and processing of broilers is utilized to generate new energy, aiming to realize the goal of zero emission, zero waste and zero pollution and unity of economic and ecological benefits.



Sunner's New Energy Facility



# A SUSTAINABLE SUPPLY CHAIN

## Sustainable Sourcing

Yum China has a large and geographically diverse network of suppliers that provide food, packaging, equipment and services. We strive to form solid, long-term partnership with suppliers, and work closely with them to build a more sustainable supply chain.

Since 2019, Yum China has gradually expanded the scope of sustainable sourcing. We identify key raw materials and environmental and social risks involved in sourcing activities, so as to formulate sustainable sourcing strategy, which helps reduce environmental impact and improve livelihood of growers and smallholders.



Palm oil is one of our key raw materials. Since 2017, we have been a member of Roundtable on Sustainable Palm Oil (RSPO). We only purchase RSPO-certified palm oil. We also care about the environmental impact of paper packaging in the sourcing process

and refuse to purchase paper products from any suppliers that knowingly cause deforestation. In addition to palm oil and paper, we continue to explore new opportunities of producing a positive environmental impact through responsible sourcing of raw materials and promote our sustainable sourcing initiatives.

### In 2019

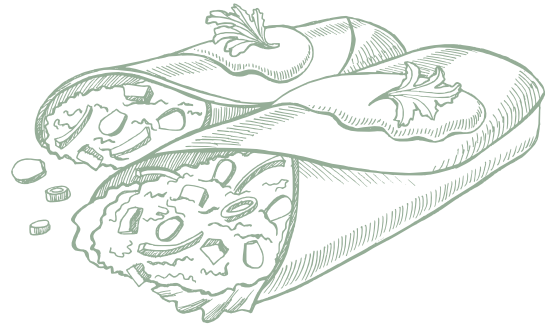
- Percentage of RSPO-certified palm oil **100%**
- Refuse to purchase paper products from suppliers that knowingly cause deforestation

## Localized Sourcing

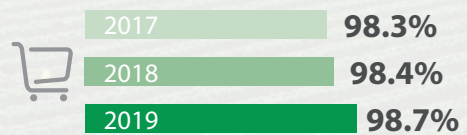
Localized sourcing not only helps supply chain risk mitigation for stability and efficiency, but also stimulates the development of local communities. Through open and honest communication and mutually beneficial cooperation, we continue to improve our ability to influence our overseas and domestic suppliers.

We encourage our overseas suppliers to move business to China and maintain quality consistency. At the same time, we actively seek for local sourcing opportunities for synergies, cost competitiveness, and rapid market response.

As of the end of 2019, our local suppliers were based in 21 provinces, 4 municipalities and 4 autonomous regions across China. About 8% of these suppliers were in West China, playing a positive role in boosting local economic development, employment and taxation.



### Local Suppliers as % of Total Suppliers







## PEOPLE

# DEVELOPING FUTURE-READY CULTURE AND WORKFORCE FOR DIGITAL ERA

The development of big data and AI technologies is reshaping traditional industries and accelerating global business reform. With 450,000 employees and over 9,200 restaurants, Yum China is committed to a working environment of "Fair, Care, Pride." To adapt to challenges from the digital era, the company inspires and cultivates every employee to build employability and pursue self-realization as part of its efforts to drive digital transformation.

*"In the digital age, every enterprise should be more agile, be able to develop talent-fostering strategies in line with the times, and fully tap into the innovation potential of both individuals and the organization. As we strive to be the world's most innovative pioneer in the restaurant industry, we need to develop innovative thinking and creative capacity in our employees, offer them a better work experience and development opportunities."*

-Joey Wat  
CEO of Yum China







# OVERVIEW

## Sustainability Background

- The 2019 Global Human Capital Trends, released by Deloitte, points out a global trend that digital, cross-sector integration, data-driven and information-driven factors dominate the reshaping of traditional jobs. Traditional job providers should create "super jobs" based on human-technology cooperation, so as to maximize the productivity and efficiency.
- According to the list of Top 100 Short-staffed Jobs in China in Q4 of 2019 released by the Ministry of Human and Social Affairs by collecting fixed-point monitoring data from urban public employment agencies, restaurant service jobs are ranked among the top three in talent crunch.
- Facing the manpower shortage in the industry, investors care about how the company formulates effective policies to tackle human resource challenges, and how the company becomes a preferred employer that attracts, retains and develops employees to enable the company's stable development.

## Contribution to the SDGs

### High Relevance



### Medium Relevance



## Key Material Issues Across the Value Chain

| Sustainable Supply Chain   |   |  | Sustainable Restaurants  | Sustainable Community  |
|--|---|--|--|--|
|  |   |  |  |  |
| <b>Upstream Suppliers</b> <ul style="list-style-type: none"> <li>• Labor Laws and Regulations</li> <li>• Occupational Health and Safety</li> </ul> | <b>Suppliers</b> <ul style="list-style-type: none"> <li>• Labor Laws and Regulations</li> <li>• Occupational Health and Safety</li> </ul> | <b>Logistics</b> <ul style="list-style-type: none"> <li>• Employee Rights and Welfare</li> <li>• Employee Training and Development</li> <li>• Diversity and Equal Opportunity</li> <li>• Labor Laws and Regulations</li> <li>• Occupational Health and Safety</li> </ul> | <b>Restaurants</b> <ul style="list-style-type: none"> <li>• Employee Rights and Welfare</li> <li>• Employee Training and Development</li> <li>• Diversity and Equal Opportunity</li> <li>• Labor Laws and Regulations</li> <li>• Occupational Health and Safety</li> </ul> | <b>Customers</b> <ul style="list-style-type: none"> <li>• Culture and Value</li> </ul> |



## Our Goal and Commitment

### Diversity and Equal Opportunity

- No less than 50% of our total workforce is female
- Women are employed, trained, promoted, and retained at a rate of no less than 50%

## OUR PATHWAY

### Our Management Approach

With 450,000 employees and over 9,200 restaurants, Yum China is committed to a working environment of "Fair, Care, Pride." To adapt to challenges from the digital era, the company inspires and cultivates every employee to build employability and pursue self-realization as part of its efforts to drive digital transformation.

**An Innovative, Visionary Culture** We uphold the Founder's Mentality and stride towards the vision of becoming "The World's Most Innovative Pioneer In The Restaurant Industry".

**Capability Building** To empower our employees' sustainability career development, we purposefully cultivate our employees' skills and capabilities required in the digital age, including learning agility, digital insights, crossover cooperation, agile iteration and bold vision.

**Improve Organizational Efficiency** We equip our employees with digital technologies and build an agile, innovative and high-performing organization.

| Materiality Topic                      | Our Direction   | Progress in 2019   |
|--|---|--|
| <b>Diversity and Equal Opportunity</b> | <p>Create a professional, inclusive and non-discriminatory working environment for 450,000 employees</p> <p>Understand, accept and encourage differences and provide equal opportunities for all</p>  | <ul style="list-style-type: none"> <li>Signed the United Nations WEPs</li> <li>Selected for 2019 Bloomberg Gender Equality Index (GEI) for two consecutive years</li> <li>Female share of total workforce 61.5%</li> <li>Female share of total management workforce 54%</li> <li>Had owned 25 "Angel Restaurants" in 24 cities with about 400 "Angel Employees" across China by the end of 2019</li> </ul>   |
| <b>Training and Development</b>        | <p>Create a cutting-edge training system to cultivate employees' abilities for the digital era and empower their sustainable career development in the fast-changing world</p>  | <ul style="list-style-type: none"> <li>Certified as a "Top Employer China" for two consecutive years by the Top Employer Institute</li> <li>The 2<sup>nd</sup> Leadership Development Program accelerated the growth of next-generation leaders' core abilities</li> <li>Offered continuing education opportunities for employees through YUMC College</li> <li>The total training exceeded 13 million hours, with the cost per capita of nearly 2,000 RMB<sup>*1</sup></li> </ul>   |
| <b>Occupational Health and Safety</b>  | <p>Committed to provide a safe and healthy working environment for employees by upholding "Safety Mania" mindset and complying with laws and regulations such as the Labor Law of the People's Republic of China and the Law on the Prevention and Control of Occupational Diseases</p>                                 | <ul style="list-style-type: none"> <li>Lost-Time Injury Frequency Rate (LTIFR) per million hours worked 1.08</li> <li>Monthly safety-themed posters to raise employee awareness of occupational health and safety risks</li> <li>100% of restaurant employees obtained the health certificate</li> <li>100% of restaurant management team and office employees covered by annual physical examination</li> </ul>   |
| <b>Employee Rights and Welfare</b>     | <p>Comply with the <i>Universal Declaration of Human Rights</i> and the international convention signed by the Chinese government and strictly abide by the national <i>Labor Law</i></p> <p>Respect and protect legitimate rights and interests of employees, provide them with competitive remuneration mechanism</p> | <ul style="list-style-type: none"> <li>RGM<sup>**2</sup> turnover rate has dropped to 8.2% after the implementation of the RGM "3-Year Plan"</li> <li>A flexible welfare system to provide considerate and diverse health benefits for employees</li> <li>90% of restaurant management team and office employees responded to the engagement survey and scored 73%, higher than the global and Chinese industry average</li> <li>100% of full-time employees were covered by social security insurances</li> <li>Strictly prohibited the use of child labor and protected minors' rights in Yum China and our suppliers</li> </ul> |

<sup>\*1</sup> The number of employees calculated as per Full Time Equivalents (FTE) <sup>\*\*2</sup> RGM: Restaurant General Manager



## "DIGITAL" CULTURE POWERING EFFICIENCY

In the digital age, it is important to build an agile, innovative and high-performing organization to succeed in the future. Yum China adapts its corporate culture, core competitiveness and technical know-how to embrace the digitalization trend. Through empowering our employees and building a culture rooted in Founder's Mentality, we inspire our employees to work together towards our common vision and achieve our sustained growth, for both individuals and the organization.

### ... In 2019

- The human capital return on investment **149.86%** \*
- Conducted employee engagement surveys through Aon Hewitt, in which **90%** of the restaurant management teams and office employees participated, with an average score of **73%**, significantly higher than the global and Chinese industry average

### Reshaping the Organization's Ability to Innovate

Yum China continues to provide a fertile environment for innovation, facilitating and fostering innovative thinking and actions. All Yum China employees, poised to excel in their respective field, will form the most productive team that is capable of offering industry-leading products, services and assets, and helps Yum China to become the most innovative pioneer in the restaurant industry.

### Vision: The World's Most Innovative Pioneer In The Restaurant Industry

#### Building Strength in Innovation



##### Soil for Innovation

Foster sustainable, scalable and disruptive innovations



##### Mindset for Innovation

Continuously upgrade knowledge structures, have the courage to experiment and make innovation part of daily work



##### Actions for Innovation

Think boldly and creatively, and verify the feasibility of new ideas carefully. Make small, fast moves, learn by doing, and reach the conclusions promptly

#### Building Pioneers in the Restaurant Industry



##### Industry-leading Products, Services and Assets

Integrate the latest technology into the retail scene, continuously deliver a disruptive innovation experience for customers, and promote consumption upgrading



##### Most Productive Employees and Teams

Uphold the Founder's Mentality, maintain a sense of mission, crisis and hunger for excellence and grow to be pioneers in the restaurant industry along with the company



##### Expand boundaries and Aim at the Top

Strategically aim to be the best, be bold to experiment and invest in digitalization, big data and delivery



\* According to DJSI, human capital return on investment = (total revenue - <total operating expenses - total employee-related expenses>) / total employee-related expenses





## "DIGITAL" CULTURE POWERING EFFICIENCY

### Nourishing An Engaged Workforce

The most valuable asset of Yum China is the 450,000 employees. The company is committed to building a highly dedicated workforce that is engaged to "Say, Stay and Strive". Such a high-performing team is crucial to the rapid development of business and increasing returns on human capital.

In 2019, Yum China partnered Aon Hewitt to conduct an employee engagement survey responded by 90% of restaurant management teams and office employees. It turned out that our staff is significantly more engaged than our industry peers in average. The respondents spoke highly of the company's leadership development, effective cooperation, diversity and inclusiveness, empowerment, learning and development, customer orientation and performance management.

Yum China advocates the principle of "the more you know, the more you care". In addition to the engagement survey, we have established and maintained various online and offline channels and platforms, including the Restaurant General Manager Forum, WeChat Corporate Account, intranet, and Magic Box APP, to ensure timely and effective communication between management and employees. Yum China has also opened a hotline with a dedicated team to address employees' concerns and provide timely and comprehensive support for employees.



### Empowering Frontline Workforce by Digitalization

In the digital age, companies should empower, not micromanage, their employees, so as to unite them to jointly respond to market uncertainties. Yum China is committed to fully empowering employees and inspiring their creativity through digital technology, as a way to enhance the effectiveness of frontline services. Digitalization is one of the company's core capabilities.

We are using technology to enable our operations to be nimble and flexible, and that, coupled with our in-house and integrated supply chain, enabled us to launch new products and promotions at national, regional or even store level with increasing speed and efficiency.



We have utilized AI-based technology to implement store-based hourly sales forecasting, which supports labor scheduling and inventory management. We also started to roll out smart watches, enabling RGMs to closely monitor the ordering and serving status in our restaurants.

"RGM No.1" is at the heart of our corporate culture. We believe restaurant general managers (RGMs) hold the most important positions in the company, and play an indispensable role in driving business growth and improving customer satisfaction. Empowered by digital technology, RGMs can be released from repetitive or routine administrative tasks and focus more on restaurant management and operations, staff training and customer service. Frontline employees can also devote more efforts to providing value-added customer services, which will further improve restaurant efficiency.





## "DIGITAL" TALENT BUILDING EMPLOYABILITY

The digital wave is making traditional employee training and incentive schemes dated. As a certified "Top Employer China", Yum China has calibrated its training system towards the digitalization trend, and equipping employees with competencies necessary in the digital era, to empower their sustainable career development in the fast-changing world.

### ... In 2019

- The number of total training hours exceeded **13** million, with training hour per capita of approximately **60** hours (FTE)
- The total training investment: RMB **430** million, with investment per capita of nearly RMB **2,000** (FTE)
- Promotion rate of restaurant management employees **44%** and office employees **15%**



With the development of digitalization and artificial intelligence, the ability to innovate will be a must for every employee. Yum China has always encouraged its 450,000 employees to continuously innovate, enhance their employability by keeping up with the times, and do what they can to be better prepared for the workplace challenges and opportunities to be brought on by technology in the future.

- Aiken Yuen  
Chief People Officer of Yum China



### Core Competencies in the Digital Age

#### Bold Vision

Uphold the Founder's Mentality, courageously challenge traditions, and redefine industry norms

#### Learning Agility

In facing the changing environment, willing to learn, unlearn and relearn

#### Digital Insights

Stay up to date with external trends, capture insights through data analysis, and discover customers' unmet needs

#### Crossover Cooperation

Willing to break boundaries, promote exchanges with partners, and contribute to the establishment of the company's ecosystems

#### Agile Iteration

Strive for disruptive innovations through agile iteration



### Yum China Certified As "Top Employer China" for Two Consecutive Years

Yum China won the title of "Top Employer China" in December 2019, the second year in a row that the company has received the global certification. The certification covers more than 100 areas and up to 600 specific human resource practices covering ten major dimensions including talent strategy, workforce planning, talent acquisition, on boarding, learning and development, performance management, leadership development, career and succession management, compensation and benefits, and culture. The certification recognizes leading employers in more than 115 countries around the world that are dedicated to providing exceptional working environments through progressive people-first human resource practices.



Since I joined in 2016, Yum China has provided me with diversified learning platforms at every stage. With its comprehensive training system, I have grown so much in the past two years. I have also learned that opportunities are reserved for those who are prepared. It is essential to accumulate, review, and summarize what has been learned at every stage of my career. Only by doing my best will I grow together with Yum China, and I'm ready for it!

- Wang Yuqi, A KFC Restaurant General Manager





# "DIGITAL" TALENT BUILDING EMPLOYABILITY

## Developing Digital Leadership

The fast-growing business world calls for new approaches to leadership. In 2019, Yum China launched the Second Leadership Development Program, attended by market managers and function heads. The six-month program incorporated six core competencies critical for the present and the future. It helped the next generation leaders accelerate their growth and explore the company's direction and strategy for the future.



### Learning Model of Yum China's Leadership Development Program



#### Objectives

- Develop core competencies and digital leadership
- Foster learning agility and strategic thinking needed for scalable development
- Live the Founder's Mentality Culture

#### Key Courses

- Integrity
- Strategic Thinking
- Learning Agility
- Digital Leadership
- Founder's Mentality
- Organization Empowerment

#### Training Methods

- In-class Learning at CEIBS Business School
- Project Experience
- Learning by Doing
- Company Visits
- Mentoring and Feedback
- Executive Roundtable







## "DIGITAL" TALENT BUILDING EMPLOYABILITY

### A Structured Training System Fostering Industry Pioneers

Yum China recruits over 10,000 employees every year to inject new blood into the organization. The company has continuously nurtured top talents in the industry through the innovative training system. Each employee has a clear career path and plan for development at different career stages, as the company adopts promotion-from-within policy for operation posts and offers more than 13 million training hours per year.

#### *Executives*

The executive training program cultivates ability to understand the macro economy and organizational leadership, thus enabling executives to formulate strategies to drive the sustainable development of the company.

#### *Middle Management*

The Mini-MBA program strengthens and fosters middle management's innovation ability and leadership, and makes them better people manager.



#### *Frontline Supervisors Individual Contributors*

The mentoring program provides personal productivity and leadership training for high performing employees and frontline managers to help them successfully transition to management positions.

#### *Job Skill Training Brand Operation Training*

The DMD development program provides job skills training for brands and functional employees to help grow their core capabilities.

#### *Restaurant Management Team*

Through the KFC Business School and Pizza Hut Management Institute, a new restaurant management trainee can progress to a managerial position in as short as 22 months. These accelerated development programs help lay a solid foundation for their future success in the restaurant industry.

## "DIGITAL" TALENT BUILDING EMPLOYABILITY

“

*This is my ninth year with Yum China since I interned as a student. During this time, I have grown and learnt a lot in Yum China. I feel the culture of 'Fair, Care, Pride' in this big family. I am really grateful to the company for providing professional management training tailored to the potential of each employee. Thanks to this, I have grown from a college freshman to a general manager. In the days to come, I will remain true to my original aspirations and keep growing.*

- Wu Chengmin

A Pizza Hut Restaurant General Manager

”

Scan to Explore  
KFC Business School



Scan to Explore  
Pizza Hut Management School



**肯德基商学院**  
BUSINESS SCHOOL

重新定义行业人才标准  
培育打破传统的行业领袖先锋

**3大成熟的人才计划**

- 肯德基菁英预科班**  
针对学生, 领先一步  
规划职场
- 餐饮先锋发展计划**  
22个月快速成长为餐厅经理
- 零售经营领袖计划**  
全方位打造商业头脑  
成为餐饮零售行业精英

**3组资源配置**

- 课程研发团队
- 课程讲师团队
- 外部专家团队

**1个学习生态**  
K-Learning Ecosystem

肯德基商学院 **筑梦计划**

### The Internal Coach Mechanism

To ensure newly promoted RGMs' successful transit to the new role and quick progress, Yum China trains Area Managers to be coaches to help new leaders grow. The internal coach mechanism is an important part of our talent development process, our culture, and also one of our recipes to success.

Every year, we give the Golden Whistle - Best Coach Award, to recognize Area Managers who have outstanding performance in sales, customer satisfaction, and employee retention.



Golden Whistle Award

### Yum China

#### Logistics' Management Trainee Program

To meet the future development needs, Yum China Logistics has grown a group of excellent functional supervisors and logistics managers. In 2019, Yum China recruited 16 high-potential logistics management trainees, and provided them with tailored training programs to boost their growth.





## "DIGITAL" TALENT BUILDING EMPLOYABILITY

### Sharing Experiences and Know-how to Develop Industry Talents

Yum China has spared no effort to share its own experience and know-how, including training systems and materials, with industry partners. In addition, Yum China cooperates with universities to offer internship opportunities for students and develop curriculum materials for business schools. The work has created a more favorable environment for Yum China to train capable individuals, and also contributed to the future talent cultivation of the industry.

### Improving Employability through Continuous Education

In 2019, Yum China accelerated the implementation of the "YUMC College" project, and introduced a new university-business cooperation model that combines academic education with vocational skills training. The project provides employees with opportunities of continuous education to obtain a nationally recognized college or bachelor's degree, which ultimately improves their employability. By the end of 2019, the Yum China had rolled out the project in Guangzhou, Fuzhou, Tianjin, Shenzhen and Changsha. In the future, Yum China will further promote quality education, improve the partnership with universities, to not only help employees to become the leaders the company and the industry need, but also facilitate the sustained growth of both individuals and the organization as a whole.

#### Partnership with Universities

Yum China has long cooperated with Chinese universities to develop curriculum materials, offer internship programs and organize career talks and trainings. Pizza Hut has formed a partnership with seven universities in Zhejiang, and co-launched the Dream Fulfilling Forum with 15 universities in Shandong to discuss the career development topics with college students.



What attracts me the most in the "YUMC College" project is the credit exchange, which is impossible in other educational institutions. Yum China and universities have tailored specialized courses for us, so that we can better combine theory with practice and truly gain theoretical knowledge and practical ability. In addition, the "no-tuition-burden" policy is also a big benefit. The project addresses our most basic needs, and enables us to obtain personal growth with little financial burden.

- Liu Xuefeng

A KFC Employee of Yum China (Guangdong) Co., Ltd.







## DIVERSIFIED PLATFORM ENABLING SELF-REALIZATION

A diverse workforce is what we rely on to maintain rapid development in a digital age, to keep our innovative edge, and to realize our business value and vision. At Yum China, we have been committed to creating a professional, inclusive and non-discriminatory working environment for 450,000 employees, where differences are understood, appreciated and encouraged, and equal opportunities are provided for all. Every employee, without regard to race, religion, color, age, gender, disability, military or veteran status, sexual orientation, gender identity, citizenship and national origin, can realize their personal value on the diversified platform of Yum China.

### ... In 2019

- Female share of total workforce **61.5%**
- Female share of total management workforce **54%**
- Percentage of women in employees hired and trained **55.9%**
- Percentage of women in employees promoted **62.3%**
- Percentage of women in employee turnover **55.4%**
- The mean overall gender pay gap less than **3%**

### Empowering Women and Building a Platform for Fair Employment

Gender equality is an important manifestation of diversity and inclusiveness. At Yum China, we are committed to eliminating gender inequality, elevating women's positions in the workplace, and providing support for female employees in workplace and daily life. At the workplace, we provide fair recruitment, training and promotion opportunities for female employees, and enhance their professional competitiveness. Outside of work, we care for their health and well-being, provide benefits for pregnant employees and nursing mothers in accordance with the law, help them adapt to changes in life smoothly, and create a more favorable working environment for them.

In 2019, Yum China signed the United Nations Women's Empowerment Principles (WEPs), and was selected for two consecutive years for the Bloomberg Gender-Equality Index along with 230 companies worldwide and two other companies in China. They are recognition of Yum China's long-term efforts towards transparent gender disclosure and gender equality.



*We are very proud to see Yum China selected by the Bloomberg Gender-Equality Index for two consecutive years. We are one of the very few Chinese companies to achieve this honor. The "People First" philosophy here embodies our long-standing belief that employees are our most precious asset. We are committed to creating a fair working environment for them and will work tirelessly to facilitate equal opportunity across the whole company, giving all employees the opportunity to pursue success regardless of gender.*

**- Joey Wat  
CEO of Yum China**



*I fell in love with music but had to give up my dream of becoming a singer because of my studies. With Yum China, I have the unlimited power to pursue my dream and make continual progress.*

**- Chen Xiaoya  
Champion of Legend Idol and  
Assistant Manager of Pizza Hut Restaurant in Haikou**



### Inspiring Employees to Pursue Extraordinary Dreams

At Yum China, everyone is encouraged to explore their dreams. We firmly believe that there is not only one correct choice for the ideal work and lifestyle, so we embrace the diversified dreams of employees and provide platforms for them to pursue their extraordinary dreams. In 2019, we held Yum China Legend Idol, trying to find the "Voice of Yum China". After rounds of competition, ten finalists came on stage at the RGM Convention to showcase their musical talent, to an audience of 10,000. On the big stage of Yum China, we hope employees can fulfill their dreams.



Chen Wuyang, A Finalist Performing on the Stage



## DIVERSIFIED PLATFORM ENABLING SELF-REALIZATION

### Supporting Employees with Disabilities

Yum China strives to create a barrier-free and friendly workplace for people with disabilities, boost their confidence and offer them a fair opportunity to realize their personal value. The company promises to offer over 1.5% of full-time jobs to people with disabilities. In 2019, Yum China employed around 2,000 people with disabilities.

In 2012, KFC launched the "Angel Restaurant" project to provide equal employment opportunities for the youth with disabilities from across the country. By the end of 2019, it had hired about 400 "Angel Employees" who confidently stood behind the counter, performed their daily work skillfully and showed no difference from other employees. 25 "Angel Restaurants" have been opened in 24 Chinese cities, each of which are equipped with re-configured facilities to facilitate the daily work of "Angel Employees" and adapt customized management model to provide better development opportunities for "Angel Employees", and help them integrate into the team and society.



### By the end of 2019

- Yum China had owned 25 "Angel Restaurants" in 24 cities with about 400 "Angel Employees" across China.

### Government-recognized Designations of "Angel Restaurant"

- Jinan Disability Employment Base
- Xiamen Special Education Schools Training Base
- Shaanxi Employee Demonstration Base for People with Disabilities
- Taiyuan Employment Demonstration Base for Youth with Disabilities
- Harbin Disabled Person's Federation's Advanced Organization for Aiding People with Disabilities
- Taiyuan Employment Service Demonstration Base for Youth with Disabilities



To facilitate our work, the restaurant has installed flashing lights to give prompts and provided writing tablets so that customers can write down their needs. Our general manager not only teaches us skills but also offers mental support. I like it here. I feel happy, fair, relaxed, and warm here.

- Feng Hao

An "Angel Employee" in the Erqi Wanda KFC "Angel Restaurant" in Zhengzhou, Henan Province



### Spread Love and Positive Energy

A KFC "Angel" volunteer group was launched in March 2019. It consists mostly of "Angel Employees" and is the first of its kind in Hunan Province. The volunteer group visited Changsha Special Education School on May 15 (the National Disability Aid Day), and shared their personal stories to inspire students with special needs to strive for their own dreams.

"Angel Restaurant" General Management Yang Shi brought with him a bunch of photos to show to the students. The photos capture "Angel Employees" racing in a not-for-profit marathon, hugging orphans, and teaching sign language to migrant workers' children on the International Children's Day. "Moreover, we contribute to the One Yuan Donation program every year and help raise funds for children in remote, mountainous areas. We hope to spread the love and positive energy from our 'Angels' to more people," "Angel Employee" Zhou Yanting told us in sign language.



## HEALTHCARE AND WELFARE ENHANCING ENGAGEMENT

The hard work and ingenuity of employees are the foundation for corporate development. Yum China strictly abides by the Labor Law of the People's Republic of China, and other related laws and regulations, respects and protects the legitimate rights and interests of employees. Yum China continuously invests in creating a healthy and caring working atmosphere and optimizing the compensation and benefits mechanism to share our innovation development results with our employees and boost engagement.

### "Safety Mania" to Protect Employee Health

Yum China adheres to the "Safety Mania" concept, and abides by laws and regulations on safety and health such as the Labor Law and Law on Prevention and Control of Occupational Diseases to provide employees with a safe and healthy working environment. The company anticipates occupational health and safety risks in the supply chain and formulates health and safety management systems. Yum China also strengthens compliance management, risk control, inspection and supervision in daily operations to improve employees' safety awareness and ability and effectively protect them against safety risks.

In addition, a variety of internal and external factors, such as fast-paced work and life and other emergencies, could cause psychological stress detrimental to employees' health. Yum China has launched the "Employee Assistance Program" to

### ... In 2019

- Lost-Time Injury Frequency Rate (LTIFR) per million hours worked **1.08**
- **100%** of restaurant employees had health certificates
- **100%** of restaurant management team and office employees covered by annual physical examination

provide professional counseling and lectures to protect their physical and mental health.

The company regularly inspects and upgrades employees' protective equipment, carries out workplace safety reviews, and trains all employees on the correct equipment operation procedures and safety precautions. Through risk identification and analysis, it is concluded that there is no major occupational health and safety risk at the workplace.

| Target Group                        | Safety Management Measures   |
|-------------------------------------|--|
| Restaurant Employees                | <ul style="list-style-type: none"> <li>• Carry out workplace safety checks to identify occupational health and safety risks, e.g. slip, fall, and severe weather</li> <li>• Establish work specification for using oven and fryer and handling hot stuff and cargo etc.</li> </ul>   |
| Logistics Centers Employees         | <ul style="list-style-type: none"> <li>• Set up full-time management personnel and develop a variety of tools to improve safety management capabilities</li> <li>• Strengthen work safety training, and summarize and share work safety learning to foster employees' self-awareness</li> <li>• Introduce the operation safety and CCTV surveillance system to strengthen safety behavior oversight</li> </ul>                       |
| Riders                              | <ul style="list-style-type: none"> <li>• Wear helmets, do pre-departure inspection on vehicles, and obey traffic rules to prevent injury</li> </ul>  |
| Construction & Facility Contractors | <ul style="list-style-type: none"> <li>• Provide formal safety training to construction &amp; facility personnel</li> <li>• Establish safety specifications to control risks at work, e.g. use of temporary electrical power, flammable material storage, construction and working at height</li> <li>• Submit accident / incident / near-miss investigation reports, and summarize experience for management improvement</li> </ul> |

Safety and Health Management Measures of Yum China

### Safety Mania

Yum China cares about the health and safety of each of our 450,000 employees. The company leverages monthly health and safety posters to display occupational risks in different settings and teach employees the correct ways of handling. Yum China also takes precautions and training sessions on personal safety, commuting safety, safety under severe weather, delivery safety, fire safety and food safety etc. to build employees' awareness and improve their capacity for emergency response.

"Safety Mania" Posters of Yum China





# HEALTHCARE AND WELFARE ENHANCING ENGAGEMENT

## Employee Compensation and Benefits

Yum China is committed to providing every employee with fair and competitive remuneration and benefits, recognizing and rewarding their hard work and outstanding performance, and providing them with opportunities for rapid development. The Company has launched equity incentive schemes such as CEO Grant Award, Performance Stock Unit, and RGM Restricted Stock Unit to share the success of the company with employees. The Company also provides various benefits for employees and their families to alleviate their burden.



### 1 "3-Year Plan" for RGMs

RGMs hold the most important leadership positions, and play an indispensable role in promoting business growth and improving customer satisfaction. Therefore, Yum China has spared no efforts to invest in and train RGMs. We have provided RGMs with a competitive "Three-Year Plan", including restricted stock unit, Family Care Program, and housing subsidies, to enhance their wellbeing and sense of belonging. After the plan was implemented, the turnover rate of RGMs has decreased significantly year on year.



*In 2018, Yum China launched the Family Care Program for RGMs, which is very popular with them and their families. Thereafter, we have been considering upgrading the program to provide health protection for more employees and families. Our RMT Family Care Fund shows our sincerity and commitment to employee care.*

*-Joey Wat  
CEO of Yum China*

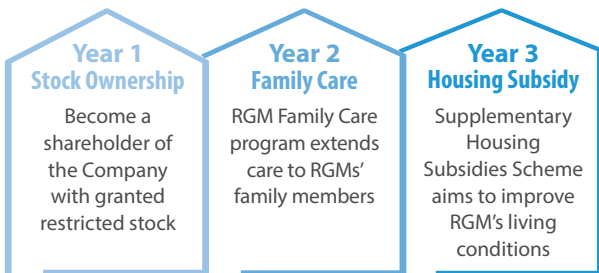


### 2 Family Care Fund for Restaurant Management Team

Yum China will launch the "Restaurant Management Team (RMT) Family Care Fund" starting July 2020. The program is designed to provide additional health protection for family members of RMT employees, on top of the existing commercial insurance. RMT employees can participate on a voluntary basis with only a small yearly contribution to the fund. They are then entitled to additional coverage for critical illness for their parents as well as additional accident coverage for their children and spouse. The bulk of the remaining cost will be borne by the company. The new scheme will cover an estimated 86,000 parents, spouses and children of more than 31,000 RMT employees.

### 3 Flexible Benefit

We provide flexibility for employees to make their own choices. In 2019, Yum China introduced "Baifuhui", a flexible benefits system, which provides employees with a four-in-one benefits system, covering family insurance, family medical examination, employee activities and credits for e-commerce platform. Employees can tailor-make their benefits programs.



Yum China's "3-Year Plan" for RGMs

| Number of Participants                    | 2017   | 2018             | 2019             |
|---|--------|------------------|------------------|
| RGM RSU*                                  | 5,800+ | 7,000+           | 8,200+           |
| Family Care Program (RGM / Family Member) | -      | 5,000+ / 16,000+ | 5,700+ / 18,000+ |
| RGM Housing Subsidies                     | 2,500+ | 2,900+           | 3,300+           |
| Turnover rate of RGMs                     | 11%    | 11.6%            | 8.2%             |

\*RSU: Restricted Stock Unit



The Flexible Benefit Platform Launched in 2019 Enables Employees to Choose Benefits on Their Own



# HEALTHCARE AND WELFARE ENHANCING ENGAGEMENT

## "People First" Philosophy Safeguarding Employees

Yum China strictly abides by all applicable laws and regulations. Based on the "People First" philosophy, the Company has formulated the Code of Conduct in respect and protection of employees' legitimate rights and interests. The CoC serves as the foundation for the Company's behaviors, businesses and operations. The annual mandatory compliance training keeps all the employees updated with the latest version. The whistle-blowing mechanism is set up for employees to report any compliance concerns with their identity protected.



### Yum China's Mechanisms and Measures to Protect Employees' Rights

#### Protect Employees' Human Rights

- ✓ Abide by the laws and regulations of the countries and regions Yum China operates in, and formulate the *Code of Conduct*
- ✓ Sign formal labor contracts with all full-time employees
- ✓ Enforce equal pay for equal work, and prohibit forced labor
- ✓ Establish fair talent development mechanism, and prohibit discrimination on the basis of race, religion, color, age, gender, disability, military or veteran status, sexual orientation, gender identity, citizenship and national origin

#### Protect Employees' Welfare and Development

- ✓ Based on annual market research, provide competitive salary and welfare in the industry, and provide pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, etc.
- ✓ Conduct quarterly performance assessments, talents review and set up individual development goals, providing fair development platforms
- ✓ Set up special housing welfare policies, provide housing subsidies for employees, and improve their living conditions
- ✓ Implement a flexible working policy, allowing employees to adjust work hours according to their own situations
- ✓ Develop employee stock incentive mechanism and provide additional family health protection, including Family Care Program, for RGMs and RMTs
- ✓ Provide employees with paid annual leave, marriage leave, maternity leave (at least 98 days for female employees), paternity leave (at least 7 days for male employees), breastfeeding leave, family visitation leave and funeral leave

#### Protect Equal Communications

- ✓ Set up platforms such as "YUMC Corporate WeChat" and "Magic Box" to ensure efficient and transparent communication within the organization, and protect employees' rights to know
- ✓ Set up the website ([www.yumchina.com/compliance](http://www.yumchina.com/compliance)) and hotline for employees to report any illegal or unethical behavior at work. Yum China's asset protection department and human resources department will conduct special investigations to protect employees' rights and interests
- ✓ Regularly conduct employee engagement surveys to understand employees' expectations and concerns
- ✓ Independent unions were established at all Yum China companies with the support of the All-China Federation of Trade Unions in 2010. All full-time employees are encouraged to join the unions, comply with the union regulations, carry out resolutions and actively participate in union activities.
- ✓ Continue to improve the employee representative system to safeguard the legitimate rights and interests of employees

#### Prohibit Child Labor and Protect Rights of Minors

- ✓ Conduct age and health due diligence checks prior to employment, and strictly prohibit the use of child labor and protect the rights of minors at Yum China and our suppliers







## COMMUNITY

# CREATING FAR-REACHING AND POSITIVE SOCIAL IMPACT

Since entering China in 1987, we have been recognizing the value of the community and supporting its development. We are committed to being a good neighbor and integrated into the community development of shared interests with our portfolio brands, foods and employees.





# OVERVIEW

## Sustainability Background

- In 2020, China is set to declare a decisive victory in its fight to eliminate absolute poverty. However, relative poverty remains a major challenge that requires a long-term commitment to poverty alleviation and development.
- In July 2019, the State Council issued the *Opinions on Implementing Healthy China Initiative*, established the Healthy China Promotion Committee, and issued the *Healthy China Initiative Organization, Implementation and Assessment Plan and the Healthy China Action Plan (2019-2030)* which includes residents' health literacy and physical exercise as important indicators.
- In 2017, the report to the 19<sup>th</sup> CPC National Congress proposed to build a social governance model based on collaboration, participation and common interests, strengthen the community governance system, and see that the government's governance efforts on the one hand, and the society's self-regulation and residents' self-governance on the other, reinforce each other. Enterprises are one of the important players of community governance, and participating in urban community governance can contribute to community development and improve the social influence of enterprises.
- After the establishment of World Reading Day in 1995, China followed the international call to advocate reading. The latest national reading survey by the China Academy of Press and Publication shows that China's national reading rate continues to edge up, reflecting the people's growing reading demand.

## Contribution to the SDGs

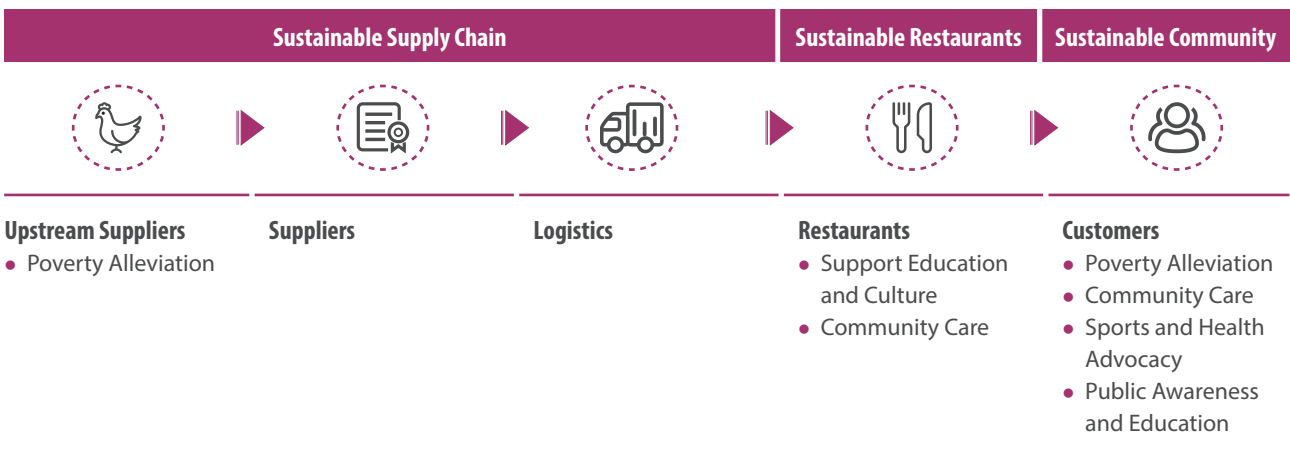
### High Relevance



### Medium Relevance



## Key Material Issues Across the Value Chain



## Our Goal and Commitment

### Community Care

Our employees volunteer no less than 1.5 million hours per year



# OUR PATHWAY

## Our Management Approach

Leveraging our resources and scale, we address the needs of poverty-stricken areas and special groups as well as the communities in which we operate; we continuously give back to the society through innovation and long-term investment, and advocate public welfare by and for everyone to generate positive social impact.

**Target Setting** We set targets according to employees' voluntary service hours and continuously track them.

**Way of Working** We mobilize restaurant employees and suppliers to volunteer in community projects and engage suppliers and community residents.

**Key Projects** Poverty alleviation, education and culture, community care, and sports and health advocacy projects.

| Materiality Topic                     | Our Direction  | Progress in 2019   |
|---------------------------------------|--|--|
| <b>Poverty Alleviation</b>            | Improve the development of poverty-stricken areas and the nutrition of poverty-stricken children                               | <ul style="list-style-type: none"> <li>In 2019, the One Yuan Donation program raised over 18 million yuan from about 180 suppliers and over 8.2 million online and offline customers. It donated 4.59 million nutritious meals and modern kitchens to 105 schools</li> <li>The Grow Local Initiative purchased more than 435 tons of high-quality products from poverty-stricken areas in 2019</li> </ul>  |
| <b>Care for Special Groups</b>        | Address the educational needs of special groups and communities  | <ul style="list-style-type: none"> <li>As of the end of 2019, the KFC Little Migratory Birds Fund had donated reading corners to more than 1,600 communities and schools where left-behind and migratory children live, benefitting about 1.5 million people</li> <li>As of the end of 2019, Yum China had donated over 110 million yuan to the KFC First Light Fund, helping over 14,000 college students in 68 universities in 30 cities</li> </ul>  |
| <b>Community Care</b>                 | Become a good neighbor in the community, care for every community resident and promote harmonious community relations          | <ul style="list-style-type: none"> <li>KFC's School After 4:30pm program organized 370 activities for 7,319 participants in 21 cities in 2019</li> <li>As of the end of 2019, Pizza Hut's Public Reading program had been expanded to 68 restaurants in 16 cities</li> <li>More than 10,000 charity meals were delivered to medical and other frontline workers in 2019</li> <li>As of the end of 2019, KFC had distributed over 65 million books to customers and hosted more than 650,000 storytelling sessions</li> </ul> |
| <b>Healthy Lifestyles Advocacy</b>    | Promote the eating-exercise balance concept, and encourage customers to accept and adopt a balanced diet and healthy lifestyle | <ul style="list-style-type: none"> <li>The KFC 3x3 Basketball Championship launched in 54 cities, attracting more than 200,000 players in 2019</li> <li>In 2019, KFC supported 21 marathons, with more than 2,100 runners joining K-Run teams, and over 12,000 families participating in family runs</li> </ul>  |
| <b>Public Awareness and Education</b> | Promote Chinese traditional culture and spread positive impact   | <ul style="list-style-type: none"> <li>Continued to set up culture theme restaurants</li> <li>Yum China donated 10 million yuan to the China Internet Development Foundation's "Internet Positive Energy" special fund to promote a positive and healthy internet culture</li> </ul>   |





## SUPPORTING TARGETED POVERTY ALLEVIATION IN INNOVATIVE WAYS

Eliminating poverty in all its forms remains one of the major challenges facing mankind and poverty alleviation is a top priority for the Chinese government. Yum China has leveraged its advantages in resources and channels to improve the nutrition and industrial development in poverty-stricken areas. This includes improving the nutrition of children in underprivileged areas and supporting local industry development that helps communities eliminate poverty.

### 1 “One Yuan Donation” Plus Digital Technology for Poverty Alleviation by Improving Nutrition

Following the *National Nutrition Plan (2017-2030)* issued by the State Council, nutritional improvement in poverty-stricken areas has been designated as a major action item.

In 2008, Yum China and China Foundation for Poverty Alleviation (CFPA) jointly launched the One Yuan Donation program. Yum China has called for everyone online and offline to create a friendly and caring community platform, making donations for the healthy growth of the children in impoverished regions. The program has received support from multiple stakeholders including employees, customers and suppliers. In 2019, we launched the V Gold Donation Campaign online, and encouraged over 200 million members of KFC and Pizza Hut to donate their reward points (V Gold) for charity.



#### ••• In 2019

- Raised over **18** million yuan from about **180** suppliers and over **8.2** million customers online and offline
- Donated Modern Kitchen to **105** schools, and **4.59** million nutritious meals to students

#### ••• From inception to the end of 2019

- Had raised over **210** million yuan, of which Yum China and employees donated more than **49** million yuan, and suppliers donated about **1.9** million yuan
- Had provided a total of **46.49** million nutritious meals for students, modern kitchen equipment to **1,078** schools, and benefited **686,000** students
- Had covered **13** provinces and autonomous regions, including Sichuan, Yunnan, Guizhou, Hubei, Guangxi, Hunan, Fujian, Hebei, Xinjiang, Heilongjiang, Gansu, Ningxia, and Shaanxi



Children Enjoy Nutritious Meals.



Representatives of the Company's Management Visit Students Benefiting from the One Yuan Donation Program in Gansu.



Joey Wat, CEO of Yum China, Introduces the One Yuan Donation Program to Customers.



V Gold Donation



2019 marked the 12<sup>th</sup> year of One Yuan Donation program. In the past 12 years, Yum China and CFPA have raised more than 210 million yuan in donations. With continuous breakthroughs and innovations, the One Yuan Donation program has added the brightest charity touch to each summer. We will continue to work with Yum China to carry out this program, and make it a poverty alleviation brand with even wider influence and stronger credibility.

- Wang Xingzui, Executive Vice President of CFPA

Over the past 12 years, we have been continuously exploring opportunities to innovate. We have mobilized the whole society to contribute in innovative ways, from offline and online donation to V Gold Donation.

-Joey Wat, CEO of Yum China



## SUPPORTING TARGETED POVERTY ALLEVIATION IN INNOVATIVE WAYS

### • The Upgraded Modern Kitchen

In 2019, the One Yuan Donation program donated modern kitchen equipment, and upgraded kitchen operations, making it easier to run and prevent food safety incidents.



### • “One Yuan Donation” T-Shirt Design Campaign

In 2019, Yum China initiated a T-shirt design campaign for the One Yuan Donation program across China. This campaign gave full play to creative talents to integrate “love” and “fashion” into T-shirt design and was very popular on social media.



### • The Upgraded “One Yuan Man”

In 2019, the One Yuan Donation program upgraded the image of “One Yuan Man” and designed cartoon stickers of it, to relate to participants, and pay tribute to the traditional Chinese culture advocating “goodness” and “hero”.



Scan to Explore  
“One Yuan Donation” Visit to Gansu

## Story

### “One Yuan Donation” Charity Lunch

In April 2019, Yum China held a charity lunch for the first time at the Supply Chain Partners Convention, sharing the progress of the One Yuan Donation program in the last 12 years and how the program has benefited children. Supplier partners were invited to join this charity-minded team.

“

Aware that a single company’s power is limited, we would like more like-minded peers to join us and business partners to go beyond business and extend into charity.

- Joey Wat  
CEO of Yum China

”



Joey Wat, CEO of Yum China, Handed Over the Suppliers’ Donation to Wang Xingzui, Executive Vice President of CFPA.





# SUPPORTING TARGETED POVERTY ALLEVIATION IN INNOVATIVE WAYS

## 2 Grow Local Initiative - Teaching People to Fish and Empowering the Local Economy

Boosting the development of local industry is one of the most effective ways to fight poverty. Believing that "teaching a man to fish is better than giving him a fish", Yum China launched the Grow Local Initiative in 2018. The Initiative leverages Yum China's advantages in supply chain and food innovation "from farm to fork" to increase farmers' income and visibility of quality products from the supported areas. In addition, Yum China cooperates with local governments to bring more advanced technologies and concepts and provide technical support for local industrial development and poverty alleviation.

In 2019, Yum China purchased dragon fruits from Zhenfeng, Guizhou and pears from Dangshan, Anhui, developed products made of them, and thus drove the development of local industry. In the future, we will provide training sessions for local farmers, promote scientific planting, and increase the yield.



We believe it is more important to empower poor areas than simple financial assistance. We combine 'targeted poverty alleviation' with 'food development' by developing high-quality materials from aided areas into products to help the local realize sustainable development. We also raise the popularity of high quality products in poor areas through our 9,200 offline restaurants and more than 200 million online members. We promote local economic development by 'teaching them how to fish'.

- Alice Wang  
Chief Public Affairs Officer of Yum China



### Empower the Endogenous Development of Local Areas





## LEVERAGING EDUCATION AND CULTURE TO STRENGTHEN SOCIAL COHESION

Educational equity and innovation are the key to foster the backbone of society. Yum China focuses on supporting teenagers' healthy growth and creating educational equity for children and youth. The Company leverages its core values of sustainable development to contribute to the inheritance and development of traditional and national culture, and enhance cultural confidence by constantly enriching cultural content and innovating in forms of communication. Yum China presents diverse cultures in restaurants, enabling customers to experience different cultures while enjoying food.

### Promoting Equal Education

Yum China cares about the educational needs of poor students, and mobilizes its resources to help alleviate poverty, with a focus on education development.

#### 1 Exploring Educational Poverty Alleviation by Distance Learning

It is the aspiration of every child and the whole society to access fair and high quality education. Yum China cooperates with external experts to spread the latest knowledge and skills among children, for example via launching a coding program. In 2019, in partnership with Leap Learner, we launched "Online Coding Education" in remote and poor areas covered by the One Yuan Donation program to help children master basic IT knowledge by promoting courses, training local teachers and donating software and hardware needed. In the future, Yum China will continue the targeted education support, involve more in IT education and contribute to the national poverty alleviation through education.

#### 2 Caring for Students from Underprivileged Families

Yum China has always been committed to "serving the youth, helping them grow up, and opening up more possibilities for them", and has long been actively participating in the Hope Project. We established the KFC First Light Fund in 2002 to help students from underprivileged family background to complete college education and realize their potential.

The program created an integrated model for "receiving help - helping yourself - helping others". Apart from providing scholarships, the program also provides part-time opportunities for students with outstanding academic performance so that they could earn money to cover their daily expenses.

Then First Light Commune was established, providing First Light scholars a platform to serve the society. Every year, First Light Commune in more than 30 Chinese universities plans and implements social service projects, encouraging students to give back to the society and help others.

### Story

#### Yum China Brings Cutting-Edge Knowledge to Children

Xiazhongtan Primary School is located in Huining County, a nationally designated poor county in Gansu Province, and a beneficiary school of the One Yuan Donation program. Learning about its lack of computers for teaching, Yum China donated a batch of computers to the school in August 2019, equipped classrooms with modern audiovisual equipment, and co-launched the online coding course from September with Leap Learner. This course combines programming with mathematics, English, art, science and other disciplines through lively activities.



Yum China Donated the First Audiovisual Classroom

#### ... In 2019

- Provided assistance to **1,612** university students
- Provided assistance to **11** social service projects launched by First Light Commune
- Yum China KFC was awarded "Outstanding Contributor for 30 Years of Hope Project", and **5** First Light scholars awarded "Hope Star of 30 Years of Hope Project".

#### ... From inception to the end of 2019

- Had donated over **110** million yuan. Had financially supported over **14,000** impoverished college students from **68** universities in **30** cities.



First Light Scholars



# LEVERAGING EDUCATION AND CULTURE TO STRENGTHEN SOCIAL COHESION

## 3 Caring For Left-Behind and Migrant Children

In China, the education of left-behind and migrant children has always been a focus of social attention. Yum China is committed to caring for left-behind and migrant children. In 2016, Yum China set up the KFC Little Migratory Birds Fund, donated book corners, held story-telling sessions and organized themed activities for migrant children. In 2019, Yum China piloted a program to help "Little Migratory Birds" in various ways such as psychological counseling, family education, psychological group training and safety education. Activities took place in Jilin, Liaoning, Tianjin and Zhejiang provinces.

### In 2019

- Attracted more than **1,900** volunteers with nearly **10,000** hours of volunteer service
- Donated approximately **150,000** books

### From inception to the end of 2019

- Had donated book corners to more than **1,800** communities and schools where left-behind and migrant children gathered
- Had benefited about **2 million** "Little Migratory Birds".
- Had donated a total of about **370,000** children's books to book corners nationwide, with more to come
- Had held over **300** story-telling sessions for "Little Migratory Birds" and related activities in KFC restaurants in more than **100** cities
- KFC "Story Tellers" and volunteers had told stories and accompanied "Little Migratory Birds" for nearly **40,000** hours.

### Story

#### Audio Reading for Children

KFC co-launched the "Audio Reading for Children" project with Guangzhou Children's Library and Guangzhou Museum, providing "Little Migratory Birds" access to audio reading and knowledge.



### Story

#### Helping Left-Behind and Migrant Children to Realize Their Dreams on Stage

"Little Migratory Birds" are the children left behind by their parents, and tend to be timid and sensitive due to early assumption of family burden. In order to help them grow in a healthy and happy manner, Yum China through pop art encourages them to express themselves and articulate their feelings.

In 2019, the China Children and Teenagers' Fund and KFC Little Migratory Birds Fund co-hosted the 2019 Happy Summer Study Camp to raise children's power of expression and confidence through forms of artistic expression. For this purpose, professional performers from Mahua FunAge, a well-known Chinese stage performance brand, were invited to coach 15 "Little Migratory Birds" on stage performance. At the end of the Camp, 50 left-behind and migrant children from 11 provinces and cities staged a performance for their parents and teachers to exhibit what they had learnt confidently and bravely.



This activity is a concrete measure that implements the requirement of All-China Women's Federation in caring for left-behind children in summer vacation. It is also a special gift carefully prepared by China Children and Teenagers' Fund and the three-year-old KFC Little Migratory Birds Fund for children. The Camp accommodates traditional culture and the characteristics of the times, and enables children to broaden their horizons, increase their knowledge and improve their mental outlook.

- Zhu Xisheng,

Secretary General of China Children and Teenagers' Fund



A Fulfilling and Rewarding Summer Camp for Children



# LEVERAGING EDUCATION AND CULTURE TO STRENGTHEN SOCIAL COHESION

## Promoting Reading In Communities

Yum China, a good neighbor of the community, based on its stores nationwide and unique products, has built online reading platforms and offline reading spaces, encouraged reading through multiple channels, and provided reading and exchange space for families in the community.

### From inception to the end of 2019

- KFC Kid's Book Club had distributed more than **65 million** books for children with Kid's Meals, and had held over **650,000** story-telling sessions.
- Pizza Hut Public Reading Program had been expanded to **68** restaurants in **16** cities, with more than **50,000** books in collection.

## 1 KFC Kid's Book Club

Reading is an important means to help children increase their experience and knowledge about the world. KFC, one of children's favorite brands, encourages children to read while serving delicious food. We launched the KFC Kid's Book Club in 2016, distributing selected children's books along with Kid's Meals. In 2017, we released the Reading List for little bookworms and the *Guidance for Children's Reading* by the Kid's Book Club to help improve children's reading quality. In 2019, we expanded the yearly children's reading list (including 131 children's books), to cultivate children's scientific thinking. In addition, KFC regularly organizes free story-telling sessions in restaurants nationwide. Meanwhile, KFC records a batch of high-quality audio books and promotes parent-child reading online.

## 2 Pizza Hut Public Reading Program

In 2018, Yum China launched the Pizza Hut Public Reading Program nationwide. Pizza Hut set up a public reading platform through its restaurants nationwide. Through online and offline activities, as well as multi-channel crossovers, people can enjoy reading while having nice meals with friends. By the end of 2019, the Public Reading Program had been expanded to 16 cities to benefit more people.



Pizza Hut Public Reading Theme Restaurants with Various Styles

## Story



A Chengdu Customer Scans the QR Code to Listen to Radio Books in Pizza Hut's Public Reading Theme Restaurant.



Chengdu Pizza Hut's Public Reading Theme Restaurant

## Night Reading in Chengdu

Pizza Hut and Chengdu High-tech District Library jointly launched the "High-tech District Library - Pizza Hut Public Reading Space", the first public reading project in Sichuan Province. The project aims to promote nationwide reading, and provide convenient access to public library services. Pizza Hut designated a reading space for allowing customers to enjoy food and reading at the same time. As Pizza Hut has long business hours, the project contributed to 2019 Fun in Chengdu at Autumn Nights.





# LEVERAGING EDUCATION AND CULTURE TO STRENGTHEN SOCIAL COHESION

## Paying Tribute to Traditional Culture

Yum China has developed in China for more than 30 years, and has been an innovative pioneer of cultural integration. With a global mind and a Chinese heart, we take facilitating the inheritance of Chinese traditional culture as our own duty. We exert our restaurants and market resources to explore the integration between traditional culture and modern life.

### 1 Paying Tribute to Chinese Classics

KFC and the National Museum of China have been in partnership to launch a series of activities entitled "National Treasure Shining China" and "China on Fingertips" since 2018. National Treasures are "brought to life" by modern technology. KFC decorated its restaurants to embody such themes as history, culture and traditional arts across the country, to engage customers and young people. KFC has specially designed three New Year buckets featuring intangible cultural heritage, namely "Splendid Scenery Painting Bucket" (Jin Xiu Shan Shui Miao Jin), "Happiness and Fortunes Familie-Rose Bucket" (Wan Fu Ru Yi Fen Cai) and "Fortune and Joy Familie-Rose Bucket" (Fu Qing You Yu Fen Cai). The bucket designs pass on the best wishes for the New Year embodied in the Chinese traditional culture.



KFC Popularizes the National Treasures Through Bucket Designs Featuring Intangible Cultural Heritage.

### 2 Inheriting Classical Culture

To bring traditional Chinese culture closer to more Chinese families and the younger generation, since 2016, KFC has partnered with Shanghai Animation Film Studio Co. Ltd. to promote Chinese cartoon. In 2019, KFC supported the production of the documentary *Guardians of Chinese Cartoon* which documents how *The Legend of Sealed Book* was restored, and the endurance of staff in Shanghai Animation Film Studio on the cultural heritage of Chinese cartoon. The documentary helps the audience understand the essence of Chinese cartoon, and calls for the protection of Chinese cartoon and traditional Chinese culture and crafts.



#### Story

#### Imperial Afternoon Tea

In 2019, Pizza Hut and Regards from the Emperor - the Palace Museum Food jointly launched "Imperial Afternoon Tea", which incorporated Chinese royal snacks into Western afternoon tea. During the promotion period, Pizza Hut provided exclusive "imperial" services to customers ordering the "Imperial Afternoon Tea", bringing Chinese palace culture and festival customs to its Western-style casual restaurants.



#### Story

#### The Legend of Sealed Book

KFC released limited-edition toys based on *The Legend of Sealed Book*. The toys add lively and lovely elements to the opera facial makeup, which fully integrates traditional aesthetics with trendy fashion, and effectively spreads classic traditional Chinese culture in a way that appeals to the young generation.



## LEVERAGING EDUCATION AND CULTURE TO STRENGTHEN SOCIAL COHESION

### 3 Integrating into the Local Culture

In cooperation with local museums, Yum China has launched theme restaurants to enhance community influence and services, and spread Chinese culture. In addition, KFC and Pizza Hut continue to seek ways to integrate traditional culture, and launch more theme restaurants featuring more diverse and distinct cultures by drawing inspiration from local and national cultures, to contribute to building cultural confidence.

"Bronze Drum and Cute Beast" (Tong Gu Meng Shou) Coffee, A Creative Coffee Product that Features the Bronze Drum, A Signature Cultural Element of Guangxi



In Partnership with the Anthropology Museum of Guangxi, KFC Launched A Theme Restaurant Dedicated to Guangxi's Ethnic Culture.



### Story

#### "Silk Road Ruyi" Theme Restaurant

The Gansu Provincial Museum is a must-visit place for tourists and citizens in Lanzhou where KFC launched the "Silk Road Ruyi" theme restaurant in partnership with the Museum to tell stories of culture through delicious food.

By displaying replicas of museum collections and exquisite posters of cultural relics, the KFC Silk Road Ruyi restaurant employs online and offline means to showcase Gansu's Silk Road culture.

“KFC is a leading brand in the restaurant industry. By working with KFC, we 'move' the Silk Road culture to its restaurants, which plays a positive role in popularizing Silk Road culture and enables the public to understand Gansu province better.

- Jia Jianwei  
Director of Gansu Provincial Museum



KFC Built A Mini-Museum by Displaying Replica and Posters of Cultural Relics.



## BEING A GOOD NEIGHBOR IN THE COMMUNITY BY ADDRESSING ITS NEEDS

Yum China always insists on giving back to the society, and always remembers its original commitment to be a good neighbor in the community. We are committed to caring for and improving people's lives, and building harmonious communities with sincerity and actions in line with the specific conditions of the communities.

Yum China opens restaurants and offers a wide range of services in a large number of communities of various types. Its restaurants act as a carrier of emotional bonds rooted in China's national situation and culture to promote the physical and mental health of community residents and safeguard their safety and family harmony. In 2019, more efforts were made to further the KFC VCare School After 4:30pm program for community children and the KFC Morning Dream program through which customers can make donations to sanitary and grassroots workers when purchasing a meal.

### 1 "School After 4:30pm"

Yum China has extended KFC VCare School After 4:30pm program to primary school students with two working parents, those from poor families, and those whose parents are migrant workers. We provide them spaces for public activity after school in restaurants and community service centers so that they don't need to return to an empty home. This program promotes the physical and mental development of children, and helps build harmonious and friendly communities.

#### In 2019

- Organized 370 "School After 4:30pm" activities in 21 cities with 7,319 participants

#### Story

##### "Wandering Earth" in "School After 4:30pm"

The scientific and technological elements in *Wandering Earth* showed in 2019 triggers young people's profound interests in future science and technology. Zhengzhou KFC kept pace with the times, and opened the only two restaurants themed on *Wandering Earth* in China. The theme restaurants spread science and technology knowledge in School After 4:30pm program.

In 2019, Zhengzhou KFC gathered students of Maker Team from Zhengzhou No.8 Middle School and some "Little Migratory Birds" to the theme restaurants and invited experts to explain the AI technology used in the movie, and discussed the development, challenges and future of AI. The movie's director Frant Gwo recorded an inspiring video message for the students.



A Sci-Fi Experience in Wandering Earth Theme Restaurants

#### Story

##### Children Chanting Poems

There is a long tradition of chanting poems and essays in China. It was included in the Working Plan for the 13<sup>th</sup> Five-Year Plan Period by the Ministry of Education and the State Language Commission in 2016. In 2019, KFC and Du Fu Thatched Cottage Museum jointly carried out "Children Chanting Poems in Thatched Cottage", a traditional chanting activity in KFC Tianfu Jinxiu theme restaurant, as the debut of School After 4:30pm program in Chengdu to accommodate students who have nowhere else to go after their school closes at 4:30pm. Since then, many primary and secondary school students have visited there after school, to learn and understand more about the excellent traditional Chinese culture.



A Traditional Chanting Activity in KFC Tianfu Jinxiu Theme Restaurant



## BEING A GOOD NEIGHBOR IN THE COMMUNITY BY ADDRESSING ITS NEEDS

### 2 Morning Dream Program

In terms of social services, Yum China extends more care to city guardians, including ordinary workers in special posts. The KFC Morning Dream program in Zhengzhou has encouraged customers to buy complimentary breakfast for sanitary workers for five consecutive years. In other cities, the Company has been dedicated to sending meals to workers in summer and winter, or in holidays. The Company provides delicious food to help everyone in the community to kick off their day of serving the city.



Morning Dream Program in Zhengzhou



Free Meals for Frontline Workers

### 3 Providing Jobs for Women

In 2017, KFC piloted the Mom Restaurants for "Little Migratory Birds" in Chongqing and Changsha of Hunan province, to give preference to hiring mothers of "Little Migratory Birds" who used to work away from home and had to leave children behind. Up to now, the program has been launched in more than 260 KFC restaurants, including those in Henan province, offering job opportunities for mothers who choose to come back to stay with their children.

#### Story

#### "Mom Restaurants for Little Migratory Birds"

On May 27, 2019, KFC officially opened the first KFC "Mom Restaurant for Little Migratory Birds" in Zhengzhou, Henan Province. The restaurant prioritizes jobs for mothers of "Little Migratory Birds" who used to work away from home and had to leave children behind. The restaurant has recruited many such female migrant workers, so that they could spend more time with children.



Launches "Mom Restaurants for Little Migratory Birds", and Calls for Parent-Child Reunion

“

The Mom Restaurants for Little Migratory Birds program is a practical measure that provides female migrant workers the opportunity to work nearby their children so that they could better balance their work and family life. I hope the project will be extended to more provinces and cities in the future to bring more migrant parents home to 'little migratory birds'.

- Xu Xiaoguang  
Director of the International Department of  
China Children and Teenagers' Fund

”



## BEING A GOOD NEIGHBOR IN THE COMMUNITY BY ADDRESSING ITS NEEDS

### 4 Employees' Participation in Community Activities

Yum China encourages employees to explore their potential and leverage their expertise through CSR activities. It has organized various long-term public welfare projects for employees to volunteer, encouraging them to promote sustainable social development together with the Company.

### 5 Online Charity

Being close to customers and young people online and offline, Yum China employs digital technology to promote positive energy on the Internet through "integrated innovation", and trigger customers' enthusiasm for public welfare. During the 2019 World Internet Conference, Yum China signed a donation agreement with the China Internet Development Foundation, and donated 10 million yuan to the latter's "Internet Public Welfare" special fund. We also work actively in integrating charity resources, developing and pledging for a positive impact on the Internet, and to produce more far-reaching benefits for more people.

#### Story

#### Yum China Innovation Center Presents Unique Courses to Blind Children

When God closes a door, he will open a window for you. Blind children cannot explore the world through their eyes, but they are sensitive to smell, curious and eager to learn. To meet their curiosity, on March 23, 2019, Yum China Innovation Center and its partners invited the children from Shanghai Blind Children's School and their parents to visit the Center. We taught children how to make delicious food such as hamburgers and pizzas, and enjoyed pleasure brought by delicious food and knowledge.



With the Strong Support of Yum China CEO Joey Wat, Yum China's Innovation Center Organized Its First Public Welfare Activity for Blind Children.



A Beautiful Kitchen Specially Designed for Blind Children. The Colorful Balloons and Paper Decorations and the Modern Interior Design Are Visible to Children with Poor Vision.

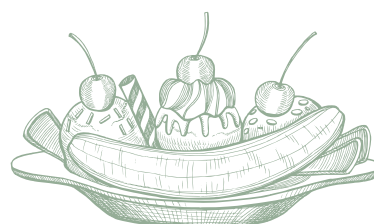


Joey Wat, CEO of Yum China, delivered a keynote speech on the theme of "Innovation to Promote the Development of Online Charity and Promote Public Welfare on the Internet" at Online Charity Forum during the 6th World Internet Conference.



*Yum China will take advantage of digitalization, combine the times and the needs of young people, and promote the positive energy of the network in the form of 'integration and innovation'. The Company will contribute more to a shared cyberspace community.*

**- Joey Wat  
CEO of Yum China**







## ADVOCATING HEALTHY LIFESTYLES AND SPORTSMANSHIP

Yum China actively responds to the national strategy of *Healthy China*, and takes it as a duty to advocate "a balanced, nutritious diet, and eating-exercise balance" lifestyles. We take the initiative to organize sports competitions, help more young people realize their dreams, live a healthy lifestyle and develop pro-health habits from an early age. We also actively support various sports events, such as City Marathon, Tennis Masters, to expand influence from restaurants to the community, encourage community residents to do exercises and keep fit, and spread the sportsmanship.

In 2019, supported by the China School Sports Federation and Chinese Basketball Association, the KFC 3x3 Basketball Championship was upgraded by merging the KFC 3x3 Basketball Championship with the Chinese School 3x3 Basketball League.

### ... In 2019

- KFC 3x3 Basketball Championship attracted the participation of more than **200,000** players in **54** cities.
- KFC supported **21** marathons, with over **2,100** runners joining K-Run teams. More than **12,000** families participated in family runs.



KFC 3x3 Basketball Championship



KFC K-Run Teams in Marathons Nationwide

### Story

#### Pizza Hut Children's Charity Football Match Forges Sportsmanship and Charity

In 2018, Pizza Hut and Wuhan Football League jointly launched a children's charity football match. The purpose is to strengthen the foundation of cultivating young footballers, encourage children to enjoy football, and forge their sportsmanship. In 2019, a sharing salon featuring "water resources protection" was held at the break of the football match to enhance children's awareness of water protection. The combination of sports and charity highlighted the influence and charity of the match.



### Story

#### KFC's Little Navigators

OP sailing is the only juvenile sailing program in China. It not only develops children's hands-on ability, but also increases their knowledge, and allows them to enjoy the fun of sports. Since 2017, KFC has held four consecutive editions of the Youth Sailing Camp and trained nearly 300 participants for free.

In 2019, KFC launched the third and fourth editions of Sailing Camp to advocate "eating-exercise balance" to more people through water sports. KFC taught students aged 8 to 10 with no sailing skills in 12 basic sailing lessons via the KFC School After 4:30pm program. Nearly half of the students reached Level 1 of OP sailing.









APPENDIX





## KEY PERFORMANCE INDICATORS

| Indicators   | Unit                   | 2018       | 2019              |
|--|------------------------|------------|-------------------|
| <b>FOOD</b>  |                        |            |                   |
| Restaurant Food Safety and Quality Audits (i.e. Operational Excellence Checks) <sup>*1</sup> | times                  | 16,800+    | <b>17,000+</b>    |
| Product Checks on Main Menu Items  | times                  | 4,000+     | <b>3,400+</b>     |
| Food Safety and Quality Audits on Suppliers  | times                  | 490+       | <b>590+</b>       |
| <b>ENVIRONMENT</b>   |                        |            |                   |
| Total Electricity Consumption  | MWh                    | 2,814,731  | <b>2,870,997</b>  |
| Energy Indirect (Scope 2) GHG Emissions  | tCO <sub>2</sub> e     | 1,925,391  | <b>1,956,072</b>  |
| Total Water Consumption  | tons                   | 26,395,764 | <b>27,602,012</b> |
| Average Restaurant Electricity Consumption   | MWh                    | 358        | <b>342</b>        |
| Average Restaurant Energy Indirect (Scope 2) GHG Emissions                                   | tCO <sub>2</sub> e     | 245        | <b>233</b>        |
| Average Restaurant Water Consumption   | tons                   | 3,362      | <b>3,284</b>      |
| Amount of Paper and Plastic Packaging Reduction  | tons                   | 9,000      | <b>9,000+</b>     |
| Percentage of RSPO-certified Palm Oil  | %                      | 100%       | <b>100%</b>       |
| Percentage of CSR Audited Critical Suppliers   | %                      | 100%       | <b>100%</b>       |
| Local Suppliers as % of Total Suppliers  | %                      | 98.4%      | <b>98.7%</b>      |
| <b>PEOPLE</b>  |                        |            |                   |
| Female Share of Total Workforce  | %                      | 61.2%      | <b>61.5%</b>      |
| Female Share of Total Management <sup>*2</sup> Workforce                                     | %                      | 59%        | <b>54%</b>        |
| Turnover Rate of RGMs  | %                      | 11.6%      | <b>8.2%</b>       |
| Training Investment per Capita   | RMB                    | 2,043      | <b>~2,000</b>     |
| Training Hour per Capita   | hours                  | 59         | <b>60</b>         |
| Lost-Time Injury Frequency Rate (LTIFR) for Employees  | n/million hours worked | 0.99       | <b>1.08</b>       |
| <b>COMMUNITY</b>   |                        |            |                   |
| Employees Volunteer Time   | hours                  | 1,500,000+ | <b>1,500,000+</b> |

<sup>\*1</sup> The restaurant must complete the food safety and quality audit within 3 months since opening.

<sup>\*2</sup> Director and above





# GRI CONTENT INDEX

This Report has been prepared in accordance with the GRI Standards: Core option.

| General Disclosures                      | Introduction   | Chapter  | Page       | Note |
|--|--|--|------------|------|
| <b>GRI 102: GENERAL DISCLOSURES 2016</b> |  |  |            |      |
| <b>ORGANIZATIONAL PROFILE</b>            |  |  |            |      |
| 102-1                                    | Name of the Organization                                     | Overview   | P9         |      |
| 102-2                                    | Activities, Brands, Products, and Services                   | Overview   | P9         |      |
| 102-3                                    | Location of Headquarters                                     | Overview   | P9         |      |
| 102-4                                    | Location of Operations                                       | Overview   | P9         |      |
| 102-5                                    | Ownership and Legal Form                                     | Overview   | P9         |      |
| 102-6                                    | Markets Served   | Overview   | P9         |      |
| 102-7                                    | Scale of the Organization                                    | Overview   | P9         |      |
| 102-8                                    | Information on Employees, and Other Workers                  | Overview   | P9         |      |
| 102-9                                    | Supply Chain   | Building An Intelligent Supply Chain<br>A Sustainable Supply Chain | P36<br>P58 |      |
| 102-10                                   | Significant Changes to the Organization and Its Supply Chain | Overview   | P9         |      |
| 102-11                                   | Precautionary Principle or Approach                          | Corporate Governance   | P14        |      |
| 102-12                                   | External Initiatives   | Strategy and Governance  | P17        |      |
| 102-13                                   | Membership of Associations                                   | Joining Stakeholders to Build A Healthy China                      | P40        |      |
| <b>STRATEGY</b>                          |  |  |            |      |
| 102-14                                   | Statement from Senior Decision-Maker                         | Remarks by Yum China CEO   | P4         |      |
| <b>ETHICS AND INTEGRITY</b>              |  |  |            |      |
| 102-16                                   | Values, Principles, Standards, and Norms of Behavior         | Corporate Governance   | P14        |      |
| <b>GOVERNANCE</b>                        |  |  |            |      |
| 102-18                                   | Governance Structure   | Corporate Governance   | P14        |      |
| <b>STAKEHOLDER ENGAGEMENT</b>            |  |  |            |      |
| 102-40                                   | List of Stakeholder Groups                                   | Stakeholder Engagement   | P19        |      |
| 102-41                                   | Collective Bargaining Agreements                             | Healthcare and Welfare<br>Enhancing Engagement                     | P75        |      |



## GRI CONTENT INDEX

| General Disclosures  | Introduction   | Chapter                                | Page      | Note   |
|--|--|--|-----------|--|
| 102-42   | Identifying and Selecting Stakeholders                     | Stakeholder Engagement                 | P19       |  |
| 102-43   | Approach to Stakeholder Engagement                         | Stakeholder Engagement                 | P19       |  |
| 102-44   | Key Topics and Concerns Raised                             | Stakeholder Engagement                 | P19       |  |
| <b>REPORTING PRACTICE</b>  |  |  |           |  |
| 102-45   | Entities Included in the Consolidated Financial Statements | About this Report                      | P6        |  |
| 102-46   | Defining Report Content and Topic Boundaries               | Materiality Assessment                 | P20       |  |
| 102-47   | List of Material Topics                                    | Materiality Assessment                 | P21       |  |
| 102-48   | Restatements of Information                                | -                                      |           | No material restatements of information provided in previous reports |
| 102-49   | Changes in Reporting                                       | About this Report                      | P6        |  |
| 102-50   | Reporting Period   | About this Report                      | P6        |  |
| 102-51   | Date of Most Recent Report                                 | About this Report                      | P6        |  |
| 102-52   | Reporting Cycle  | About this Report                      | P6        |  |
| 102-53   | Contact Point for Questions Regarding the Report           | About this Report                      | P6        |  |
| 102-54   | Claims of Reporting in accordance with the GRI Standards   | About this Report<br>GRI Content Index | P6<br>P95 |  |
| 102-55   | GRI Content Index  | GRI Content Index                      | P95       |  |
| 102-56   | External Assurance   | Assurance Report                       | P101      |  |
| <b>ECONOMIC</b>  |  |  |           |  |
| <b>GRI 204: PROCUREMENT PRACTICES 2016 / GRI 103: MANAGEMENT APPROACH 2016</b> |  |  |           |  |
| 103-1  | Explanation of the Material Topic and its Boundary         | Environment                            | P47       |  |
|  |  | A Sustainable Supply Chain             | P58       |  |
| 103-2  | The Management Approach and Its Components                 | Environment                            | P47       |  |
|  |  | A Sustainable Supply Chain             | P58       |  |
| 103-3  | Evaluation of the Management Approach                      | Strategy and Governance                | P17       |  |
| 204-1  | Proportion of Spending on Local Suppliers                  | A Sustainable Supply Chain             | P60       |  |
| <b>GRI 205: ANTI-CORRUPTION 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>       |  |  |           |  |
| 103-1  | Explanation of the Material Topic and its Boundary         | People                                 | P63       |  |
|  |  | Healthcare and Welfare                 | P75       |  |
|  |  | Enhancing Engagement                   |           |  |



## GRI CONTENT INDEX

| General Disclosures | Introduction   | Chapter  | Page       | Note |
|---------------------|--|--|------------|------|
| 103-2               | The Management Approach and Its Components                               | People<br>Healthcare and Welfare<br>Enhancing Engagement | P63<br>P75 |      |
| 103-3               | Evaluation of the Management Approach                                    | Strategy and Governance                                  | P17        |      |
| 205-2               | Communication and Training About Anti-Corruption Policies and Procedures | Healthcare and Welfare<br>Enhancing Engagement           | P75        |      |

### ENVIRONMENTAL

#### GRI 301: MATERIALS 2016 / GRI 103: MANAGEMENT APPROACH 2016

|       |  |  |            |  |
|-------|--|--|------------|--|
| 103-1 | Explanation of the Material Topic and Its Boundary | Environment<br>Packaging and Waste Stewardship | P47<br>P53 |  |
| 103-2 | The Management Approach and Its Components         | Environment<br>Packaging and Waste Stewardship | P47<br>P53 |  |
| 103-3 | Evaluation of the Management Approach              | Strategy and Governance                        | P17        |  |
| 301-1 | Materials Used by Weight or Volume                 | Packaging and Waste Stewardship                | P54        |  |

#### GRI 302: ENERGY 2016 / GRI 103: MANAGEMENT APPROACH 2016

|       |  |   |            |  |
|-------|--|---|------------|--|
| 103-1 | Explanation of the Material Topic and Its Boundary         | Environment<br>Acting On Climate Change | P47<br>P49 |  |
| 103-2 | The Management Approach and Its Components                 | Environment<br>Acting On Climate Change | P47<br>P49 |  |
| 103-3 | Evaluation of the Management Approach                      | Strategy and Governance                 | P17        |  |
| 302-1 | Energy Consumption within the Organization                 | Acting On Climate Change                | P49        |  |
| 302-3 | Energy Intensity   | Acting On Climate Change                | P49        |  |
| 302-4 | Reduction of Energy Consumption                            | Acting On Climate Change                | P49        |  |
| 302-5 | Reductions in Energy Requirements of Products and Services | Acting On Climate Change                | P52        |  |

#### GRI 303: WATER AND EFFLUENTS 2016 / GRI 103: MANAGEMENT APPROACH 2016

|       |  |   |            |  |
|-------|--|---|------------|--|
| 103-1 | Explanation of the Material Topic and Its Boundary | Environment<br>Acting On Climate Change | P47<br>P51 |  |
| 103-2 | The Management Approach and Its Components         | Environment<br>Acting On Climate Change | P47<br>P51 |  |
| 103-3 | Evaluation of the Management Approach              | Strategy and Governance                 | P17        |  |
| 303-1 | Interactions with Water as a Shared Resource       | Acting On Climate Change                | P51        |  |





YUMC



FOOD



ENVIRONMENT



PEOPLE



COMMUNITY



APPENDIX

## GRI CONTENT INDEX

| General Disclosures  | Introduction  | Chapter  | Page       | Note   |
|--|---|--|------------|--|
| <b>GRI 305: EMISSIONS 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>                         |   |  |            |  |
| 103-1  | Explanation of the Material Topic and Its Boundary            | Environment<br>Acting On Climate Change        | P47<br>P49 |  |
| 103-2  | The Management Approach and Its Components                    | Environment<br>Acting On Climate Change        | P47<br>P49 |  |
| 103-3  | Evaluation of the Management Approach                         | Strategy And Governance                        | P17        |  |
| 305-2  | Indirect (Scope 2) GHG Emissions                              | Acting On Climate Change                       | P49        |  |
| 305-4  | GHG Emissions Intensity                                       | Acting On Climate Change                       | P49        |  |
| <b>GRI 306: EFFLUENTS AND WASTE 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>               |   |  |            |  |
| 103-1  | Explanation of the Material Topic and Its Boundary            | Environment<br>Packaging and Waste Stewardship | P47<br>P53 |  |
| 103-2  | The management Approach and Its Components                    | Environment<br>Packaging and Waste Stewardship | P47<br>P53 |  |
| 103-3  | Evaluation of the Management Approach                         | Strategy and Governance                        | P17        |  |
| 306-2  | Waste by Type and Disposal Method                             | Packaging and Waste Stewardship                | P54        |  |
| <b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>          |   |  |            |  |
| 103-1  | Explanation of the Material Topic and Its Boundary            | Environment<br>Packaging and Waste Stewardship | P47<br>P54 |  |
| 103-2  | The Management Approach and Its Components                    | Environment<br>Packaging and Waste Stewardship | P47<br>P53 |  |
| 103-3  | Evaluation of the Management Approach                         | Strategy and Governance                        | P17        |  |
| 307-1  | Non-compliance with Environmental Laws and Regulations        | -  |            | No major violation of environmental laws and regulations |
| <b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016 / GRI 103: MANAGEMENT APPROACH 2016</b> |   |  |            |  |
| 103-1  | Explanation of the Material Topic and Its Boundary            | Environment<br>A Sustainable Supply Chain      | P47<br>P58 |  |
| 103-2  | The Management Approach and Its Components                    | Environment<br>A Sustainable Supply Chain      | P47<br>P58 |  |
| 103-3  | Evaluation of the Management Approach                         | Strategy and Governance                        | P17        |  |
| 308-1  | New Suppliers that Were Screened Using Environmental Criteria | A Sustainable Supply Chain                     | P59        |  |



# GRI CONTENT INDEX

| General Disclosures  | Introduction  | Chapter   | Page       | Note |
|--|---|---|------------|------|
| <b>SOCIAL</b>  |   |   |            |      |
| <b>GRI 401: EMPLOYMENT 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>                      |   |   |            |      |
| 103-1  | Explanation of the Material Topic and Its Boundary  | People<br>Healthcare and Welfare<br>Enhancing Engagement    | P63<br>P75 |      |
| 103-2  | The Management Approach and Its Components  | People<br>Healthcare and Welfare<br>Enhancing Engagement    | P63<br>P74 |      |
| 103-3  | Evaluation of the Management Approach   | Strategy and Governance                                     | P17        |      |
| 401-1  | New Employee Hires and Employee Turnover  | Healthcare and Welfare<br>Enhancing Engagement              | P74        |      |
| 401-2  | Benefits Provided to Full-Time Employees That Are Not Provided to Temporary or Part-Time Employees                            | Healthcare and Welfare<br>Enhancing Engagement              | P74        |      |
| <b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>  |   |   |            |      |
| 103-1  | Explanation of the Material Topic and Its Boundary  | People<br>Healthcare and Welfare<br>Enhancing Engagement    | P63<br>P73 |      |
| 103-2  | The Management Approach and Its Components  | People<br>Healthcare and Welfare<br>Enhancing Engagement    | P63<br>P73 |      |
| 103-3  | Evaluation of the Management Approach   | Strategy and Governance                                     | P17        |      |
| 403-2  | Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Number of Work-Related Fatalities | Healthcare and Welfare<br>Enhancing Engagement              | P73        |      |
| <b>GRI 404: TRAINING AND EDUCATION 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>          |   |   |            |      |
| 103-1  | Explanation of the Material Topic and Its Boundary  | People<br>"Digital" Talent Building Employability           | P63<br>P68 |      |
| 103-2  | The Management Approach and Its Components  | People<br>"Digital" Talent Building Employability           | P63<br>P68 |      |
| 103-3  | Evaluation of the Management Approach   | Strategy and Governance                                     | P17        |      |
| 404-1  | Average Hours of Training Per Year Per Employee   | "Digital" Talent Building Employability                     | P66        |      |
| <b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016 / GRI 103: MANAGEMENT APPROACH 2016</b> |   |   |            |      |
| 103-1  | Explanation of the Material Topic and Its Boundary  | People<br>Diversified Platform Enabling<br>Self-realization | P63<br>P71 |      |
| 103-2  | The Management Approach and Its Components  | People<br>Diversified Platform Enabling<br>Self-realization | P63<br>P71 |      |
| 103-3  | Evaluation of the Management Approach   | Strategy and Governance                                     | P17        |      |



## GRI CONTENT INDEX

| General Disclosures   | Introduction   | Chapter   | Page       | Note  |
|---|--|---|------------|---|
| 405-1   | Diversity of Governance Bodies and Employees   | Diversified Platform Enabling Self-realization                    | P71        |   |
| <b>GRI 413: LOCAL COMMUNITIES 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>          |  |   |            |   |
| 103-1   | Explanation of the Material Topic and Its Boundary                                     | Community   | P79        |   |
| 103-2   | The Management Approach and Its Components   | Community   | P79        |   |
| 103-3   | Evaluation of the Management Approach  | Strategy and Governance   | P17        |   |
| 413-2   | Operations with Significant Actual and Potential Negative Impacts on Local Communities | -   |            | No operations with significant actual and potential negative impacts on local communities |
| <b>GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016 / GRI 103: MANAGEMENT APPROACH 2016</b> |  |   |            |   |
| 103-1   | Explanation of the Material Topic and Its Boundary                                     | Environment<br>A Sustainable Supply Chain                         | P47<br>P58 |   |
| 103-2   | The Management Approach and Its Components   | Environment<br>A Sustainable Supply Chain                         | P47<br>P58 |   |
| 103-3   | Evaluation of the Management Approach  | Strategy and Governance   | P17        |   |
| 414-1   | New Suppliers That Were Screened Using Social Criteria                                 | A Sustainable Supply Chain  | P59        |   |
| <b>GRI 416: CUSTOMER HEALTH AND SAFETY 2016 / GRI 103: MANAGEMENT APPROACH 2016</b> |  |   |            |   |
| 103-1   | Explanation of the Material Topic and Its Boundary                                     | Food<br>A Holistic Approach to Deliver Safe and High Quality Food | P25<br>P26 |   |
| 103-2   | The Management Approach and Its Components   | Food<br>A Holistic Approach to Deliver Safe and High Quality Food | P25<br>P26 |   |
| 103-3   | Evaluation of the Management Approach  | Strategy and Governance   | P17        |   |
| 416-1   | Assessment of The Health and Safety Impacts of Product and Service Categories          | Food  | P25        |   |
| <b>GRI 419: SOCIOECONOMIC COMPLIANCE 2016 / GRI 103: MANAGEMENT APPROACH 2016</b>   |  |   |            |   |
| 103-1   | Explanation of the Material Topic and Its Boundary                                     | People<br>Healthcare and Welfare<br>Enhancing Engagement          | P63<br>P75 |   |
| 103-2   | The Management Approach and Its Components   | Corporate Governance  | P14        |   |
| 103-3   | Evaluation of the Management Approach  | Corporate Governance  | P14        |   |
| 419-1   | Non-compliance with Laws and Regulations in the Social and Economic Area               | -   |            | No major violation of laws and regulations in the social and economic area                |





YUMC



FOOD



ENVIRONMENT



PEOPLE



COMMUNITY



APPENDIX

# ASSURANCE REPORT



普华永道

2020/SH-0347  
(Page 1 of 3)

## Independent practitioner's assurance report

To the Board of Directors of Yum China Holdings, Inc.

We have been engaged to perform a limited assurance engagement on the selected 2019 key data as defined below in the 2019 Sustainability report of Yum China Holdings, Inc. (the "Company").

### Selected key data

The selected key data in the Company's 2019 Sustainability report that is covered by this report is as follows:

- Energy indirect (Scope 2) Greenhouse gas (GHG) emissions
- Total electricity consumption
- Average restaurant electricity consumption
- Total water consumption
- Average restaurant water consumption
- Amount of used cooking oil converted into biodiesel in Chengdu biodiesel project
- Percentage of RSPO-certified palm oil
- Percentage of CSR audited critical suppliers
- Female share of total workforce
- Lost-time injury frequency rate (LTIFR) for employees

Our assurance was with respect to the year ended 31 December 2019 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2019 Sustainability report.

### Criteria

The criteria used by the Company to prepare the selected key data in the 2019 Sustainability report is set out under the heading BASIS OF ASSURED DATA in the appendix of the 2019 Sustainability report (the "basis of reporting").

### Management's Responsibilities

Management of the Company is responsible for the preparation of the selected key data in the 2019 Sustainability report in accordance with the basis of reporting. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the selected key data in the 2019 Sustainability report that is free from material misstatement, whether due to fraud or error.

普华永道中天会计师事务所(特殊普通合伙)  
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2



普华永道

2020/SH-0347  
(Page 2 of 3)

## Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Practitioner's Responsibilities

It is our responsibility to express a conclusion on the selected key data in the 2019 Sustainability report based on our work.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, International Standard on Assurance Engagement 3410, "Assurance Engagements on Greenhouse Gas Statements". These standards require that we plan and perform our work to form the conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Company's 2019 selected key data in the 2019 Sustainability report has been prepared, in all material respects, in accordance with the basis of reporting. Our work involves assessing the risks of material misstatement of the selected key data in the 2019 Sustainability report whether due to fraud or error, and responding to the assessed risks. The extent of procedures selected depends on our judgment and assessment of the engagement risk. Within the scope of our work, we have performed the following procedures in the Headquarter of the Company We have not conducted work on other locations.

- 1) Interviews with relevant departments of the Company involved in providing information for the selected key data within the Sustainability report; and
- 2) Analytical procedures;
- 3) Examination, on a test basis, of documentary evidence relating to the selected key data on which we report;
- 4) Recalculation; and
- 5) Other procedures deemed necessary



普华永道

2020/SH-0347  
(Page 3 of 3)

## Inherent Limitation

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. In addition, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

## Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the 2019 selected key data in the 2019 Sustainability report is not prepared, in all material respects, in accordance with the basis of reporting.

## Restriction on Use

Our report has been prepared for and only for the board of directors of the Company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

PricewaterhouseCoopers Zhong Tian LLP  
PricewaterhouseCoopers Zhong Tian LLP  
Shanghai, China  
28 May 2020

3



## BASIS OF ASSURED DATA

| NO. | Data   | Basis  |
|-----|--|--|
| 1   | Energy Indirect (Scope 2) GHG Emissions  | Energy indirect (Scope 2) GHG emissions of Yum China in 2019 were the energy indirect (Scope 2) GHG emissions generated by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2019. All the energy indirect (Scope 2) GHG emissions are derived from electricity consumption, which is calculated by multiplying each restaurant's electricity consumption by the average carbon dioxide emission factors of regional power grid. The average carbon dioxide emission factors of regional power grid refer to the emission factor of 2012 in the "Average Carbon Dioxide Emission Factors of China's Regional Power Grids in 2011 and 2012" issued by the National Development and Reform Commission. |
| 2   | Total Electricity Consumption  | Total electricity consumption of Yum China in 2019 was the electricity consumed by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2019. Electricity consumption refers to the data on the restaurants' electricity bills.   |
| 3   | Average Restaurant Electricity Consumption   | Average restaurant electricity consumption of Yum China in 2019 was the average electricity consumption of Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2019.   |
| 4   | Total Water Consumption  | Total water consumption of Yum China in 2019 was the water consumed by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2019. Each restaurant's water consumption is calculated by dividing its water fee by the average water unit price of each province defined by Yum China. Water fee refers to the restaurants' water bills. The average water unit price of each province is calculated based on the actual water unit price of different locations in the province.   |
| 5   | Average Restaurant Water Consumption   | Average restaurant water consumption of Yum China in 2019 was the average water consumption of Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2019.   |
| 6   | Amount of Used Cooking Oil (UCO) Converted into Biodiesel in Chengdu Biodiesel Project | Amount of UCO converted into biodiesel in Yum China Chengdu biodiesel project in 2019 was the amount of UCO converted into biodiesel in the biodiesel project, which was carried out in Yum China's KFC restaurants in Chengdu in 2019. The amount of UCO converted into biodiesel refers to the data on receipts from UCO collectors.   |
| 7   | Percentage of RSPO-certified Palm Oil  | Percentage of RSPO-certified palm oil of Yum China in 2019 was the percentage of RSPO-certified palm oil in all the purchased palm oil products of Yum China in 2019.  |
| 8   | Percentage of CSR Audited Critical Suppliers   | Percentage of CSR audited critical suppliers of Yum China in 2019 was the percentage of CSR audited critical suppliers in all the critical suppliers of Yum China in 2019. Yum China's critical suppliers include Innovative Suppliers and Key Suppliers (excluding service suppliers, overseas suppliers, small procurement suppliers with annual procurement less than RMB 2 million yuan, IT service suppliers and headquarter suppliers).  |
| 9   | Female Share of Total Workforce  | Female share of total workforce of Yum China in 2019 was the percentage of female employees out of all employees of Yum China at the end of 2019. The total number of employees refers to the number of full-time and part-time employees directly hired by Yum China at the end of 2019, including office staff and restaurant staff. The number of female employees refers to the full-time and part-time female employees directly hired by Yum China at the end of 2019, including office staff and restaurant staff.  |
| 10  | Lost-time Injury Frequency Rate for Employees  | Lost-time injury frequency rate for employees of Yum China in 2019 was the number of lost-time injuries per one million hours worked for employees of Yum China in 2019. The working hours are the total working hours of full-time and part-time employees directly hired by Yum China in 2019, including office staff and restaurant staff. The number of lost-time injuries is the number of injury leaves of full-time and part-time employees directly hired by Yum China in 2019, including office staff and restaurant staff.   |





Yum China Holdings, Inc.

[www.yumchina.com](http://www.yumchina.com)

