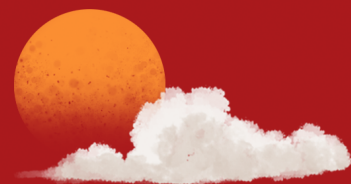




YumChina



Creating A Responsible Ecosystem

2022 Sustainability Report



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Remarks by Yum China CEO



Joey Wat
Chief Executive Officer
Yum China Holdings, Inc.

Despite a very challenging year in 2022, Yum China remained profitable every quarter and expanded our store network, while continuing to make significant progress towards our Environmental, Social and Governance (ESG) goals. Throughout the pandemic, our commitment to our ESG priorities never wavered, and we stayed true to our purpose by supporting our employees, effectively serving our customers, and giving back to our communities.

We are committed to making continuous progress towards our ESG goals throughout our company. We have incorporated ESG as a key performance evaluation criterion for each leadership team member, as they are accountable for driving progress towards these goals. Beyond that, we are exploring opportunities to elevate the prominence of ESG throughout our organization by incorporating ESG metrics and results into our broader employee incentive program. This will encourage employees at every level to incorporate ESG priorities into their daily work.

In 2022, we made important progress in advancing our ESG agenda in the following ways:

We are actively executing on our plan to decarbonize our business. We have set near-term greenhouse gas (GHG) emissions reduction targets that have been approved by the Science Based Targets initiative (SBTi). This represents a major milestone on our journey towards achieving net-zero value chain GHG emissions by 2050. We are committed to reducing GHG emissions by more than 60% by 2035 from a 2020 base year, and we have created a roadmap for achieving a low-carbon future. Our roadmap has three strategic enablers: energy efficiency improvement, renewable energy investment, and supplier engagement.

We are continuously exploring ways to optimize our operations by reducing our reliance on natural resources and increasing our waste recycling. In 2022, we undertook a number of circular economy initiatives: one focused on optimizing packaging and using sustainable packaging materials; another explored recycling and reusing waste as an input where feasible. We initiated a pilot project in Shanghai to fuel our vehicles with B5 biodiesel, a blend incorporating five percent biodiesel made from used cooking oil. We are the first restaurant company in China to recycle used cooking oil in this way. In addition, we have initiated a pilot program in 66 restaurants in Shanghai to recycle packaging waste generated in daily operations. We are actively exploring several new circular economy initiatives.

Food safety is our top priority at Yum China. We have made a substantial investment to build an industry-leading, intelligent, digitalized food safety and quality management system. Utilizing Artificial Intelligence (AI), Internet of Things (IoT), and real-time data collection and analysis, we have established rigorous control measures across the value chain. We also advocate for a balanced diet and healthy eating habits, offering our customers a wide range of nutritious choices. We offer delicious food and great value through product innovation: we launched more than 500 new and upgraded menu items in 2022, despite the disruption of the pandemic. We also released the *Yum China Nutrition and Health Policy*, highlighting our commitment to promoting balanced diets.

We adhered firmly to our 'People First' philosophy, prioritizing occupational health and safety. This commitment was especially important during the pandemic when we doubled down on our efforts to support our people. We provided job security during tough times by refraining from layoffs, increasing medical coverage for eligible staff and their families, and providing them with food and medical supplies during lockdowns. In 2022, we further upgraded our employee benefits plan and established the 'Yum China Employee Mutual Aid Fund' to offer financial assistance to employees in need.

I'm extremely proud of our employees' heroic efforts throughout the pandemic, especially during lockdowns. Our over 400,000 employees live and breathe our core value of 'Always Doing the Right Thing'. In 2022, our employees recorded over four million hours of volunteer time to support their local communities. Our flagship One Yuan Donation Program celebrated its 15th anniversary, through it we contribute to poverty alleviation and rural revitalization by improving the diet and nutrition of children in remote areas and enhancing their access to digital education. Over the past 15 years, we have continuously fine-tuned the program to increase its impact. We extended fundraising channels from our stores to our own online platforms such as KFC and Pizza Hut Super Apps, and we rolled out new fundraising initiatives like charity auction livestreams led by our executives.

While many uncertainties may lie ahead, I firmly believe that Yum China is uniquely positioned to thrive as a business – and as a responsible corporate citizen. We are grateful to everyone who has joined us on our ESG journey, and we will continue to foster a culture of creativity and collaboration as we work towards our ESG goals.

Joey Wat
Chief Executive Officer
Yum China Holdings, Inc.

Board Statement

Yum China strives to create a responsible ecosystem by building sustainable restaurants, creating a sustainable supply chain, and contributing to sustainable communities together with all stakeholders.

At the Board level, the Board maintains overall responsibility for overseeing the Company's risk management framework. The Food Safety and Sustainability Committee assists the Board in its oversight of the Company's practices, policies, procedures, strategies, and initiatives relating to sustainability, including environmental, supply chain, and food nutrition and health. The Food Safety and Sustainability Committee also reviews and oversees the development and implementation of the goals the Company may establish from time to time with respect to its sustainability initiatives.

This report has been approved by the Board of Directors in March 2023.

About this Report

This report is our 6th annual Sustainability Report (the 'Report') covering the period from January 1, 2022, to December 31, 2022, though some facts and figures may fall outside of the period if necessary.

Reporting Scope

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

Reference

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

For purpose of this report, 'China' in this Report refers to the People's Republic of China, excluding Hong Kong, Macau, and Taiwan.

Data Assurance

To ensure the accuracy of the contents and information in this report, we invited an independent assurance agency to conduct limited assurance work on selected 2022 key data in accordance with International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and in respect of GHG emissions, ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. Refer to the following link for the Assurance Report and Basis of Assured Data.

[Assurance Report](#)

[Basis of Assured Data](#)

Reporting & Disclosure

We reference several global reporting guidelines and frameworks to align with international best practices and improve the quality of information disclosure. This report complies with the reporting principles and requirements listed under Appendix 27, *Environmental, Social and Governance Reporting Guide* (the 'ESG Reporting Guide'), in the *Main Board Listing Rules of Hong Kong Stock Exchange* (HKEX). In addition, the *GRI Sustainability Reporting Standards* (the 'GRI Standards') issued by the Global Sustainability Standards Board (GSSB), and the restaurant industry reporting framework issued by the Sustainability Accounting Standards Board (SASB) were referenced in the compilation of this report.

[Key Performance Indicators](#)

[HKEX ESG Reporting Guide Index](#)

[GRI Standards Index](#)

[SASB Index](#)

Access & Feedback

The Report is available in Simplified Chinese, Traditional Chinese, and English, in print and electronic formats. The electronic format is available on the Hong Kong Stock Exchange's website (<https://www.hkex.com.hk>) and the Sustainability section of the Company's website. If you have any suggestions, please contact us at:

E-mail: CSR@yumchina.com

Address: 6F - 16F, Yum China Building, 20 Tian Yao Qiao Road, Shanghai 200030, China

Note

Data and figures are shown in RMB unless otherwise stated.

In this report, the description of 'the largest restaurant company in China' is based on the 2022 system sales.

This report includes 'forward-looking statements' within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions 'Risk Factors' and 'Management's Discussion and Analysis of Financial Condition and Results of Operations' in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q) for additional detail about factors that could affect our financial and other results.

In accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) framework, we compiled and published our 1st TCFD report in July 2022, disclosing the climate-related risks and opportunities in our operations and value chain.

We also referred to the rating requirements of the Dow Jones Sustainability Indices (DJSI), MSCI and Sustainalytics, GB/T 36000-2015 *Guidance on Social Responsibility*, the *UN 2030 Agenda for Sustainable Development*, the Carbon Disclosure Project (CDP) questionnaires on Climate Change, Forests, and Water Security, relevant regulatory requirements, as well as other relevant international and Chinese standards and guidelines for sustainable development.

[Yum China TCFD Report](#)

Highlights from 2022

Achievement towards Goals

Pillar	Goals and Commitments	Status	
Food	Food safety and quality audit covers 100% of restaurants and logistics centers	✓	
	Food safety and quality training covers 100% of employees in offices, restaurants, and logistics centers	✓	
	Food safety assessment covers 100% of food and food contact packaging suppliers	✓	
	Yum China Nutrition and Health Commitment	Making progress	
	<ul style="list-style-type: none"> 100% of KFC, Pizza Hut, and Taco Bell Kids Meal meets <i>Nutrition Guidelines for Meals Offered by the Restaurant Industry to School-Age Children</i> issued by the Chinese Nutrition Society 100% of KFC, Pizza Hut, and Taco Bell Light Meal meets <i>Guidelines for Design of Nutritional Light Meal</i> issued by the China Cuisine Association 100% of KFC, Pizza Hut, and Taco Bell products are free of trans fat originating from hydrogenated/partially hydrogenated oils 700+ tons of salt reduction in French fries/ketchup/frozen cheese by 2030 from a 2020 base year 4,500+ tons of total sugar reduction by 2030 from a 2020 base year 		
	Reach Net-zero Value Chain GHG Emissions by 2050		Making progress
	Near-term Science-Based Targets (SBTs) <ul style="list-style-type: none"> Reduce absolute Scope 1 and 2 GHG emissions 63% by 2035 from a 2020 base year Reduce Scope 3 GHG emissions from purchased goods 66.3% per ton of goods purchased by 2035 from a 2020 base year 		
	All newly built restaurants to comply with the Yum China Green Building Standards		✓
	10% reduction of average restaurant water consumption by 2025 as compared to the 2017 baseline	✓	
	10% reduction of food waste per restaurant by 2030 as compared to the 2020 baseline	Making progress	
30% reduction in non-degradable plastic packaging weight by 2025 as compared to the 2019 baseline	Making progress		
100% of customer-facing plastic-based packaging is recyclable	✓		
100% of Forest Stewardship Council (FSC)-certified paper packaging by 2025	Making progress		
100% of Roundtable on Sustainable Palm Oil (RSPO)-certified palm oil purchased	✓		
People	At least 50% of our employees are female	✓	
	At least 50% of all employees hired, trained, promoted, and retained are female	✓	
	Over 1.5% of full-time jobs are offered to people with disabilities	✓	
	100% of critical suppliers are covered by Corporate Social Responsibility (CSR) audit	✓	
Community	Our employees volunteer no less than 1.5 million hours per year	✓	

External Recognition

	<p>In the S&P Global Corporate Sustainability Assessment (CSA) 2022:</p> <ul style="list-style-type: none"> Received the best score in the Restaurant & Leisure Facilities Industry for the 3rd consecutive year Selected as a member of both Dow Jones Sustainability Indices (DJSI): World Index (DJSI World) and Emerging Market Index (DJSI Emerging Markets) for the 3rd consecutive year, the only company in the Consumer Services industry group from mainland China selected as a member of DJSI World Awarded with Top 1% S&P Global ESG Score, the only company in the Restaurant & Leisure Facilities Industry to receive this recognition
	<ul style="list-style-type: none"> Received an 'AA' rating in MSCI ESG Rating, the only restaurant company worldwide to receive an 'AA' rating
	<ul style="list-style-type: none"> Rated as 'Low Risk' by Sustainalytics ESG, among the best in the restaurant industry
	<ul style="list-style-type: none"> Named for the 5th consecutive year to the Bloomberg Gender-Equality Index (GEI), one of the only three companies from mainland China included in the latest GEI
	<ul style="list-style-type: none"> Named in Equileap's Gender Equality Global Report & Ranking, the only company from China to be included in the list
	<ul style="list-style-type: none"> Received the Hong Kong Corporate Governance and ESG Excellence Awards from the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University
	<ul style="list-style-type: none"> Nominated in the <i>Fortune</i> China ESG Impact List
	<ul style="list-style-type: none"> Received Bloomberg Green's ESG Pioneer Award - Environmental Pioneer of the Year
	<ul style="list-style-type: none"> Certified by the Top Employers Institute as a Top Employer in China for the 5th consecutive year, ranked first in the industry for the 2nd consecutive year
	<ul style="list-style-type: none"> Received the China Best ESG Employers Award from Aon
	<ul style="list-style-type: none"> Received the ESG China Awards - ESG Report of the Year from the British Chamber of Commerce in Shanghai

About Us

Yum China is the largest restaurant company in China with a mission to make every life taste beautiful. KFC and Pizza Hut are the leading brands in the quick-service and casual dining restaurant spaces in China, respectively. Taco Bell offers innovative Mexican-inspired food. Yum China has also partnered with Lavazza to develop the Lavazza coffee shop concept in China. Little Sheep and Huang Ji Huang specialize in Chinese cuisine. Yum China has a world-class, digitalized supply chain which includes an extensive network of logistics centers nationwide and an in-house supply chain management system. Its strong digital capabilities and loyalty program enable the Company to reach customers faster and serve them better. Yum China is a Fortune 500 company with the vision to be the world's most innovative pioneer in the restaurant industry.

As of the end of December 2022

Operates nearly **13,000** restaurants under six brands across **1,800+** cities in China

Purpose Let's Make Every Life Taste Beautiful

Vision The World's Most Innovative Pioneer in the Restaurant Industry

Core Values Founder's Mentality

- Always Do the Right Thing
- Restaurant General Manager (RGM) No.1
- Customer Mania
- Stay Curious
- Innovate to Grow
- Collaborate to Win

Corporate Governance

Governance Structure

The Board of Directors (the 'Board') has four standing committees including Audit Committee, Compensation Committee, Nominating and Governance Committee, and Food Safety and Sustainability Committee, which oversee different aspects of business management and related matters.

Board Diversity

Yum China believes that having directors from diverse backgrounds helps the Board better oversee the Company's management and operations, as well as assess risks and opportunities for the Company's business model from a variety of perspectives. Under our *Board Diversity Policy*, diversity is broadly construed to mean a variety of perspectives, skills, personal and professional experiences and backgrounds, and other characteristics represented in both visible and non-visible ways that include, but are not limited to, age, gender, race, and nationality. With respect to the Company's current directors, the Company also benefits from the diversity in Board members' age, gender, race, and nationality. Thirty percent of directors are women.



Business Ethics

Yum China's *Code of Conduct* was adopted to emphasize the Company's commitment to the highest standards of business conduct. The *Code of Conduct* applies to all directors and employees of the Company.

All employees of the Company are required, on an annual basis, to complete the *Yum China Code of Conduct Questionnaire* and certify in writing that they have read and understand the *Code of Conduct*. In addition, Yum China organizes employees to complete the *Code of Conduct* online training every year and requires them to complete corresponding training within the specified period. In 2022, 100% of target employees have completed relevant training.



Every quarter, we conduct conflict-of-interest checks to identify and avoid misconducts that would conflict with the Company's interests, such as related party transactions. Each supplier is also required by the Company to sign the *Supplier Code of Conduct* to ensure that they comply with the legal requirements and follow business ethics when doing business with us.

We set up a comprehensive whistleblower mechanism, which includes a 7*24 hotline, the Employee Complaint and Integrity Compliance Reporting System, the Whistleblowing Supplier Reporting Platform, and complaint mail for both our employees and suppliers. We have a dedicated investigation team to review and handle business ethics issues at all levels and investigate all parties' reports and complaints to identify misconducts promptly.

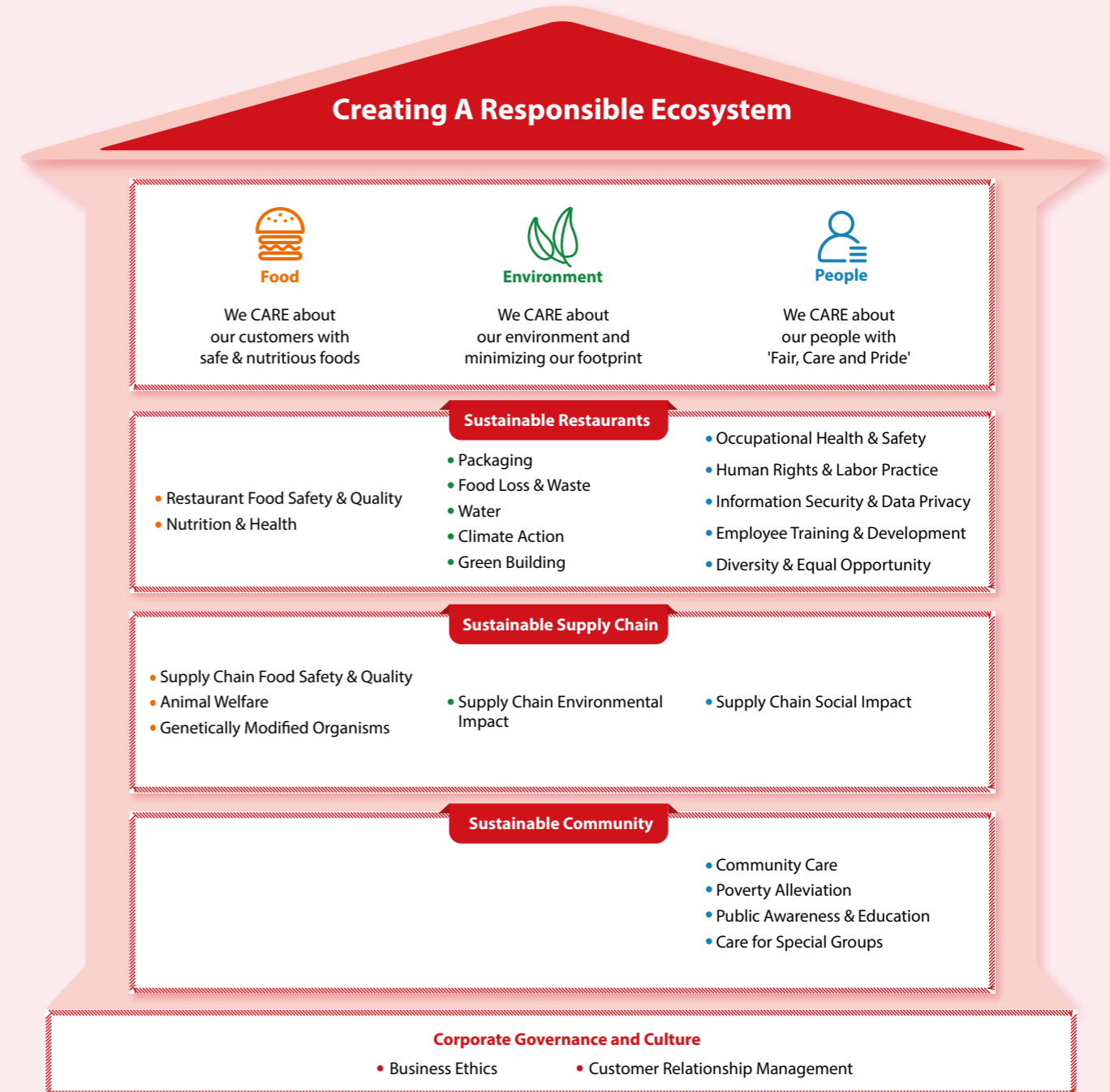
We specify the requirements in the *Code of Conduct* that we are obligated to maintain strict confidentiality on the whistleblowers' personal information and the reports they provided during the entire process of every investigation. Any form of retaliation by anyone against the whistleblowers is strictly prohibited. Once the investigation is completed, we take remedial and disciplinary measures based on the severity of the misconduct, including but not limited to disciplinary actions, termination of the labor contract, and reporting to judicial authorities. Material violations of the *Code of Conduct* incidents will be reported to the Company's senior management and the Board.



Sustainability Strategy

As the largest restaurant company in China, we firmly support the United Nations 2030 Agenda. We are dedicated to providing our customers with safe and nutritious food while striving to go the extra mile to improve the quality of the food we eat, the water we drink, and the air we breathe. We continuously explore new paths for economic, social, and environmental development to create a positive impact on humanity and the planet.

Our sustainability strategy is an essential component of the Company's long-term business growth strategy, known as the 'Sustainable Platform for Growth'. With a focus on three strategic pillars - Food, Environment, and People, we always strive to 'Create A Responsible Ecosystem' by building sustainable restaurants, creating a sustainable supply chain, and contributing to sustainable communities in collaboration with all stakeholders.



Contribution to United Nations Sustainable Development Goals (UN SDGs)



Sustainability Governance

Yum China believes that a scientific and comprehensive management mechanism is the cornerstone of integrating sustainable development into the Company's operations and management. The Company has an established governance mechanism on sustainability matters from the Board to Operations Teams. The Company established a Sustainability Committee, which is comprised of selected Leadership Team members, the Sustainability Officer, and cross-functional teams. The Sustainability Committee members meet quarterly to track the implementation of material topics, evaluate sustainability risks, and develop risk management strategies and measures. The Board and the Food Safety and Sustainability Committee consider these sustainability matters at least annually in connection with the strategic plan.

In order to further incentivize and assess performance with respect to specific ESG and sustainability initiatives, beginning with the 2021 annual incentive program, ESG measures have been incorporated into the key performance indicators that are used to determine the individual performance factor for each Leadership Team member.

In 2022, more brand teams were involved in our sustainability development, further facilitating the execution of key initiatives.

Yum China's Sustainability Management Structure



Sustainability Management Approach

We formulated the *Stakeholder Engagement Policy* and established diverse communication and engagement mechanisms to maintain close engagement with both internal and external stakeholders. Following our materiality assessment approach, we have integrated the results into the Company's risk management process and identified a priority order for our sustainability development efforts and key directions to guide our long-term commitment to sustainability across our supply chain, restaurants, and communities. By doing so, we aim to create sustainable value for all stakeholders.



Yum China initiated the materiality assessment since 2017. Each year since then, we revisit the material topics through a four-step assessment approach to make sure they align with our operations and address stakeholders' concerns.



Review

- Review previous year's materiality assessment results
- Conduct benchmarking
- Conduct stakeholder analysis
- Review changes in strategy and value chain



Identification

- Conduct internal & external stakeholders engagement and interviews
- Identify and adjust material topics



Prioritization

- Prioritize according to internal and external expectations

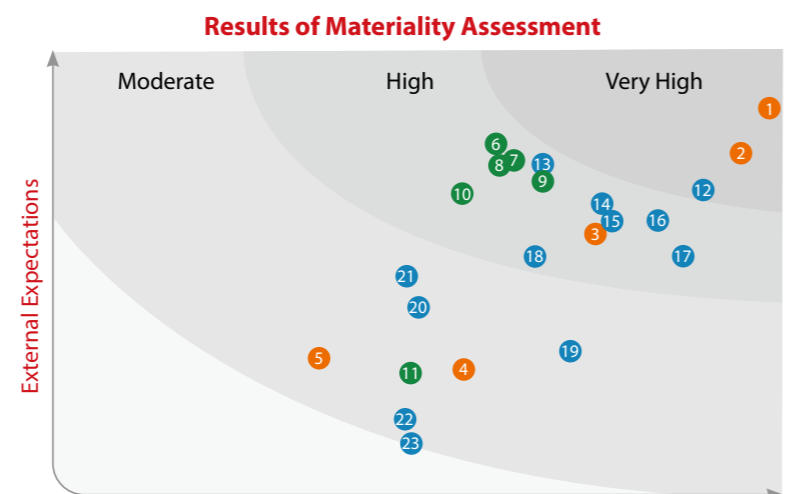


Verification

- Review and verify identified material topics by senior management and external experts
- Finalize the revised material topics

For 2022, upon reviewing the results of the previous materiality assessment, we concluded that the identified topics and their materiality were still applicable to Yum China during the reporting period.

We also conducted a comprehensive benchmarking of the 17 UN SDGs to ensure the Company's efforts align with the 2030 Agenda.



Aspects	Results of Materiality Assessment	SDGs Contributions
Food	1 Restaurant Food Safety & Quality	12
	2 Supply Chain Food Safety & Quality	9 12 17
	3 Nutrition & Health	2 3
	4 Genetically Modified Organisms	3
	5 Animal Welfare	12
Environment	6 Packaging	12 13
	7 Supply Chain Environmental Impact	12 13 14 15 17
	8 Food Loss & Waste	11 12 13
	9 Water	6 13
	10 Climate Action	7 8 9 11 13 17
	11 Green Building	9 13
People	12 Business Ethics	16
	13 Supply Chain Social Impact	3 8 12
	14 Human Rights & Labor Practices	3 8 10
	15 Employee Training & Development	4 8
	16 Occupational Health & Safety	3
	17 Information Security & Data Privacy	9
	18 Diversity & Equal Opportunity	5 10
	19 Customer Relationship Management	9 12
	20 Poverty Alleviation	1 2 3
	21 Community Care	3 11
	22 Public Awareness & Education	3 4
	23 Care for Special Groups	11 17

Sustainable Supply Chain



Upstream Suppliers

We source all of our raw materials responsibly to build a sustainable supply chain and contribute to the sustainable development of agriculture and animal husbandry.



Suppliers

We focus on the social and environmental impact of our suppliers and work with them to create a responsible supply chain.



Logistics

We aim to reduce the carbon footprint of purchased goods in the logistics process.



Sustainable Restaurants



Restaurants

We are committed to providing customers with safe, nutritious and healthy food of high quality while continuing to reduce the environmental footprint of our restaurant operations through the promotion of climate action and circular economy.



Sustainable Community



Customers

We aim to raise customer awareness of food safety, nutrition, health, and environmental protection through public education, and strive to promote a more sustainable lifestyle.

Stakeholder	Expectations and Areas of Concern
Franchisors, Shareholders, and Investors Yum! Brands, institutional investors, ESG rating agencies	<ul style="list-style-type: none"> • Return on Investment • Information Disclosure • ESG Management and Performance
Government and Regulators Food safety regulators, central and local government	<ul style="list-style-type: none"> • Food Safety and Quality • Environmental Compliance • Contribution to the Development of Healthy China • Poverty Alleviation • Industrial Development • Support for Vulnerable Groups
Board, Management, and Employees	<ul style="list-style-type: none"> • Group Overall Sustainability Performance • Fair Working Environment • Capability Improvement and Development Opportunities • Welfare and Security • Flexible Working Time
Customers Organizations and individuals who purchase products from Yum China	<ul style="list-style-type: none"> • Safe, Reliable, and Delicious Food • Good Dining Experience and Food Service
Supply Chain Partners Suppliers, logistics service providers, construction service providers	<ul style="list-style-type: none"> • Business Development • Management Capability Building • Fostering Development of the Industry • Supply Chain Sustainability Support
Franchisees Yum China's brand franchisees	<ul style="list-style-type: none"> • Capability Building and Development Support • Brand Development
Associations and NGOs Industry associations, institutes, universities, and NGOs	<ul style="list-style-type: none"> • Fostering Industry Development
Communities The communities where Yum China operates	<ul style="list-style-type: none"> • Contribution to Communities • Employee Volunteers

Food

'Always Do the Right Thing' is a guiding principle at Yum China and we take our commitment to food safety and quality seriously. For more than 30 years, we have been steadfast in providing our customers with safe, high-quality food that is both delicious and nutritious. To reinforce this commitment, we have established a food safety and quality management system across our entire value chain. Through generous investments in innovative technology, we have developed an industry-leading intelligent and digitalized supply chain to ensure food safety. We actively respond to Healthy China 2030 initiative and its related policies, while also recognizing our responsibility to promote balanced diets. We have formulated the *Yum China Nutrition and Health Policy* and made commitments to provide our customers with delicious and nutritious food. We work closely with our suppliers and other stakeholders, through communication and cooperation, to advance industry development and public awareness, thereby fostering a sustainable food safety ecosystem.

Highly Relevant



Moderately Relevant



Primary Focus



Highlights from 2022

Nutrition & Health

Yum China Nutrition and Health Policy and Commitments

- Encouraging Balanced Diets through Ongoing Product Innovation
- Promoting a Healthy Lifestyle and Raising Public Awareness of Nutrition and Health
- Providing a Range of Products that Cater to Different Preferences
- Supporting Scientific Research and Improving Nutrition

100%

KFC, Pizza Hut, and Taco Bell Kids Meal meets *Nutrition Guidelines for Meals Offered by the Restaurant Industry to School-Age Children* issued by the Chinese Nutrition Society

100%

KFC, Pizza Hut, and Taco Bell Light Meal meets *Guidelines for Design of Nutritional Light Meal* issued by the China Cuisine Association

100%

KFC, Pizza Hut, and Taco Bell products are free of trans fat originating from hydrogenated/partially hydrogenated oils

700+ tons

Salt reduction in French fries/ketchup/frozen cheese by 2030 from a 2020 base year

4,500+ tons

Total sugar reduction by 2030 from a 2020 base year



Supply Chain Food Safety & Quality

The digitalized quality management system of Yum China's supply chain has already reached a significant scale with systems such as iFS, eQA, iQA, Internet of Things (IoT), and SCDI being gradually launched. We have built a digitalized and intelligent supply chain management system across the value chain.

Yum China Good Agricultural Practices (Yum China GAP) had **100%** coverage in lettuce, tomato and pepper, oranges, lemons, apples, and broccoli bases.



Restaurant Food Safety & Quality

The 2nd Yum China Food Safety Culture Festival

Posts/videos

384

Food safety endorsement videos

68

Posts views

~70,000

Videos views

100,000+

The One-stop Food Safety Knowledge Challenge attracted **4.27 million** persons to answer questions online



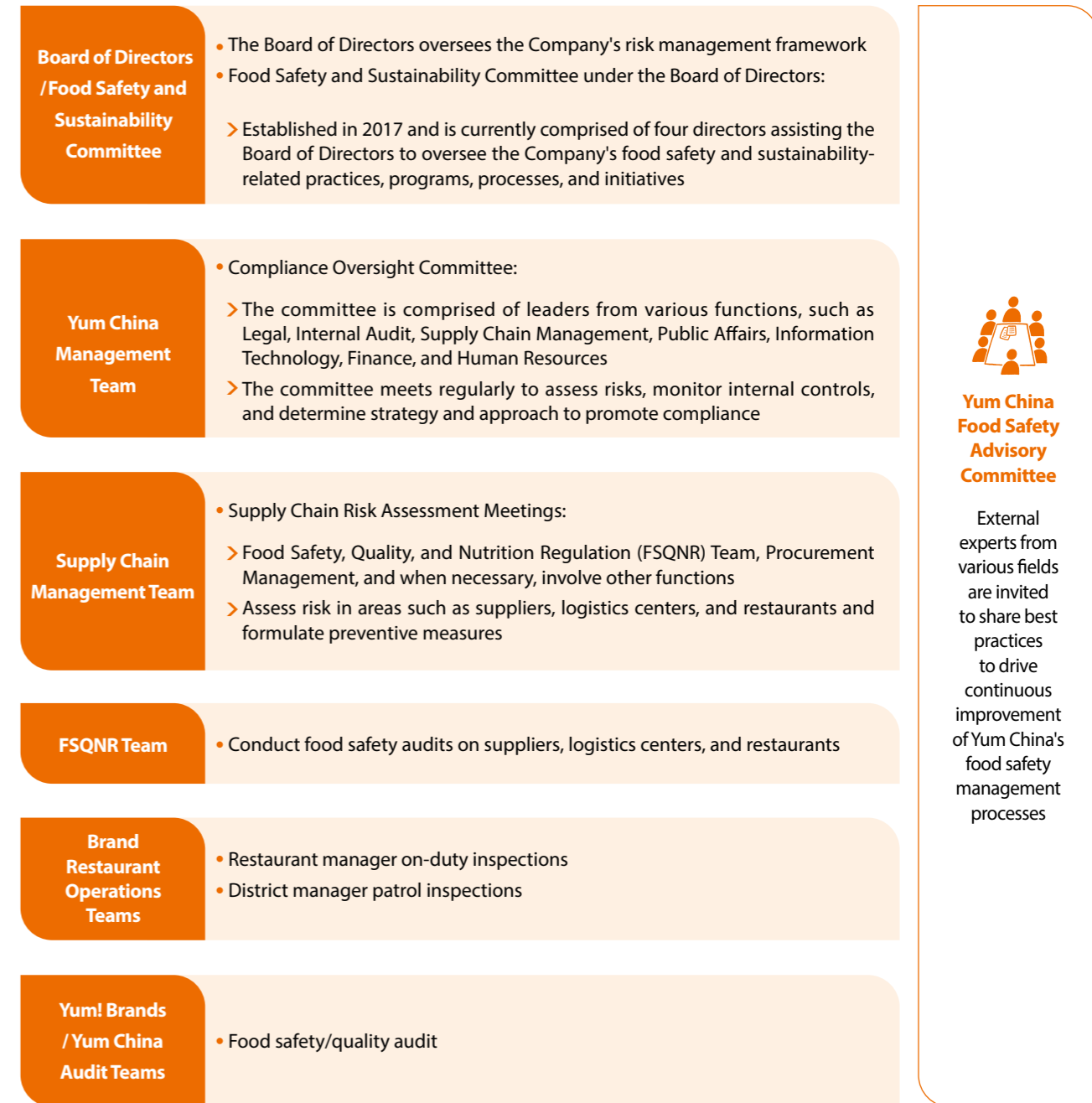
Uphold Food Safety and Quality

At Yum China, we firmly believe that food safety and quality are the foremost responsibilities of all our employees, as they form the foundation of earning our customers' trust. At our organization, we consider food safety culture to be fundamental, and we use technological innovation as a tool to build a high-standard food safety management system. Our aim is to provide comprehensive food safety assurance across the value chain, and fulfill our food safety commitments from farm to table.



Food Safety Governance

To ensure the development and effective implementation of food safety management processes and standards, Yum China has established a holistic, top-down food safety management mechanism that spans from the Board of Directors/Food Safety and Sustainability Committee to functional management teams. This governance system provides comprehensive oversight and effective execution of various management systems, measures, and standards to ensure food safety and compliance.



Yum China has built an industry-leading supply chain management team that includes FSQNR, Engineering, Procurement Management, Logistics, and Supply Chain System teams. As of the end of 2022, the team had over 1,460 professionals.

Food Safety Culture

We firmly believe that any potential food safety risk poses a threat to our business and could jeopardize the invaluable trust that we have established with our customers. Therefore, we take steps to raise awareness among our employees and franchisees about food safety by providing them with

training, assessment, and reward & penalty mechanisms. In addition, we work with suppliers to enhance food safety management, making food safety protection an integral part of the daily practice of all Yum China employees and partners.

Yum China Food Safety Culture

We believe every Yum China employee has the responsibility to understand and embrace the Company's food safety values.

For office and restaurant employees, we require every new employee to learn and sign the *Yum China Code of Conduct Confirmation Letter* or *Employee Manual Confirmation Letter*. We provide all our employees with access to online food safety courses that enable them to understand food safety laws, regulations, and Yum China's standards. We mandate that restaurant employees receive rigorous job training to ensure they understand and implement the Company's food safety standards with the utmost care.

In addition, we require and guide our franchisees to establish a food safety culture. All franchisees must sign the *Franchise Policy Manual*, which binds them to adhere to Yum China's Operations Manual, *Code of Conduct*, and safety and hygiene standards. Furthermore, they must undergo annual food safety training to reinforce their knowledge of national food safety laws and regulations, Yum China's food safety policies, and industry trending topics. In 2022, the Yum China Quality Assurance Management Institute further assisted franchise restaurants of Huang Ji Huang and Little Sheep, offering a series of restaurant management courses to enrich franchisees' knowledge and enhance their management levels. Annual refresh training and assessments are conducted for all office employees, restaurant employees, and franchisees to continuously reinforce their food safety awareness.



Case The 2nd Yum China Food Safety Culture Festival

In June 2022, Yum China held the 2nd Food Safety Cultural Festival, which lasted for three months. The festival included various online and offline activities such as training, skills competitions, knowhow sharing, and the One-stop Food Safety Knowledge Challenge which attracted 4.27 million people to participate in the online quiz. Additionally, We collaborated with our suppliers to organize a food safety management sharing meeting which is co-hosted by local government. We also arranged visits to manufactories and testing labs to exchange industry-leading food safety management concepts. During the event, we created a total of 384 posts and videos, gathering nearly 70,000 views; recorded 68 videos for the food safety-themed endorsement activities, which received more than 100,000 views, effectively promoting Yum China food safety culture.



Food safety lecture



One-stop Food Safety Knowledge Challenge

In August 2022, Yum China and Shanghai Food Safety Federation jointly held a food safety public education campaign titled 'Together, Joining in Food Safety Development for a Better Life'. Reading materials were

distributed and interactive quizzes and expert lectures were held at pop-up stands, as well as at KFC and Pizza Hut restaurants in Shanghai to discuss food safety topics.



Supplier Food Safety Culture

Yum China develops the *Yum China Food Safety and Quality Audit* and the *Yum China Supplier Manual*, requiring all suppliers to establish food safety culture programs and commit to implementing and maintaining food safety culture at all levels.

In 2022, we conducted 12 quality management seminars to further promote our food safety and quality management concepts.

Food Safety and Quality Management Across the Value Chain

Upstream Suppliers

Yum China mandates that suppliers establish procedures for approving and monitoring upstream suppliers to effectively identify and manage potential food safety risks associated with their raw materials.

As poultry is a significant ingredient in our food, we focus on managing the source and invest considerable resources in establishing a comprehensive control system for the broiler industry, spanning from breeding to slaughtering and to meat processing. We have implemented an electronic farm information system to register and monitor the usage of veterinary drugs on Yum China-approved poultry farms. Using this system, we conduct unannounced farm inspections and raw material food safety monitoring tests to assess upstream suppliers' performance and reinforce traceability.

Furthermore, we collaborate with our suppliers, promoting the implementation of Yum China GAP, requiring farmers and producers to take scientific, prudent, and responsible approaches. Our partners are required to implement systematic control measures from farm selection, soil and water safety, pesticide management, and fertilizer application, to the implementation of good manufacturing practices, thereby effectively preventing the occurrence of food safety issues. By the end of 2022, Yum China GAP had 100% coverage in lettuce, tomato and pepper*, oranges, lemons, apples, and broccoli bases.

*Tomato and pepper bases produce mainly tomatoes, cherry tomatoes, green peppers, cayenne peppers, and cucumbers.

Suppliers

Supplier Approval

Yum China adopts rigorous approval processes for new suppliers, including risk assessments, qualification and compliance checks, and factory approval audits. In 2022, we launched the Yum China Quality Management Institute e-learning platform. New suppliers need to complete online courses on our food safety audit standards and pass the assessment before entering the subsequent approval process.

Supplier Management

- Standards** • By drawing on the certification standards of the Global Food Safety Initiative (GFSI), we updated Yum China's Supplier Tracking Assessment and Recognition (STAR) audit standard. Suppliers are also encouraged to obtain food safety and quality management system certification.
- Training** • We held annual STAR training for all food suppliers to keep them up to date about Yum China's latest requirements. In 2022, we developed a total of 14 online training courses on STAR food safety auditing standards for our suppliers.
- Audits** • We carry out STAR audits to verify whether the suppliers' food safety and quality management systems meet our requirements. In 2022, we conducted over 290 supplier food safety audits and 180 unannounced supplier quality audits.
- Sampling Tests** • Yum China develops an annual raw material food safety sampling plan and conducts random tests to ensure compliance with relevant standards. In 2022, we conducted food safety sampling tests on over 350 key ingredients, involving 154 suppliers.
- Performance Evaluation** • Yum China has established a comprehensive supplier performance evaluation system that assesses food safety and quality performance quarterly. Based on the evaluation results, we graded the suppliers, formulate targeted improvement measures, and promote supplier optimization and improvement.

Logistics

Yum China operates a tailor-made, world-class logistics management system to secure food safety and provide efficient and reliable logistics services for our restaurants. As of the end of 2022, we had 33 logistics centers in use to distribute supplies to our company-owned and franchised stores, as well as to third-party customers.

Each of our logistics centers is equipped with a dedicated quality assurance specialist to inspect warehousing, receiving, distribution, and unloading. We also conduct regular audits and routine inspections on our logistics service providers (including warehouse, transportation, and unloading of goods) to verify that their food safety and quality management systems meet our requirements. In 2022, we conducted 197 food safety and quality audits and over 1,700 routine inspections for our warehousing and transportation service providers.

Furthermore, we utilize the latest technologies to monitor the food safety of cold chain logistics and warehousing processes. We have implemented a smart IoT platform to monitor the movement of food ingredients from suppliers to logistics centers and then to restaurants. This platform also tracks the real-time temperature of vehicles, cold storages, and refrigerated warehouses, as well as the products' temperature from logistics centers to the restaurants, enabling us to promptly identify potential food safety risks.

We continue to invest in the supply chain infrastructure to widen our strategic moat and strengthen business flexibility and resilience. This allows us to maintain high synergy and sustainability in special circumstances, reducing the adverse effects of supply disruptions such as the COVID-19 pandemic. Through cooperation with suppliers, as well as a vast logistics network, we can continuously supply all food products without significant interruption.



In 2022, we began constructing the Yum China Supply Chain Operations Management Center. The center is located in Shanghai and includes an ambient storage area and a low-temperature cold chain area. It will serve as an important cold chain integration hub spanning across eastern China and other parts of the country, thus upgrading the logistics network.

In the same year, the construction of Yum China Nanning Smart Supply Chain Center was officially initiated. The project aims to build high-standard warehousing and modern logistics facilities, covering an approximate area of 22,000 square meters. Furthermore, it seeks to incorporate the latest cold chain technology and intelligent digital logistics management tools.



Rendering of Yum China Supply Chain Management Center



Rendering of the Nanning Smart Supply Chain Center

Restaurants and Delivery

Audits and Inspections

FSQNR Team conducts regular unannounced Operational Excellence Compliance (OEC) Audits on all restaurants, covering food safety, product quality, and customer service. We also conduct regular quality assessments of key menu products and microbiological sampling and testing of food utensils, tableware, water, ice, and related products to help ensure compliance.



In 2022

FSQNR Team performed

21,200+ OEC Audits **~4,500** Quality assessments on key products **89,000+** Samples' microbiological tests

Restaurant Operations Management

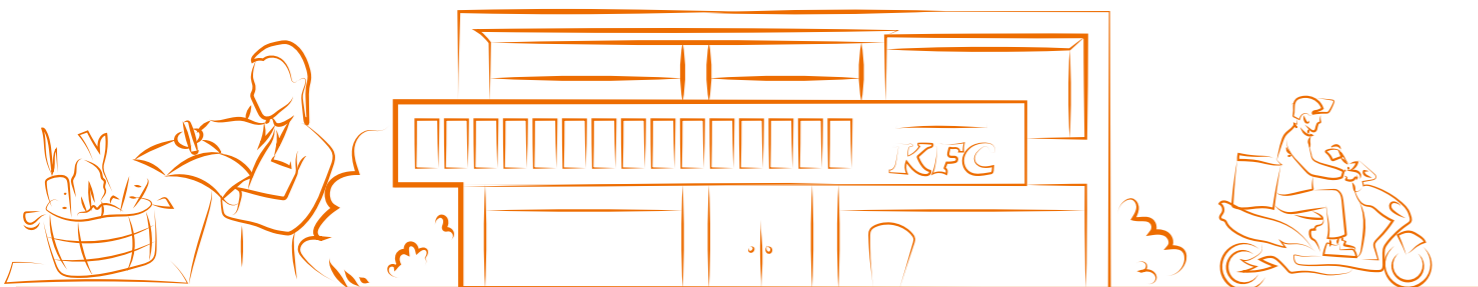


Yum China has established industry-leading restaurant operating standards and procedures covering raw material receiving, storage, thawing and cooking, shelf-life management, personal hygiene, and utensil and equipment cleaning and disinfection. These help ensure that all our restaurants implement consistent food safety standards and provide food with consistent quality and taste. We conduct annual risk assessments at our restaurants to identify potential food safety and quality risks and take effective measures to mitigate risks and eliminate hazards. We also conduct risk assessments for new products, new restaurant layouts, equipment, and store operations to help ensure compliance with food safety and quality requirements.

Delivery Management



We have set up our dedicated delivery service teams for KFC and Pizza Hut. We require all third-party delivery partners to sign and strictly adhere to a letter of commitment on the food safety and quality practices for food delivery. The letter outlines specific requirements for regulatory compliance, staff management, catering, delivery facilities, equipment as well as rigorous management of third-party platforms.



Trending Issues

Yum China continuously monitors changes in policies, laws, and regulations as well as trending issues in the food industry to prioritize food safety-related risks based on the urgency and importance of related risks. In response to public concerns, we advocate for scientific industry concepts and best practices, demonstrating our commitment to social responsibility.

Yum China is committed to promoting the 'Five Freedoms' for animal welfare, ensuring the healthy growth of animals, and promoting the sustainable development of agriculture. We formulated a series of *Yum China Animal Welfare Policies* and implemented animal welfare audits for broiler farming and slaughtering. On top of these, we established a collaborative platform to continuously promote industry cooperation and animal welfare management.

Yum China respects and supports Chinese agricultural development policies and complies with Chinese laws and regulations on the safety evaluation, approval, and management of genetically modified agriculture products. We require our suppliers to provide raw materials in compliance with national regulations. In addition, we keep ourselves up-to-date about new international scientific research achievements and the most recent Chinese regulations and standards.

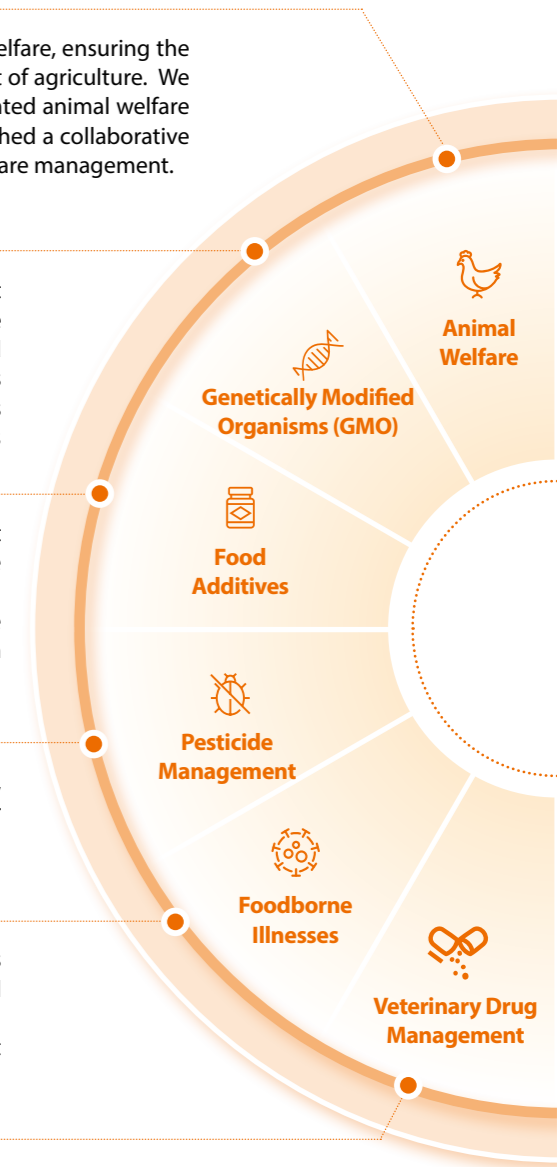
Yum China requires our suppliers to provide documentary evidence that the food additives they use comply with relevant standards. In response to changes in policies, we promptly inform suppliers of the latest food laws, regulations, and standards to ensure their compliance with the new regulations. Additionally, we conduct sampling tests on additives in food materials to verify compliance.

Yum China constantly promotes the implementation of Yum China GAP, sets up a strict pesticide residue monitoring system, and conducts regular pesticide residue tests.

Environmental Pathogen Monitoring Standard was issued to guide suppliers to establish preventive programs and implement environmental pathogen monitoring plans. We shifted the focus of hazard analysis from finished product tests to proactive environmental monitoring to prevent microbial contaminations.

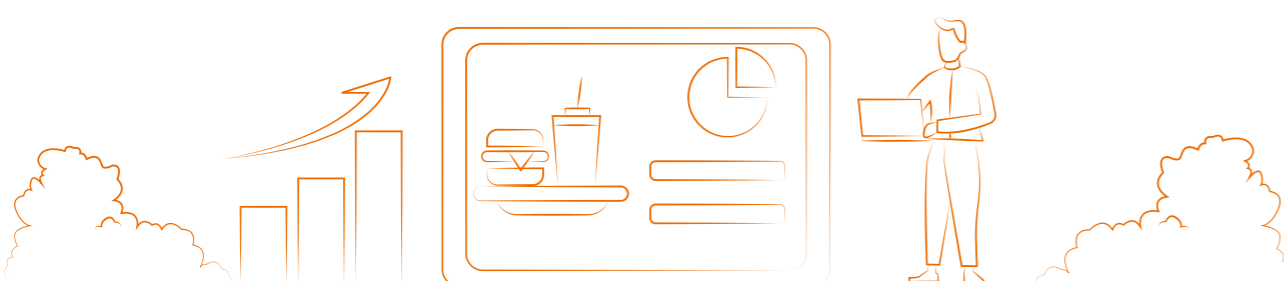
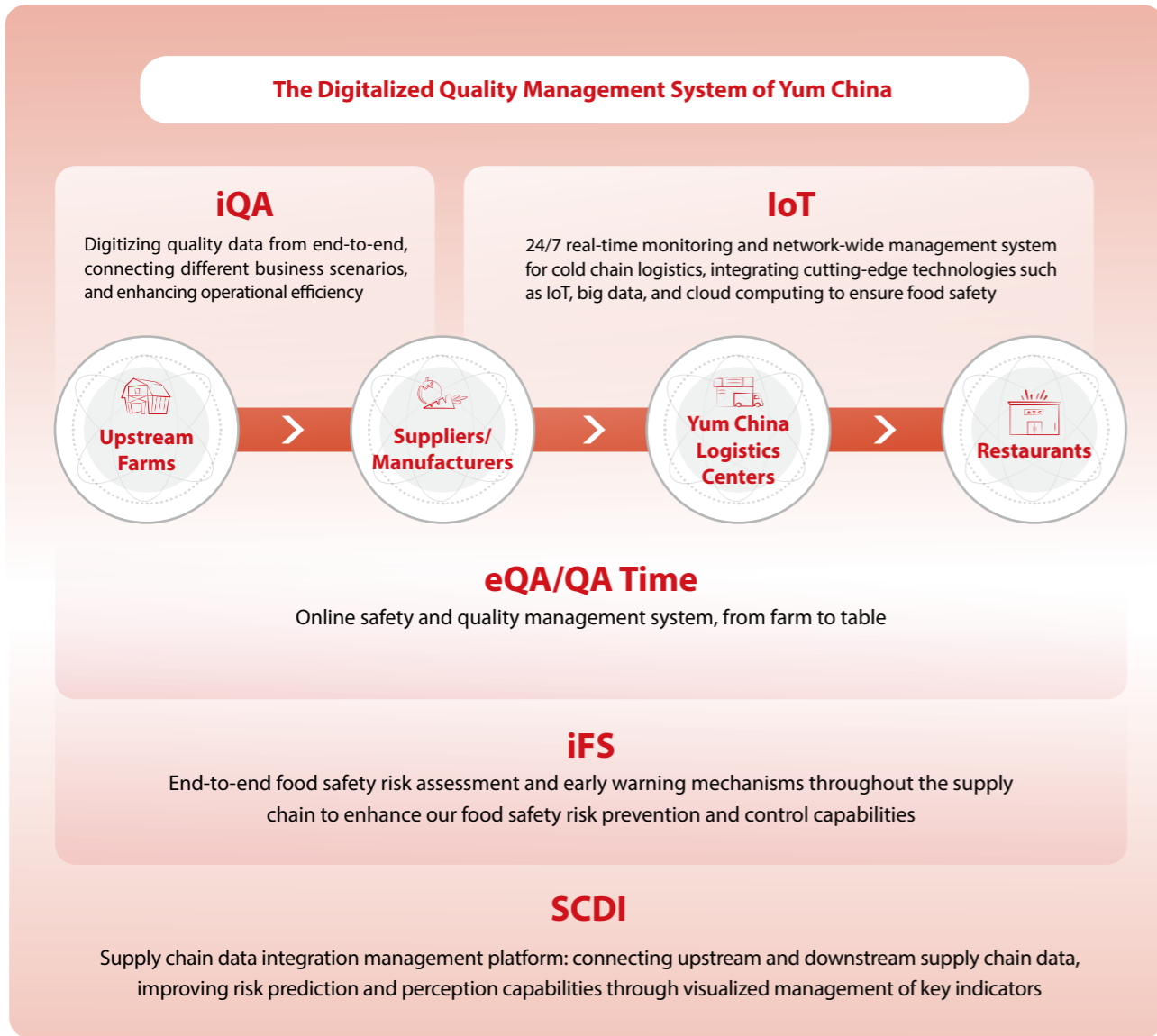
Starting in 2016, Yum China took the lead in removing the use of antimicrobial drugs important to human medicine as growth-promoting agents in broiler feed. In 2020, the Ministry of Agriculture and Rural Affairs issued a related national plan, and Yum China has guided domestic chicken suppliers to ensure full compliance ahead of schedule. Moreover, we developed and implemented a control program for domestic broiler suppliers to gradually reduce the use of other antimicrobial drugs by promoting scientific breeding and judicious use of veterinary drugs.

We actively introduce scientific concepts and share the best industry practices. In 2022, Yum China released the third edition of the *Broiler Breeding Technical Manual* and the *Guidelines for Managing and Administering Veterinary Drugs in Broiler Breeding* to incorporate the latest national policy changes and our supplier management experience. By doing so, we aim to promote scientific breeding and regulate the safe use of drugs in broiler breeding, so that our customers can enjoy in every bite.



Leverage Technology to Ensure Food Safety

We firmly believe that intelligent and digitalized technology is an essential means for promoting food safety and supporting sustainable business growth. In our efforts to create an industry leading intelligent and digitalized supply chain, we have launched advanced systems such as iFS, eQA, iQA, IoT, and SCDI, throughout our supply chain from farm to table.



Case Continuous Improvements on eQA/QA Time

In 2022, eQA/QA Time launched new features, including restaurant profiling and automated generation of food safety reports. These functions have significantly enhanced our management capabilities and operational efficiency.

The restaurant profiling function integrates food safety and quality data from various aspects of the restaurant to enable real-time visual monitoring of food safety status. By accurately profiling the characteristics of the restaurants, targeted insights can be generated to quickly adjust the quality management model and enhance the food safety foundation for the restaurants.

*Score out of five



Balanced and Nutritious Meal

Yum China Nutrition and Health Policy

We are committed to offering delicious and nutritious food to our customers as well as promoting a balanced and healthy diet. Adopting the *Chinese Dietary Guidelines (2022)*, we revised the *Yum China Nutrition and Health Policy* and issued our commitments to further drive Yum China's nutrition and health endeavors.



Yum China Nutrition and Health Commitment

WE CARE about health of next generation, we ensure

100% KFC, Pizza Hut and Taco Bell Kids Meal meets Nutrition Guidelines for Meals Offered by the Restaurant Industry to School-Age Children issued by the Chinese Nutrition Society (CNS)

WE CARE about balanced diet of customers, we ensure

100% KFC, Pizza Hut and Taco Bell Light Meal meets Guidelines for Design of Nutritional Light Meal issued by the China Cuisine Association (CCA)

WE CARE about nutrition & health improvement, we ensure

100%
KFC, Pizza Hut and Taco Bell products are free of trans fat originating from hydrogenated/partially hydrogenated oils

700+ tons
Salt reduction in French fries/ketchup/frozen cheese by 2030 from a 2020 base year

4,500+ tons
Total sugar reduction by 2030 from a 2020 base year

Provide Diverse and Balanced Meal Choices

Diverse Range of Ingredients

We are committed to providing customers with more nutritious and tasty choices by constantly innovating based on customer feedback and demands. Our approach begins with food diversity, offering a variety of high-quality protein options including chicken, beef, seafood, duck, and pork along with other ingredients such as fruits, vegetables and legumes.

In 2022

~40,000 tons
of fruits and vegetables purchased including **70+** fruit and vegetable categories

Responding to the increasing customer demand for plant-based products, we have led the trend towards healthy and low-carbon diets, while promoting sustainability through innovative food products. Our KFC, Pizza Hut, Taco Bell, and Lavazza restaurants in China have launched a range of plant-based foods and beverages, such as vegetarian meat-stuffed rice balls, natural fruit juice and pulp-based fruit teas, OATLY oat milk latte, caramel mousse oat milk latte, coconut milk latte and other products.



Multiple Cooking Methods

We enhance the choices and nutritional value of our menu through a diverse range of cooking methods, including frying, roasting, boiling, sautéing, and grilling. By combining modern food preparation techniques with traditional cooking methods, we are able to preserve the flavor of our food and maintain a consistent quality and taste for our customers.

Meeting Varied Customer Requirements

We understand our customers' varied consumption requirements, and constantly innovate to cater to their needs. Based on extensive market research and feedback in identifying local food trends, our dedicated Food Innovation Team (FIT) develop creative limited-time offers and regional products depending on the season and theme. For example, Taco Bell offers fresh-made seasonal burritos in spring and fall, packed with fresh vegetables, grains, and quality proteins. KFC launched the Superabundant chicken bucket featuring chicken wing tips, chicken neck, and chicken feet to enrich late-night snack options. We have also developed regional menus, with hot-dry noodles with sesame paste, and steamed dumplings, or xiaolongbao in various locations across the country, to meet different breakfast needs. In addition, we provide products in various sizes and specifications to cater to different customers and dining scenarios, offering unique dining experiences.

With health and convenience becoming more important to customers, there is a growing demand for light meals. To meet this demand, we participated in the formulation of the *Guidelines for Designing Nutritious Light Meals*, published by the China Cuisine Association in 2022, with a focus on energy and food diversity. Echoing the trend, Pizza Hut launched Energy Bowl, featuring a variety of vegetables, high quality proteins, delicious fruits and grains, low-GI broccoli orzo pasta, with more than 10 other ingredients that balance nutrition and delicious taste.

Yum China places a high value on the nutritional needs of children. We follow the *Nutrition Guidelines for Meals* offered by the *Restaurant Industry to School-Age Children*, issued by the Chinese Nutrition Society (CNS), to ensure that children are provided with nutritious and balanced food. In 2022, KFC and Taco Bell upgraded their kid's meals, which include tender beef burgers and corn and tomato vegetable cups, to provide children with a more balanced and nutritional diet.



↑ Pizza Hut's light meals series

Industry Development and Public Education

Industry Development

Yum China upholds an open and mutually beneficial approach, taking proactive measures to foster industry exchange and promote social governance of food safety. We work closely with regulators, industry associations, and academic communities to drive the advancement of the food industry. Yum China serves key positions and undertakes key responsibilities in many influential industry organizations such as the Chinese Institute of Food Science and Technology, the China Food Information Center, China Cuisine Association, China Chain-Store & Franchise Association, and Shanghai Food Safety Federation. We actively participate in industry conferences and seminars to share our technical and management expertise, and contribute to the development of food safety standards.

Yum China collaborates with industry peers to provide professional feedback on food-related laws and regulations during public solicitation. We have also participated in the development of relevant industry group standards. In 2022, Yum China participated in providing recommendation for a total of 24 industry and group standards, which included various aspects such as agricultural products, light meals, packaged foods, food contact materials, disinfectants, additive management, and pathogen control.

Together with the CNS, we set up the CNS - Yum China Dietary Health Foundation, to support academic research in the field of catering nutrition and health, aiming to promote balanced diets and improve the dining behavior of residents in China. Since 2007, the fund has been funding scientific research in dietary health and nutrition, and has funded more than 90 projects with a total of RMB 24 million in 15 years.

Public Education

YUMC Cup

Yum China launched the YUMC Cup knowledge contest in 2017, aiming to promote the food safety awareness and improve knowledge among university students. It also encourages them to lead healthy lifestyles. Since its launch in 2017, the YUMC Cup has grown in scale and influence. Since 2020, it has included regional competitions and a national finals event under the guidance of the State Administration for Market Regulation. In recognition of its impact, the YUMC Cup was shortlisted as one of the 100 social activities under a public initiative organized by the State Administration for Market Regulation in 2021. In 2022, it was included as a major part of National Food Safety Week.

YUMC Cup in 2022 was a collaborative effort between Yum China, the China Market Regulation News, the Chinese Institute of Food Science and Technology, and Alipay's Answering Planet. Pizza Hut, a brand that values balanced diets, continued its sponsorship of regional competitions, as it had done in previous years. Pizza Hut restaurants also provided practical opportunities for university students to better understand and apply theoretical knowledge. Nearly six million people participated in the quiz through Answering Planet during practice matches. The regional competition attracted students from more than 370 high schools across 17 provinces, municipalities, and autonomous regions, representing an increase of 165% from the 140 high schools that participated in 2021.



↑ The YUMC Cup

Campaign of National Food Safety Publicity and Education for the Youth

Since its launch in 2016, the Campaign of National Food Safety Publicity and Education for the Youth has been focused on the health needs of younger generations by hosting activities for schools, communities and the youth. By 2022, over 650 science education activities have been held in 67 cities across the country, with more than 370,000 people participating in offline activities. Yum China has leveraged our resources to actively support this initiative. KFC restaurants, Yum China logistics centers, and our upstream supplier bases have been made accessible to young people to visually explore the entire food processing process, beginning from ingredients. With a better understanding of food safety, they are encouraged to develop healthy eating habits.

In 2021, the Campaign received joint support from the Education Center of the Committee on Caring for the Next Generation, China Health Education Center, China Education Newspaper, Yum China, and KFC, taking it to the next level. In 2022, the Campaign featured a range of events such as popular science lectures, educational manual displays, scientific experiments, and practical activities, held in 80 schools across 10 cities, including Shenyang, Chongqing, Xiamen, and Qingdao. A new event was introduced, inviting students to submit their creative works on food safety, such as hand-written newspaper and comics. Through this hands-on experience, students not only gained knowledge on food safety but also shared it with a broader audience.



↑ Campaign of National Food Safety Publicity and Education for the Youth ↑

Supporting the Chinese Institute of Food Science and Technology's Popular Science Day

Yum China collaborated with the Chinese Institute of Food Science and Technology on the 'Food Safety for Thousands of Families - Food Service' event, distributing tray liners that contained fun scientific facts, as part of the National Science Popularization Day. This event has been held for four years now. During the National Science Popularization Day in 2022, under the theme of 'Ensuring Food Safety and Enjoying Delicious Food in Every Bite', KFC tray liners were distributed to disseminate food safety knowledge and management concepts from farm to table.

In 2022

KFC restaurants distributed a total of

16.73 million

themed tray liners nationwide



Best Foods & Best Sports

Yum China's official WeChat account, Best Foods & Best Sports, was officially established in 2017. It posts everyday stories to promote public health education and raise awareness for balancing exercise with a healthy diet. In May 2020, we established a TikTok account to produce brief videos centered around relevant topics. Our approach involves using relatable anecdotes from daily life to promote healthy lifestyles with our viewers.

In 2022

216

Posts/videos



Scan the QR code and subscribe for more information



Environment

Climate change, pollution, and biodiversity loss are among the most pressing planetary crises that humanity faces today, which requires global collective action to achieve a harmonious coexistence between humanity and nature. Yum China is committed to fulfilling our environmental responsibility by driving our entire value chain to work towards 'minimizing our environmental footprint'. We continuously evaluate and enhance the climate resilience of our entire value chain and are making progress towards achieving net-zero greenhouse gas (GHG) emissions across our value chain by 2050. In addition, we actively embrace the opportunities presented by the circular economy by reducing our reliance on nature, and turning waste into resources to further explore the opportunities to create 'zero-waste' restaurants. Furthermore, we prioritize the protection of natural resources and are dedicated to establishing a 'zero-deforestation supply chain'. Our aim is to collaborate with stakeholders across our value chain to build a sustainable ecosystem and to better protect the earth we live on.

Highly Relevant



Moderately Relevant



Primary Focus



Highlights from 2022

Climate Action

1st restaurant company in China to set near-term Science-Based Targets (SBTs)

Two restaurants in Hangzhou powered by 100% renewable energy

KFC 'Green Pioneer Stores' launched in Beijing and Hangzhou, with one certified as LEED Gold

15% of average restaurant electricity consumption reduction as compared to 2021



~2,400 MWh of annual renewable energy generation capacity expected



Circular Economy

300+ KFC restaurants in 62 cities adopted the Food Bank Program, reducing

~380 tons CO₂e

~19,000 tons of packaging reduced in 2022, reducing

~16,000 tons CO₂e

325 International Sustainability and Carbon Certification (ISCC)-certified restaurants

3,518 tons of used cooking oil (UCO) converted into biodiesel since 2019

1st restaurant chain in China to pilot packaging waste recycling

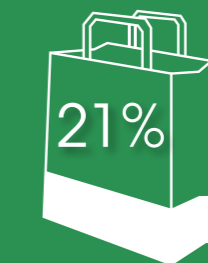
Supply Chain Environmental Impact



Roundtable on Sustainable Palm Oil (RSPO)-certified palm oil purchased



Traceable soy for soymilk powder

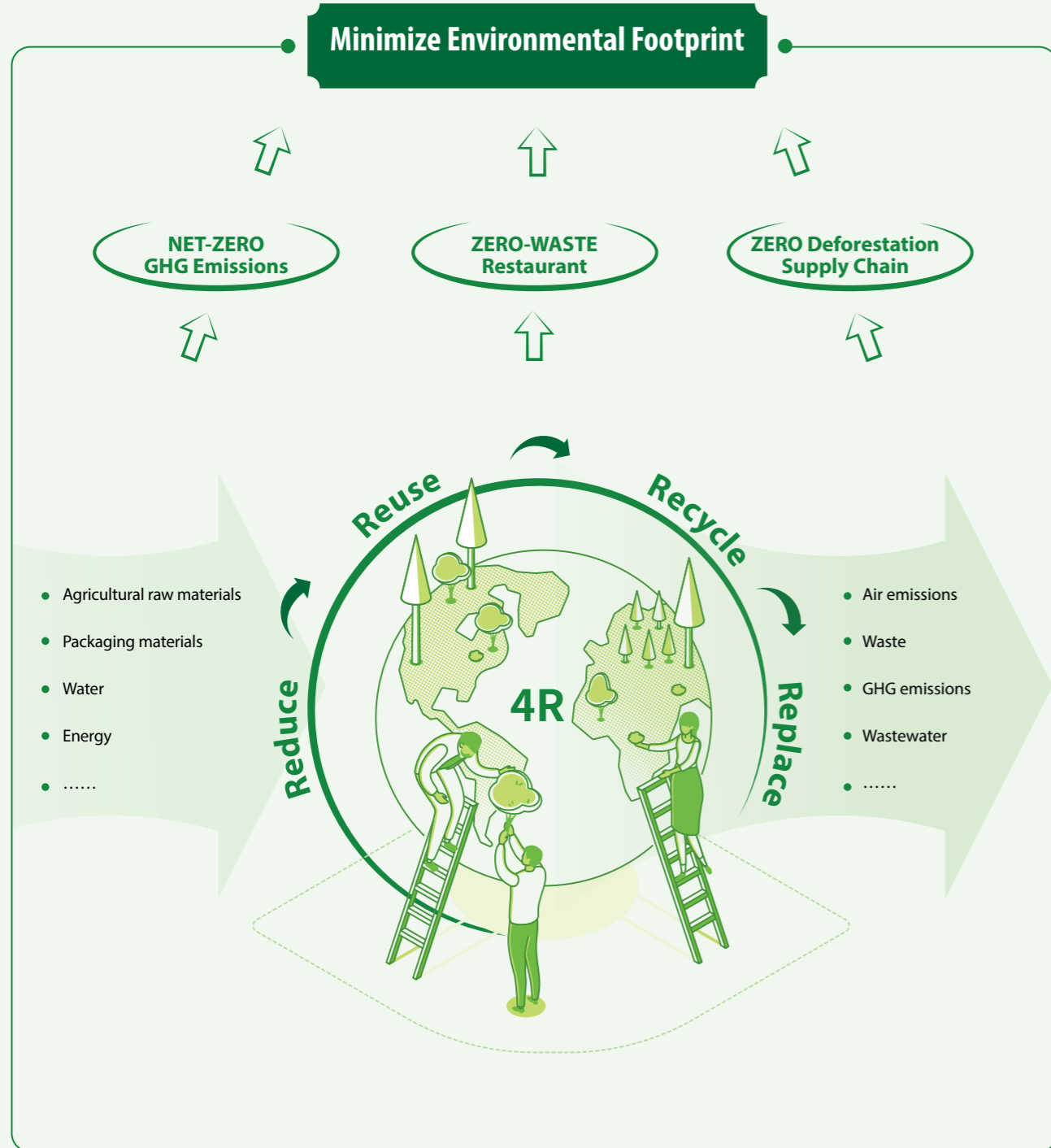


Forest Stewardship Council (FSC)-certified paper packaging

Yum China firmly believes in the role of business leaders as stewards of the environment. We strictly abide by the environment-related laws and regulations of China and develop relevant internal environmental policies such as the *Yum China Environmental Management System*.

Guided by the 4R principle*, we integrate sustainable development into our daily operations, from raw materials sourcing, logistics and warehousing, and restaurant operations to distribution services. In addition, we strive to use natural resources more efficiently and mitigate negative impacts on the environment, ultimately minimizing the environmental footprint of the entire value chain.

*4R principle: Reduce, Reuse, Recycle, and Replace



Climate Action

Given the increasing impact of climate change on the global food system, the restaurant industry has been actively promoting climate action to mitigate the risks associated with climate change. Yum China takes a proactive approach to identify and assess short and long-term climate-related risks and opportunities in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework. We incorporate climate-related risks into our risk management systems and develop management measures to improve the climate resilience of our business model. To this end, we have set SBTs and developed a low-carbon transformation roadmap to reduce GHG emissions across our value chain. We work collaboratively with employees, suppliers, customers, and communities to accelerate the low-carbon transformation of the value chain and tackle climate change challenges together.

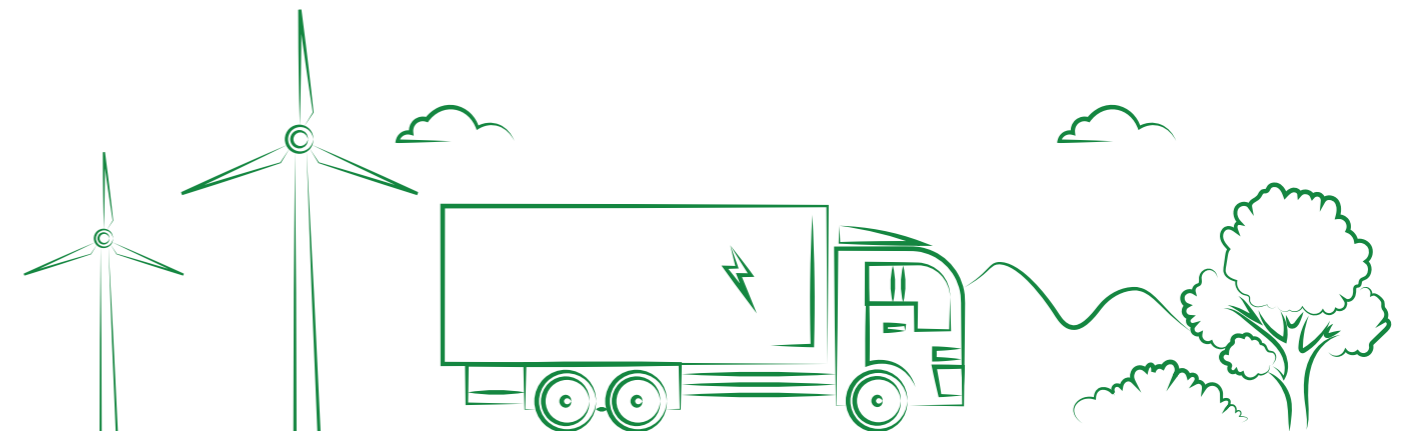
“Our sustainability priorities place climate action at the forefront. Achieving our ambitious goals will demand substantial effort and require us to collaborate closely with stakeholders throughout our value chain.”

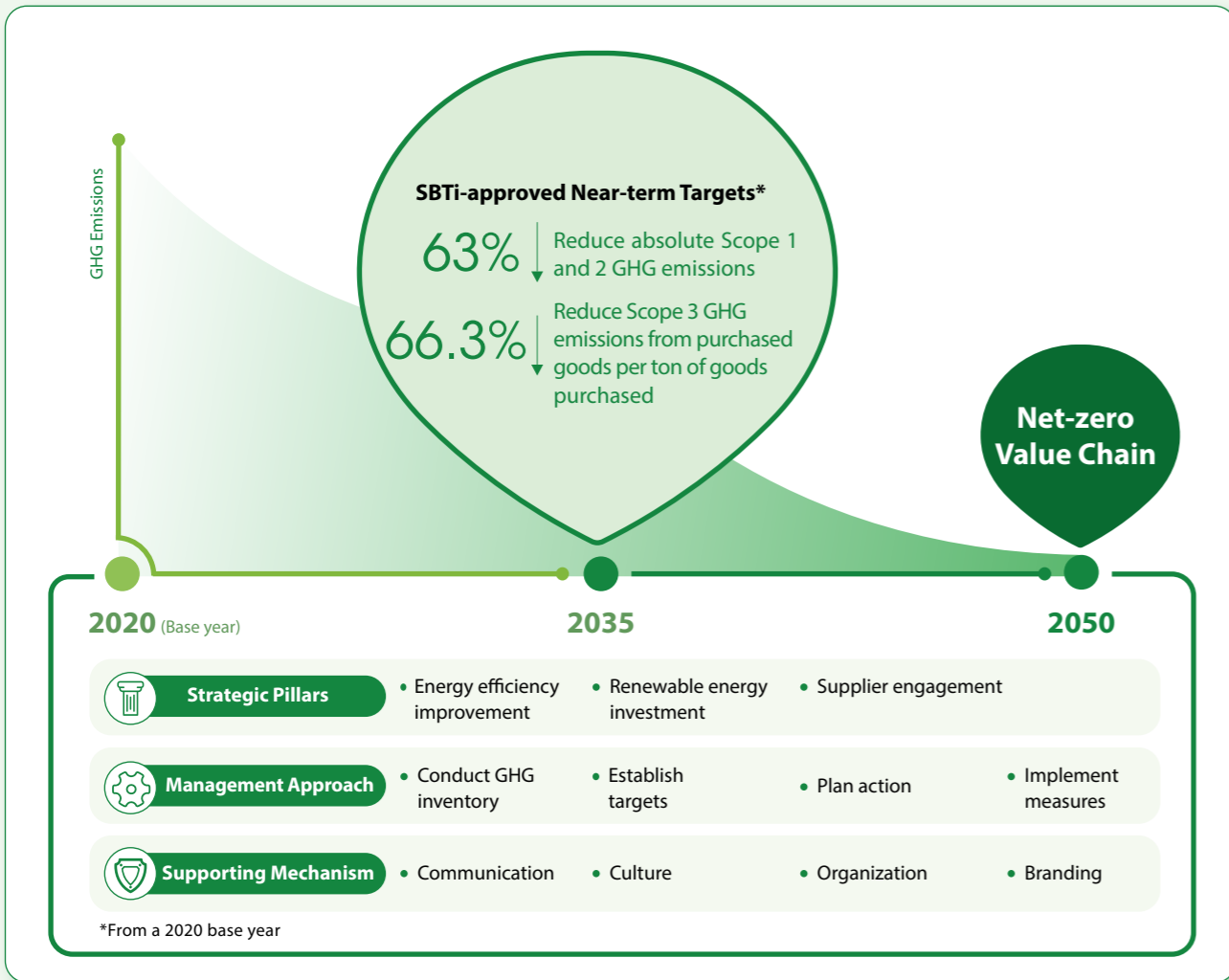
- Joey Wat, CEO of Yum China

2050 Net-zero Roadmap

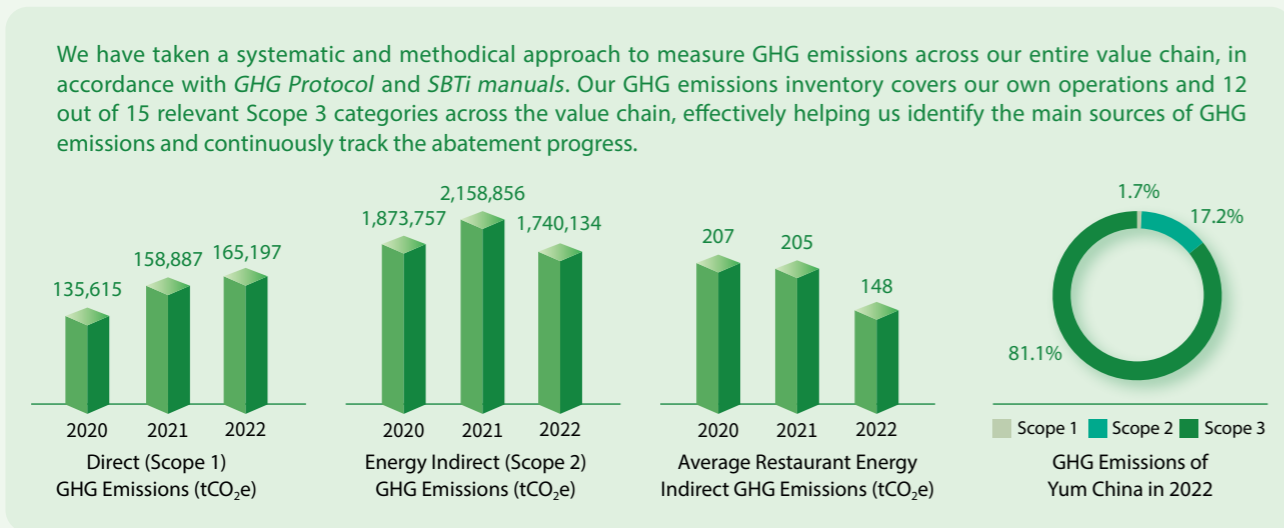
We firmly support the long-term goals of the *Paris Agreement* to limit the global average temperature increase to 1.5°C above pre-industrial levels and fully endorse the Chinese government’s commitment to reach peak carbon emissions by 2030 and achieve carbon neutrality by 2060. In 2021, we submitted our *Business Ambition for 1.5°C Commitment Letter* to Science Based Targets initiative (SBTi), demonstrating our determination to reach net-zero value chain GHG emissions by 2050.

We set near-term GHG emissions reduction targets based on the leading climate scientific consensus and our targets were officially approved by SBTi in 2022, marking Yum China the first restaurant company in China to reach this milestone. To realize our abatement targets, we developed a roadmap for our low-carbon transformation based on SBTi suggestions, focusing on energy efficiency improvement, renewable energy investment, and supplier engagement. Going forward, we will maintain transparency in tracking and reporting our progress in GHG emissions reductions while collaborating with employees, supply chain partners, and stakeholders to implement initiatives that propel us toward achieving net-zero GHG emissions.





GHG Emissions of Yum China (2020-2022)*



*The Scope 1 and Scope 2 GHG emissions of Yum China in 2020 only covered the company-owned restaurants and unconsolidated affiliates of KFC and Pizza Hut. In 2021 & 2022, we expanded the scope of GHG emissions to company-owned restaurants across all brands, office buildings and logistics centers within our operational control. The average restaurant energy indirect GHG emissions was calculated based on the total purchased electricity consumption from company-owned restaurants across all brands in 2022. In 2022, the power grid emission factor we used refers to the *Notice on the Management of Corporate GHG Emissions Reporting in Power Generation Industry from 2023 to 2025* issued by the Ministry of Ecology and Environment.

Low-carbon Operations

To reduce GHG emissions in our own operations, we actively drive energy efficiency through technology innovation and operational excellence. Meanwhile, we continue to explore opportunities in renewable energy and accelerate the low-carbon transformation of our own operations.

Green Building Design

We benchmark our buildings against one of the most authoritative green building standards, Leadership in Energy and Environmental Design (LEED), and we formulate and regularly update the Yum China Green Building Standards for restaurant design to build high-standard green buildings by using environmentally friendly materials, energy-saving facilities, and thermal comfort control systems.

In 2022, we referenced LEED v4 to update the Yum China Green Building Standards and achieved the goal of 'All newly built restaurants to comply with the Yum China Green Building Standards'. Our KFC Green Pioneer Store in Hangzhou was LEED Gold rated for its application of green building design and energy-saving technology. We will continue to innovate in green restaurant design to lay a solid foundation for low-carbon operation.



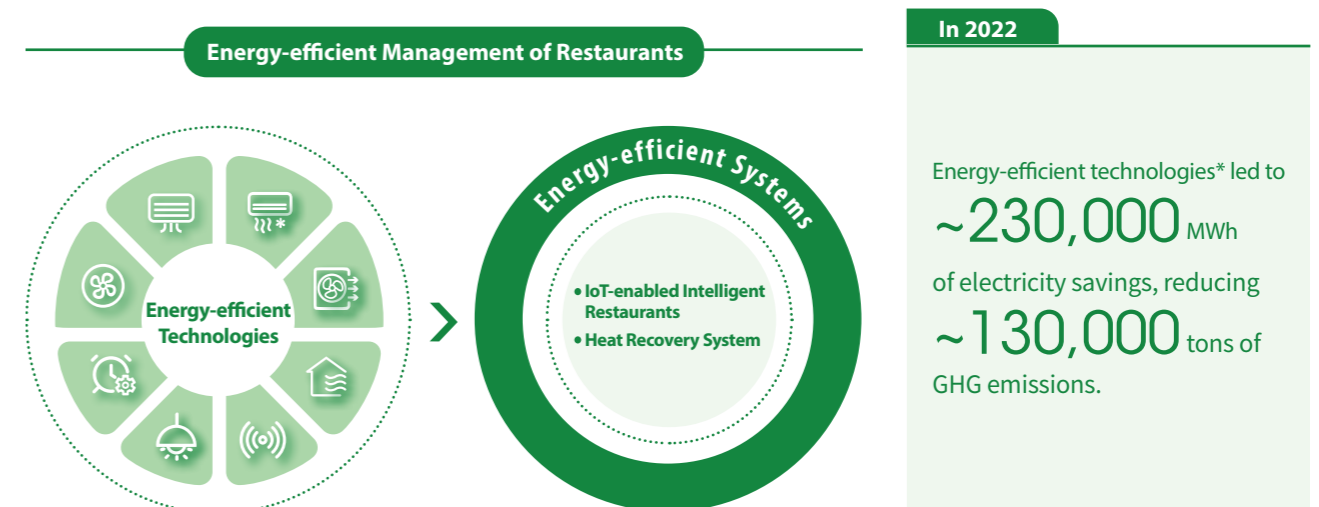
LEED Gold Certification →

Green Operations

Low-carbon Restaurants

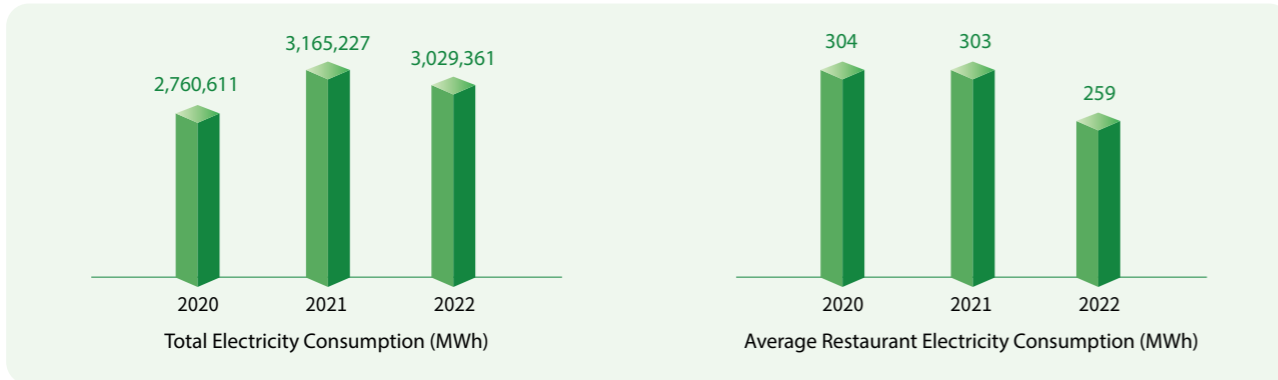
Energy-efficient operations of our restaurants have been a long-term priority in our efforts to reduce GHG emissions. We continuously develop and deploy high-efficiency equipment and facilities and apply technology to develop digital, automated, and smart restaurants. Meanwhile, our effective management practices also help to improve the energy efficiency of our own operations.

In 2022, we applied a total of eight high energy-efficient technologies, including the newly added air exhauster automatic control system and the air curtain automatic control system. In addition to the ongoing implementation of individual energy-efficient technologies, we are applying intelligent and systematic energy-efficient technologies and expanding the deployment of the Internet of Things (IoT). As of the end of 2022, IoT was deployed in 420 restaurants accumulatively. Furthermore, we developed and are promoting an innovative heat recovery system to collect heat generated from refrigerators and ice machines and to reuse the collected heat as energy to heat up water, which would efficiently reduce electricity consumption.



*Energy-efficient technologies include kitchen cooking fume exhaust control system, kitchen hood, heat pump water heater, high-efficiency DC air-conditioning system, LED lighting, value-added technology application systems, air exhauster automatic control system, and air curtain automatic control system.

Energy Consumption of Yum China (2020-2022)*



*The electricity consumption of Yum China in 2020 only covered the company-owned restaurants and unconsolidated affiliates of KFC and Pizza Hut. In 2021 & 2022, we expanded the scope of electricity consumption to company-owned restaurants across all brands, office buildings and logistics centers within our operational control. The average restaurant electricity consumption in 2021 & 2022 was calculated based on total electricity consumption from company-owned restaurants across all brands.

Eco-friendly Workplaces

We step up our efforts to build an eco-friendly workplace through sustainable office design and incorporating green facilities and equipment to continuously reduce our carbon footprint. As a LEED Gold certified building, Yum China Restaurant Support Center (RSC) embodies high standards of sustainability from design to operations. It features various energy-saving measures such as intelligent control of lighting and air conditioning systems, daylight sensors, BA-controlled systems, and LED lights.

Apart from energy-efficient facilities, we instill the culture of the low-carbon working in our offices through employees education and engagement. This empowers over 400,000 employees to contribute to establishing a green workplace. We encourage employees to use online meetings to reduce the carbon footprint of unnecessary business trips. We provide environmentally friendly office supplies, promote the use of duplex printing, and limit color printing. By establishing a solid infrastructure and enabling a shift towards green transformation, we work collaboratively with all employees to continually reduce GHG emissions in our office.

Case Promoting the Use of Yum China's Reusable Thermos

To reduce the consumption of disposable paper cups and bottled water, we designed and distributed reusable thermoses to our employees in 2022, and do not provide bottled water in the office. By the end of 2022, we handed out nearly 2,000 reusable thermoses, reducing more than 150,000 bottles of mineral water, and reduced GHG emissions by approximately eight tons.



↑ Yum China's Reusable Thermos

Case The Yum China Carbon Neutrality Quiz

In 2022, we organized a carbon neutrality quiz for RGM and office employees. Those who completed the quiz received a 'Low-carbon' title. Within a week, nearly 700 employees participated, with more than 85% of participants fully mastering the assessment knowledge. This effort not only enabled employees to learn basic knowledge about carbon neutrality, but also enhanced employees' awareness of green and low-carbon practices.



↑ Low-carbon Leader Certificate

Renewable Energy Investment

Yum China recognizes the importance of utilizing renewable energy to bolster our climate resilience and support our low-carbon transition.

We are actively collaborating with our partners to explore affordable, reliable, and scalable renewable energy opportunities, in order to increase the use of renewable energy. We are continuously evaluating and piloting the application of Distributed Photovoltaics (DPV) for company-owned restaurants and logistics centers. At the same time, we are also exploring DPV projects with our strategic landlords for leased locations. The green power generation capacity of our DPV projects in 2022, which includes both completed and ongoing projects, is expected to reach 2,400 MWh per year.

Continuously evaluate the possibility of deploying DPV in restaurants and logistics centers

Rooftops at company-owned restaurants/logistics centers

Rooftops at non-company-owned sites

Maximize the use of self-owned rooftops to install PV systems

Explore landlord collaboration

Company-owned Restaurants	Logistics Centers	Strategic Landlord Collaboration
<p>In 2022, we launched DPV pilot projects in KFC Green Pioneer Stores in Beijing and Hangzhou. Each store generates approximately 10,000 kWh of solar power annually for our restaurants, incorporating an advanced Power Storage System to further improve energy efficiency. During the reporting period, the actual total power generation of the two pilot projects was 11,000 kWh.</p>	<p>We developed rooftop PV pilot projects in our logistics center in Chongzhou, Chengdu, which is expected to provide approximately 30,000 kWh of solar power annually. Based on the pilot, we plan to extend rooftop PV to six company-owned logistics centers starting in 2023, including Nanning and Shenyang logistics centers, which will be completed in 2023. The estimate total annual power generation of the six projects is approximately 12,000 MWh, further expanding the use of renewable energy.</p>	<p>We are assessing opportunities to collaborate with strategic landlords which already installed DPV on their rooftops. The collaboration would enable our stores to use renewable energy generated by landlord's DPV.</p>

We are exploring China's green power trading scheme as another manner for renewable energy. We work with business partners to gain an in-depth understanding of market practices and assess the feasibility of green power purchase agreements (PPAs). In December 2022, we signed a PPA with a local power trading company to achieve 100% renewable energy for two of our company-owned restaurants in Hangzhou, Zhejiang. In the future, we will continue to seek opportunities to gradually extend the practice to more restaurants across the country.



In our Shenzhen logistics center, we have piloted small-scale electric vehicle (EV) for logistics fleets as part of our efforts to explore new energy vehicles to support our extensive distribution system. We are also exploring emerging low-carbon energy sources such as hydrogen applications.

PPA for Hangzhou KFC stores →

Case The Hydrogen Energy Industry Chain Investment and Development

In 2022, at the 5th China International Import Expo (CIIE), we announced a partnership with Beiqi Foton Motor and Air Products to support the development and investment in the hydrogen energy industry value chain. We jointly developed demo application scenarios for hydrogen fuel logistics vehicles aiming to accelerate the development of domestic liquid hydrogen in China. We plan to pilot the operation of hydrogen logistics vehicles in 2023, aiming to have a positive climate impact on the society.

Low-carbon Supply Chain

More than two-thirds of Yum China's Scope 3 GHG emissions are from our purchased goods, making it essential to promote low-carbon transformation throughout the value chain to achieve our net-zero GHG emissions goal by 2050. We are committed to reducing Scope 3 GHG emissions from purchased goods 66.3% per ton of goods purchased by 2035 from a 2020 base year.

Our supply chain is complex across a wide range of categories and with different stages of readiness of low-carbon operations among our suppliers. We work with suppliers through our '3E' management method to promote low-carbon supply chain.

'3E' Management Method

Engage:
Promote the joint participation of suppliers in GHG emissions reduction

The joint participation of all stakeholders in the supply chain is a key step towards promoting low-carbon transformation throughout the supply chain. We expect our key suppliers to take positive actions on GHG emissions reduction, including formulating their GHG emissions inventory and setting abatement targets.

In February 2022, Yum China held our 1st Supply Chain Sustainability Workshop and advocated for supply chain carbon reduction. We invited the leadership teams of our top 50 suppliers to participate in the event where Yum China shared experience and progress on climate action. The goal was to encourage suppliers to collectively participate in reducing GHG emissions. An abatement pilot program was launched with selected suppliers from the poultry and packaging categories.

Educate:
Building suppliers' capacity in dealing with climate risks

We maintain regular communication with our suppliers, provide them with knowledge on climate change, and share industry-leading practices.

In 2022, we developed a carbon footprint scorecard for suppliers, which assesses their GHG emissions across the entire value chain, as well as their abatement targets, management policies, abatement progress, and other indicators. This allows for a systematical evaluation and tracking of suppliers' performance in reducing GHG emissions. In addition, the inclusion of Carbon Footprint as a KPI in our supplier management system is currently underway and it will become an important aspect of the annual business review assessment for suppliers.

Empower:
Empower suppliers' low-carbon development

We see suppliers as business partners, assist them to take abatement actions, and share useful resources with them, to support their low-carbon transformation.

In 2022, the pilot suppliers successfully built and improved their sustainability governance structures and effectively adopted energy-saving technologies as well as started to explore renewable energy opportunities. At the same time, we also encourage suppliers to link upstream and downstream business partners to jointly promote the development of a green supply chain.



Low-carbon Ecosystem

While promoting the GHG emissions reduction of our own operations and supply chain, we hope to use our influence to invite the public to join climate actions and shape a low-carbon ecosystem together. To that end, we launched low-carbon and environmental protection promotion activities across the country through online and offline channels. By raising public awareness of eco-friendly behavior, we aim to motivate the public to join low-carbon consumption and to create a greater GHG emissions reduction effect through joint efforts.

Case KFC Launches Green and Low-carbon Activities

In 2022, we launched a new 'Virtual Green Store' on KFC Super App. By exchanging 'green points' for coupons, more than 330 million KFC members were inspired to support low-carbon consumption behaviors during the ordering process, such as mobile ordering or opting out of disposable tableware.

At the same time, KFC launched a series of 'carbon zero' plant-based meat rice rolls and 'carbon zero' herbal oat drinks in 2022 after the first launch of 'carbon zero' oat drinks in 2021. The GHG emissions generated by these products throughout their product life cycle are neutralized through the KFC Carbon-neutral Forest Program.

In addition, KFC stores across the country carried out a series of green-themed activities to promote environmental protection and sustainability.



Zhengzhou - Low-carbon punch card game



Guizhou - DIY



Tianjin and Changsha - Spring trip with low-carbon vehicles



'Carbon zero' Plant-based Meat Rice Rolls

During the reporting period, 'carbon zero' products* sold in KFC restaurants led to a total GHG emissions reduction of **348 tCO₂e**



'Carbon zero' Herbal Oat Drinks

*'Carbon zero' products include herbal oat drinks and plant-based meat rice rolls.

Case Lavazza Encourages a Sustainable Lifestyle

In 2022, Lavazza launched a limited-edition eco-friendly cup made from coffee grounds, allowing customers to participate in a green lifestyle while enjoying our KAFA beans. In addition, Lavazza cooperated with OATLY for the first time to launch a low-carbon cycling campaign to promote a green and healthy lifestyle.



Eco-friendly Coffee Grounds Cup



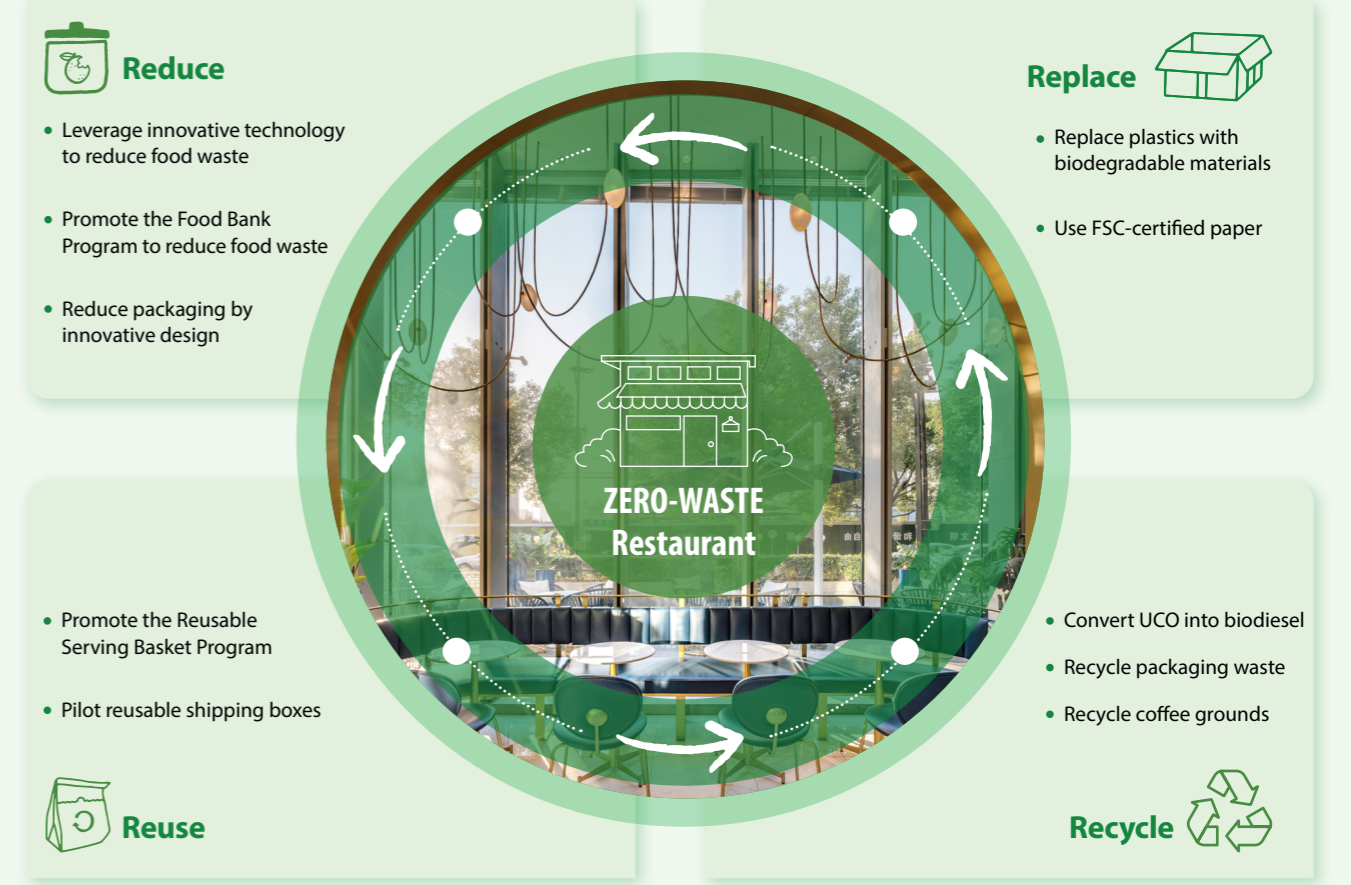
Low-carbon Cycling



Circular Economy

To contribute to the transition from the linear model (extract - use - dispose) to the circular economy, we adhere to the 4R Principles, exploring the opportunities to create 'zero-waste' restaurants. We use natural resources more efficiently, including food ingredients, packaging, and water. We also explore methods to recycle more waste to minimize environmental footprint. This enables us to create a positive impact on both the economy and the environment.

In addition, in order to track the progress of our waste reduction efforts, we have been progressively monitoring and measuring the solid waste generated by our operations and continually improving our waste management practices. In 2022, we improved the hybrid approach to measure solid waste by regularly tracking the amount of food loss in the back of the house and recording it into our system. This has laid a solid foundation for future systematic waste management.

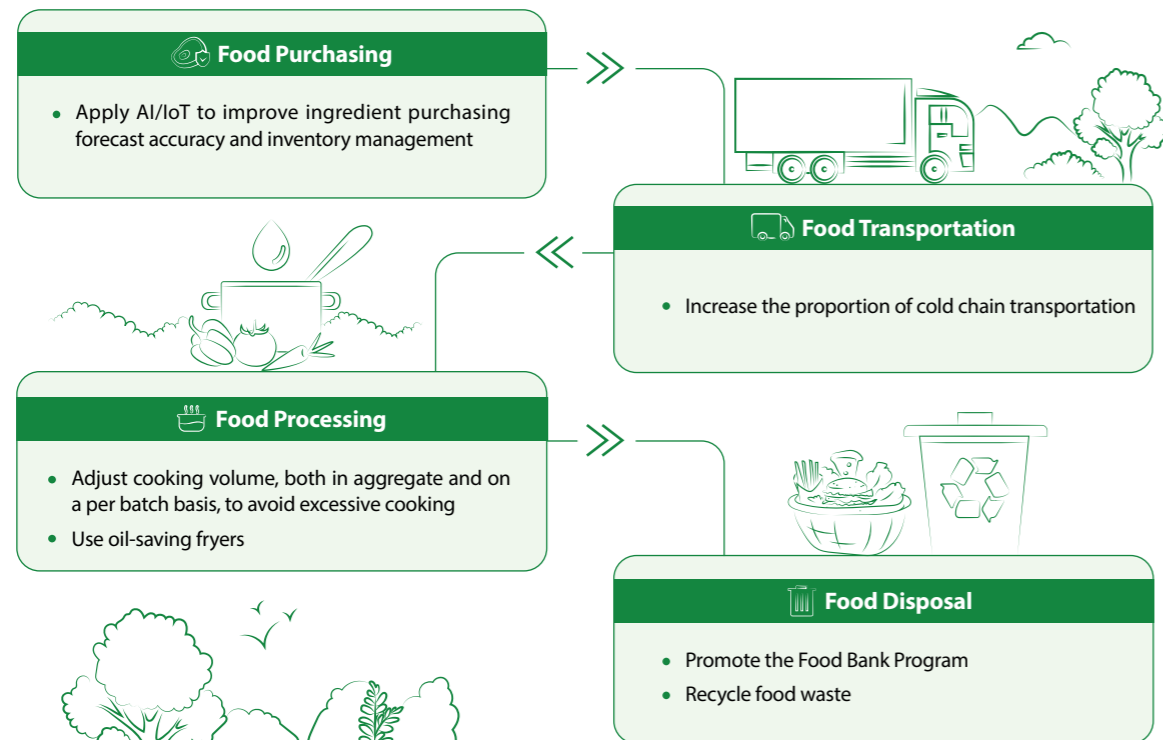


Exploit Less Natural Resources

We are committed to managing natural resources responsibly by implementing concrete measures such as reducing food loss and waste, developing sustainable packaging solutions, and focusing on water conservation, to effectively reduce natural resource consumption in our operations.

Food Loss and Waste

To reduce food loss and waste, we explore innovative ways and partnerships to build green business and consumption models in the restaurant industry. We adopted innovative technologies and scientific management methods to reduce food loss and waste across our entire value chain, from purchasing, transportation, and processing, to dispose. We are working towards our 2030 goal of '10% reduction of food waste per restaurant by 2030 as compared to the 2020 baseline'.



Case Yum China Further Promotes the Food Bank Program

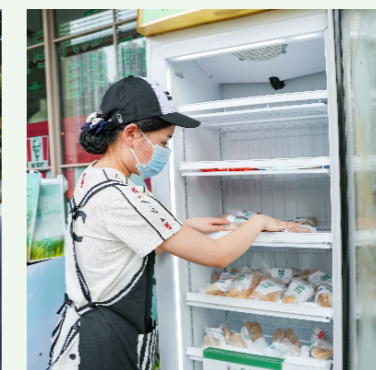
In 2020, KFC launched the Food Bank Program, which distributes surplus food from our stores to nearby residents in need for free. The program not only helps reduce food waste but also plays an active role in GHG emissions reduction. Each pack of food distributed by KFC is estimated to result in an average of 596g of GHG emissions reduction.

In 2022, we not only continued our efforts to promote the Food Bank Program in KFC stores but also successfully launched the program with Pizza Hut to involve more of our brands to explore innovative ways to reduce food waste based on their unique characteristics.

As of the end of 2022



↑ KFC Food Bank Program



Food Bank Program had expanded to **300+** KFC stores in **62** cities
380 tons of GHG emissions reduced during the reporting period



↑ Pizza Hut Food Bank Program



40+ Pizza Hut stores
9 cities joined the Food Bank Program

In addition, we launched a campaign initiative to leverage our influence and engage industry partners and the public on carbon reduction and environmental protection. In 2022, KFC launched campaigns to support World Food Day, which mobilized our supply chain partners, including Sunner Group, OATLY, and COFCO. Using the pick-up stations as distribution channels, 180 KFC stores across 35 cities cumulatively donated over 20,000 bags of surplus food to people in need, covering more than 300 communities.



↑ Campaigns to support World Food Day

Sustainable Packaging

We strictly comply with the national laws and regulations on the use of packaging and set a series of commitments and goals. Guided by our 4R Principles, we have released the *Yum China Packaging Strategy* to accomplish the commitments and goals by developing sustainable packaging solutions, such as packaging reduction, innovative approaches for reusable packaging, and material replacement.

Yum China Sustainable Packaging Commitments



Achievements of Yum China Sustainable Packaging Approach in 2022



*Statistical scope: Total packaging reduction is the difference in all marketed packaging usage from company-owned restaurants across all brands before and after the optimization of packaging items in 2022.

Packaging Reduction

Yum China constantly looks for new ways to secure sustainable and innovative packaging design. We have effectively reduced paper and plastic packaging through design improvement, structural optimization, and using lightweight materials.



In 2022

Design Improvement



KFC restaurants switched to strawless lids for iced coffees and cold beverages, reducing over 100 tons of paper.

Structural Optimization



KFC restaurants switched delivery paper bags to smaller bags without handles, reducing approximately 450 tons of paper.



KFC restaurants optimize the size of single-cup beverage bags, reducing approximately 342 tons of plastic.

Lightweight Materials



KFC restaurants in tier one and two cities replaced dine-in and takeout burger boxes with paper wrappers, reducing approximately 790 tons of paper.



KFC restaurants used high-bulk paper for soda cups, reducing approximately 290 tons of paper.



Pizza Hut restaurants optimized pizza boxes by replacing heavy kraft paper with lighter draft paper, reducing approximately 440 tons of paper.

Innovative Approaches for Reusing

We explore innovative reusable packaging to replace traditional disposable packaging to reduce the consumption of resources.

Since 2019, we have been promoting the Reusable Serving Basket Program in KFC restaurants, which replaces the use of packaging materials such as paper cartons and paper bags to reduce paper packaging usage. Since its launch, the program has helped us reduce over 7,100 tons of paper usage, resulting in approximately 6,500 tons of GHG emissions reductions.

In 2022, the Reusable Serving Basket Program covered 100% of KFC stores. Meanwhile, we have already successfully implemented the program in 100% of Taco Bell restaurants and plan to further expand to more brands in the future.

Similarly, we are also exploring reusable shipping boxes to further reduce natural resource consumption.



Material Replacement

We actively seek out and use eco-friendly materials as alternatives to plastics and reduce non-degradable plastic packaging without compromising the customer experience.

As of the end of 2022



Removal of disposable non-degradable plastic cutlery

All of the company-owned restaurants within the national plastic-ban area in mainland China replaced disposable non-degradable plastic cutlery for dine-in with reusable or fully biodegradable plastic and wooden cutlery.



Removal of non-degradable plastic straws

All of the company-owned restaurants have eliminated non-degradable plastic straws and adopted paper ones.



Removal of disposable non-degradable plastic shopping bags

All of the company-owned restaurants within the national plastic ban area in mainland China have replaced non-degradable plastic shopping bags with paper or biodegradable plastic ones.

We support sustainable forest management and do not accept any paper products from suppliers that knowingly cause deforestation. We have set the goal of using '100% of FSC-certified paper packaging by 2025' and intend to gradually expand the application of FSC-certified paper. In 2022, cola cups, paper plates, and paper buckets in the majority of KFC restaurants in mainland China had been replaced with FSC-certified paper.

Meanwhile, we also evaluate and explore eco-friendly packaging materials, such as bamboo paper. In 2022, KFC, Pizza Hut, Taco Bell, Little Sheep, and Lavazza restaurants in mainland China had fully switched away from napkins made from wood pulp to FCS-certified bamboo pulp, reducing over 1,500 tons of GHG emissions during the reporting period.

As of the end of 2022


FSC-certified paper packaging accounted for **21%** of all paper packaging materials*.

*The data is calculated based on the weight of the packaging.




Water Management

The United Nations Intergovernmental Panel on Climate Change (IPCC) indicated that climate change would increase the vulnerability of water resources. We collaborated with the World Resources Institute (WRI) to assess the water risks in our operations. Based on the results, we continue to prioritize the upgrading of water-saving facilities, such as steam cleaners, thawing cabinets, and tailor-made dishwashers in water-stressed or water-scarce areas. In the future, we will assess expanding the upgraded water-saving facilities and equipment in more of our sites to continuously improve the efficiency of our water usage.




Steam Cleaner

We have started to implement steam cleaners in restaurants to simplify the cleaning process and reduce water usage by replacing manual work, saving an average of 20kg of water per day per store.



Thawing Cabinet

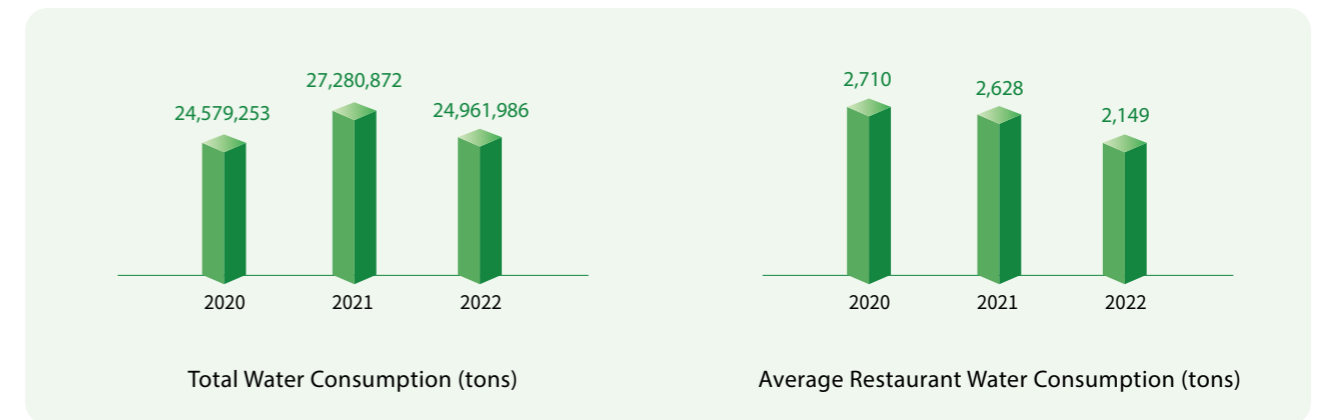
We developed a new watersaving thawing cabinet, which uses air circulation instead of running water to achieve an annual water saving of 1.2 tons per cabinet. By the end of 2022, we have installed approximately 80 thawing cabinets in our stores.



Tailor-made Dishwasher

We have installed dishwashers in KFC stores as an alternative to manual labor. Using dishwashers can help restaurants save approximately 0.9 tons of water per store per day. By the end of 2022, over 7,500 dishwashers had been deployed in stores in mainland China accumulatively, saving approximately 1.25 million tons of water during the reporting period.

Water Consumption of Yum China (2020-2022)*



*The water consumption of Yum China in 2020 only covered the company-owned restaurants and unconsolidated affiliates of KFC and Pizza Hut. In 2021 & 2022, we expanded the scope of water consumption to company-owned restaurants across all brands.



Recycle More Waste

We collaborate with industry partners to promote the recycling and resource utilization of waste generated in restaurant operations, including UCO and packaging waste. This approach allows us to harness the potential of waste as a valuable resource and minimize its negative impact on the environment.

UCO Recycling

The UCO generated in our kitchen is a valuable material for producing sustainable biofuel. We actively seek collaboration opportunities with stakeholders in the biofuel industry to collect and process UCO as much as possible.

At the same time, we constantly explore closed-loop solutions to recycle and reuse UCO into biofuels that can be used in our logistics fleet. Moreover, we seek opportunities to further integrate UCO collection and transportation from our stores across China as a raw material for Sustainable Aviation Fuel (SAF). As the first restaurant company in China to explore strategic collaboration in the SAF value chain, we are working closely with our value chain partners to advance circular economy for both restaurant and the aviation industries.

Case UCO Recycling and Closed-Loop Application

In 2018, Yum China launched a small-scale pilot project in Chengdu to convert UCO into biodiesel and established a comprehensive data recording and tracking system in accordance with ISCC standards. In 2022, we promoted this project and increased our UCO recycling efforts.

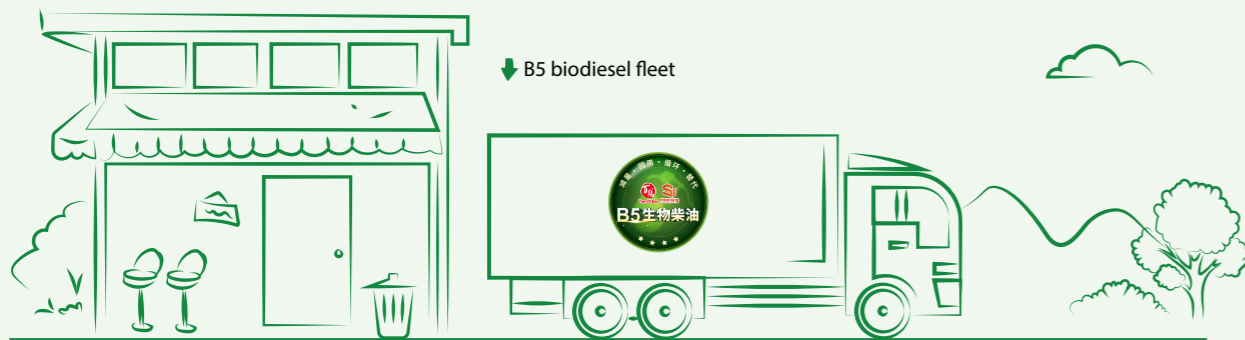
We are also exploring the possibility of building a closed-loop UCO recycling system. Since November 2022, Yum China has been piloting the use of B5 biodiesel, a biofuel blend consisting of five percent biodiesel made from UCO, for our logistic fleet in Shanghai Logistics Center, becoming the first restaurant company in China to utilize biodiesel made with UCO. In addition, we work closely with various government authorities and partner with several institutions in Shanghai to contribute to the establishment of B10 biodiesel standards.

As of the end of 2022

325 restaurants were certified by ISCC, including KFC, Pizza Hut and Taco Bell

3,518 tons of UCO has been converted into biodiesel from 2019 to 2022

*B5 biodiesel refers to 5% biodiesel mixed with 95% diesel.



Case Industry Collaboration for UCO Conversion into SAF

In 2022, we signed a Memorandum of Understanding (MOU) with Sichuan Jinshang Environmental Protection Technology (Jinshang) to explore cooperation opportunities in converting UCO into SAF. The agreement further leverages the strengths of both Yum China and Jinshang. Yum China will integrate the collection and transportation of UCO from our restaurants so that it can be supplied as raw a material for SAF.

UCO from Yum China was supplied through Jinshang for the production of China's first SAF with airworthiness certificate in September 2022.

Packaging Waste Recycling

To promote waste sorting and recycling, we equipped assorted waste bins in stores across 46 pilot cities. In compliance with national laws and regulations, we have entrusted qualified third parties to properly collect and dispose of the waste. Additionally, we also started to identify opportunities to recycle waste and turn waste into resources in support of the circular economy.

Case Collaboration on Packaging Waste Recycling

In 2022, we partnered with Shanghai Chengtou Environment to develop an innovative approach to recycling packaging waste. This has made Yum China the first restaurant chain in China to support the solution. The pilot project was carried out in 66 KFC and Pizza Hut restaurants located in Shanghai. As part of this initiative, the packaging waste generated in these pilot restaurants will be sorted and recycled, resulting in approximately 150 tons of packaging waste recycled during the reporting period. We plan to expand this initiative to cover the entire Shanghai market by 2023, while also exploring the possibility of promoting it in other markets across the country.

Apart from current solutions for waste recycling, we are also seeking applicable recycling solutions for different kinds of waste. For instance, we are currently carrying out a pilot project for recycling coffee grounds in Shanghai. After conducting an evaluation of the pilot program, we plan to replicate this practice in other cities and markets.



Supply Chain Environmental Impact

We fully support biodiversity-related regulations and initiatives and are dedicated to conserving forest and marine resources. We actively identify and analyze potential environmental risks in our supply chain and endeavor to minimize our negative impact on the ecosystem by implementing a range of management measures.

In 2022, we issued the *Biodiversity Commitment* and the *No Deforestation Commitment*, which laid the blueprints for building a sustainable upstream ecosystem and fulfilling our commitment to sustainable development.

To conserve forest resources, we aim to achieve 'zero deforestation' in our supply chains and enhance upstream traceability, identifying major agricultural commodities from high-risk regions. We are also committed to the sustainable sourcing of major agricultural commodities such as palm oil, soy, cattle, and timber through enhancing upstream traceability and collaborating with value chain partners.

As China's coffee market continues to grow, sustainable coffee procurement has become one of our top priorities. Lavazza has been promoting the sustainable development of the coffee industry for many years. Our Tierra coffee products and Yunnan single-origin coffee beans sold in China have been certified by the Rainforest Alliance (RFA).

In addition, Lavazza has carried out an action plan to share advanced coffee cultivation technologies with local farmers and empower Yunnan coffee farmers to implement agroforestry planting models, thereby effectively protecting biodiversity through improving the soil quality.

We actively focus on the promotion of marine resources. We encourage our suppliers to obtain certification of sustainable food products, such as seafood certified by the Marine Stewardship Council (MSC) and Best Aquaculture Practices (BAP), to promote sustainable fisheries and contribute to the balance of the marine ecosystem.

Sustainable Sourcing of Raw Materials in 2022

- 100% RSPO-certified palm oil
- 100% Traceable soy for soy milk powder
- 100% Refusal to purchase paper products from suppliers that knowingly cause deforestation

Palm Oil



Palm oil is one of our key raw materials for cooking. We have been an RSPO member since 2017 and committed to only purchasing palm oil that meets the eight principles and criteria of the RSPO. In 2021, 100% of our palm oil purchased was RSPO-certified.

We strive to protect natural resources and biodiversity while supporting sustainable palm oil production in collaboration with stakeholders.

Since 2021, Yum China's procurement of palm oil can be traced to 100% of the palm oil processing plants.

Soy



In our supply chain, soy is used mainly as chicken feed and in soy-based food. We place a high priority on the environmental impact of the upstream soy supply chain, develop soy traceability systems, and launch a pilot project on soy traceability for chicken feed.

We encourage our poultry suppliers to comply with the *Amazon Soy Moratorium* and other international tropical forest protection conventions and initiatives.

In addition, we continue to strengthen the communication with upstream suppliers, industry experts and partners, and empower upstream suppliers.

All soy used in our restaurants' soymilk powder comes from Northeast China. The planting and procurement of soy, managed by local farms, is traceable and environmentally friendly.

Beef



We strictly comply China government's laws and regulations related to imported meat products, including the *List of Registered Meat Products Enterprises Exporting to China*.

We are working with our suppliers to implement the traceability of the source of beef and carry out environmental risk identification, analysis, and assessment of beef procurement in our supply chain, further solidifying the foundation of sustainable beef procurement.

Timber



We are committed to purchasing forest-friendly products and refuse to purchase paper products from suppliers that are potentially causing deforestation. We aim to achieve '100% of FSC-certified paper packaging by 2025'.

By the end of 2022, 21% of paper packaging used was FSC-certified.



People

As the largest restaurant company in China, Yum China is committed to upholding 'People First' as one of the Company's core values and places a high priority on fulfilling the needs of the key stakeholders in the ecosystem. Despite the uncertainty brought upon by the global pandemic in the past three years, Yum China has overcome many challenges and built a strategic moat with the support of our agile, innovative, and combat-ready teams. With the team's enormous efforts, we endeavor to explore cutting-edge digital practices. We strive to provide our customers with a wide variety of exciting new products and diversified services, to meet the ever-changing demands of our customers. We also work with suppliers closely to build a responsible supply chain and to promote the sustainable development of the industry as well as our community.

Highly Relevant



Moderately Relevant



Primary Focus


Innovation Vision and
People Strategy


Customer Relationship
Management


Supply Chain
Social Impact

Highlights from 2022

Good Health and Well-being



Released the *Yum China Human Rights Policy*

Established 'Employee Mutual Aid Fund'

Upgraded medical insurance coverage for Restaurant General Managers (RGMs) up to RMB one million

Attracted and retained talent effectively, RGMs' turnover rate:

9.0%



Established the *Yum China Occupational Health and Safety (OH&S) Policy*

For 5 consecutive years, the total number of work-related employee fatalities continued to be **0***

Gender Equality, Diversity, and Inclusion

Achieved our goal of having at least **50%** female representation in our total workforce, and in all employees hired, trained, promoted, and retained

Employed **~2,000** staff with disabilities, accounting for over **1.5%** of our full-time positions

Named to Bloomberg Gender-Equality Index (GEI) for the **5th consecutive year**

The only company from China ranked among the Top 100 Companies Globally for Gender Equality by Equileap



Quality Education

Total training and development hours:

8.8 million

Total expense on training and development:

RMB **338 million**

Decent Work and Economic Growth

Certified as Top Employer China for the **5th consecutive year** and **ranked first** in the industry for the **2nd consecutive year**

Received 'The 2022 China Best ESG Employers Award' from Aon



*The number does not include casualties that are not attributed to work.

Since entering China 35 years ago, 'People First' has always been one of our core values. In face of multiple external challenges, we partnered with our key stakeholders in our ecosystem, including employees, customers, suppliers, and communities, not only to work towards our vision as 'The World's Most Innovative Pioneer in the Restaurant Industry' but also contributed to the sustainable long term development of the community.



Innovate through Team Work

Macro environment and customer needs are constantly evolving, while new technologies transform the way we interact. Companies that survive and prosper in dynamic, competitive markets are not necessarily the strongest or the smartest. They are the ones that can keep innovating, responding, and adapt effectively to changing environment. To drive organizational growth in both good times and bad times, it is a must for us to build an innovative culture. At Yum China, our vision is 'to be an innovative pioneer in the restaurant industry'. To achieve the vision, employees are encouraged to think outside the box, make fast yet high quality decision. We continue to flatten the organization so that we can respond to the changing customer needs with speed. Innovation is the lifeblood of our business.

- Joey Wat, CEO of Yum China

Yum China's innovation journey starts from the way our supply chain operates to how the food is prepared to how we offer the best ordering and dining experience to customers. The Company has been able to open more than 1,000 new stores a year while maintaining healthy payback periods. New restaurant formats enable the Company to fulfill different business needs, such as delivery and takeaway. The Company launched more than 500 new or upgraded products across our brands in 2022 to drive both product diversification and business growth. We place significant emphasis on technology. Systems are upgraded and new tools are introduced. The new Pocket Manager tool enables store managers to access and track operational metrics in real time.

Create an Innovative Environment to Encourage All Employees to Participate

Yum China fosters an innovative culture through different platforms and mechanisms. This approach inspires all employees to participate without constraints in the development of prototypes to pursue innovation and breakthrough. We take pride in our ability to meet the needs of our front-line employees through in-depth insights into daily operations, making our business more efficient, agile, and robust.

- Team Members of KFC Hangzhou for Smart Restaurant Project

By creatively implementing the 'Industrial Programmable Logic Controller PLC', the team was able to provide remote control and early warning systems to our facilities, effectively reducing employees' workload. Moreover, this project has contributed to energy-saving across multiple restaurant equipment. This sets a solid foundation for Yum China to implement

intelligent operations on a larger scale. The project was selected from hundreds of innovative initiatives, and was awarded the prestigious 2022 Yum China 'ABR Award'. This award underscored the team's exceptional ability to set and achieve ambitious goals to achieve innovative breakthrough results.



↑ ABR Award - Smart Restaurant Project in KFC Hangzhou

Our employees collectively are one of Yum China's competitive advantages. Their dedication and innovativeness are Yum China's strategic moat to help the Company's growth despite external challenges. They are also a key enabler for the Company's vision as 'The World's Most Innovative Pioneer in the Restaurant Industry'. As a responsible Top Employer, Yum China continues to upgrade our care program for our employees and their families over the past three years. We not only encourage a diverse and inclusive culture but also accelerate the development of employees. Through our best-in-class people strategy and practices, we work hand in hand with our employees to make them better prepared for challenges brought by the ever-changing external environment.

The Board provides oversight on important human capital matters, including inclusion and diversity, management succession planning, and employee rewards and benefits programs. Under the board's oversight, the Company regularly conducts a people planning review to attract, retain and develop a workforce that aligns with our values and strategies.

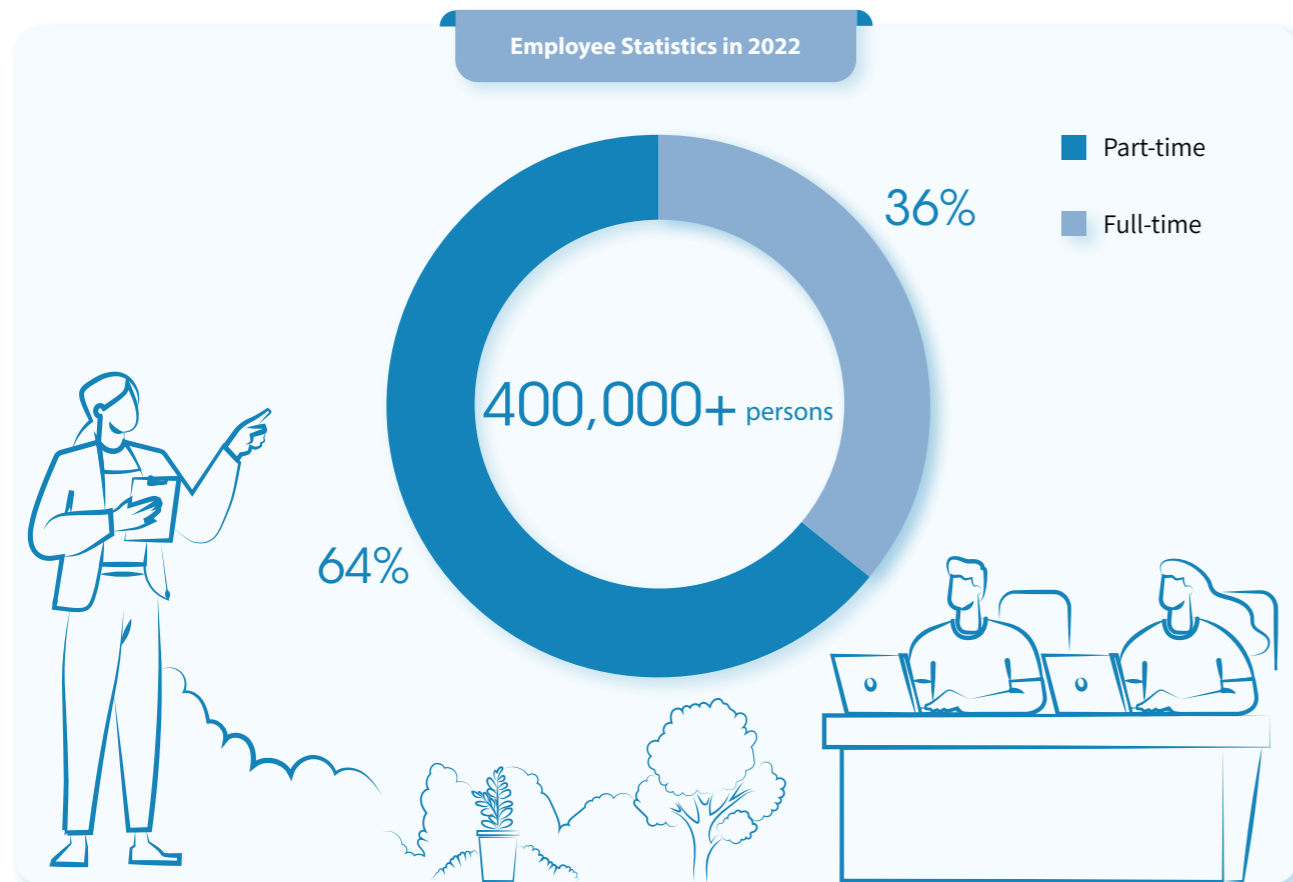
Safeguard Human Rights and a Fair Workplace

Yum China firmly believes that respecting and protecting human rights form the foundation for a sustainable business. We comply with relevant laws, regulations and standards. We endorse the *United Nations Universal Declaration of Human Rights* and relevant international human rights conventions, including but not limited to the *International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work*. We strive to create a workplace and a community that respect and protect human rights. We proactively identify, prevent and mitigate human rights risks in the Company and throughout the value chain. We also take an active role in understanding stakeholders' concerns and expectations on human rights issues.

In 2022, we released the *Human Rights Policy*, reiterating our full commitment to providing a discrimination-free and harassment-free workplace, ensuring fair compensation, creating a safe and healthy working environment, encouraging a diverse and inclusive culture, equipping employees with future employability, prohibiting child labor and forced labor, respecting employees' freedom of association, and ultimately, engaging with the stakeholders to actively advocate human rights in the community. At the same time, we have launched a training program for all employees on the *Human Rights Policy*, including anti-discrimination and anti-harassment. The program also aims at promoting the awareness of the protection of fundamental human rights for themselves as well as the people around them. In addition, if any discrimination, harassment, and other violation of the Company's *Human Rights Policy* is identified, we will take immediate measures to address the issues.

We will continuously improve the current *Human Resources Policy of Yum China* and other internal procedures and policies, to regulate labor management and employment policies such as recruitment, terminations, and working hours. We also have a rigorous identity verification process against potential violations of labor laws. The Company will take immediate measures against any employment policy violations to ensure full compliance with labor laws. During the reporting period, no child labor or forced labor cases has been identified throughout the Company.

Employees may report suspected violations of the policy anonymously through our compliance website (<https://www.yumchina.com/compliance>) or toll free hotline (400-880-1346). The Company will investigate, address and respond to any concerns raised by employees and take appropriate corrective action for validated cases.



Embrace Diversity and Inclusion to Inspire Organization Energy

At Yum China, we believe that employees with diverse backgrounds will stimulate organizational vitality and offer new perspectives to innovative thinking. In our workplace, differences are understood, appreciated, and encouraged. We are committed to fostering a diverse, inclusive, and non-discriminatory working environment and providing every employee with equal opportunities to achieve their personal best regardless of their race, religion, color, age, gender or gender identity, disability, sexual orientation, citizenship, or nationality. We spare no effort in ingraining diversity, equality, and inclusion, which are the cornerstones in achieving our vision of becoming 'The World's Most Innovative Pioneer in the Restaurant Industry' into all employees' mindsets. To this end, our human resources department takes the lead in formulating related policies and oversees their implementation. Regular training and education programs are offered to all employees to support their personal growth in this diverse, inclusive, and equal environment.

Best of Yum China Program – Operational Skills Contest for Employees to Showcase their Talent

Through the Best of the Yum China Program and also our daily work, I have witnessed how employees from all walks of life work together and explore different ways of thinking. Thanks to Company's diverse and inclusive culture, together, we can generate better insights into customers' evolving needs. We also fuel the brand's energy and encourage each other to innovate and develop ourselves.

- Team Member of the Best of Yum China Program in Guangzhou

The Best of Yum China Program was launched in 2018 to offer employees an opportunity to showcase their best in their innovations and breakthroughs in life, work, and community work. As part of the Program in 2022, the 'Top 10 Craftsmen of KFC Guangdong' were selected and recognized for their exceptional skills. Employees created several records, such as making the maximum number of ice cream cones with one hand and cutting the most Panini bread in one minute. These initiatives challenge all employees to realize their full potential and help to demonstrate their unique values and skillsets.



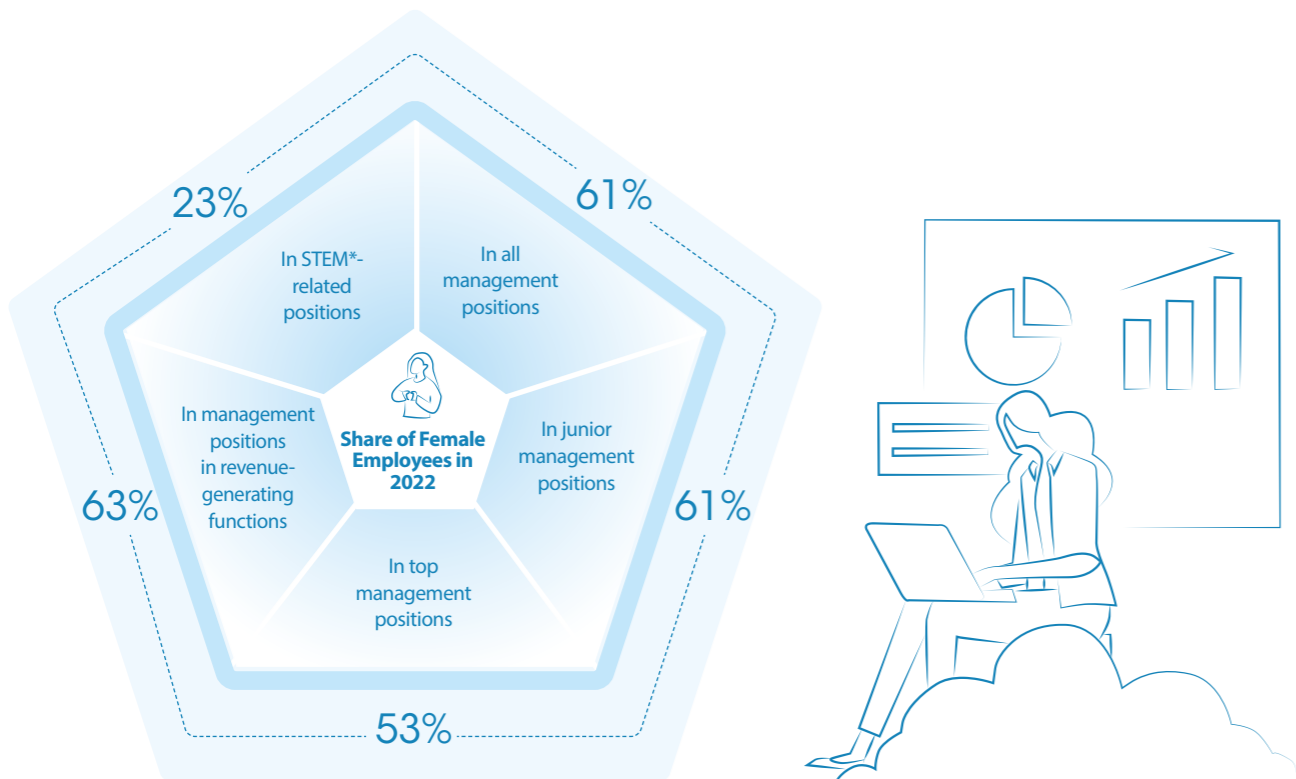
↑ The 'Top 10 Craftsmen' of KFC Guangdong - Wu Guowei



Promote Gender Equality

As one of the signatories of the *United Nations Women's Empowerment Principles (WEPs)*, Yum China believes gender equality is a key component of our diversity, equity, and inclusion culture. We pride ourselves in being the leader of gender equality initiatives in the restaurant industry. We have been named to Bloomberg Gender-Equality Index for the 5th consecutive year. We are committed to supporting and promoting gender equality in the workplace as well as achieving gender equality at all levels by providing equal opportunities and platforms for female employees. In 2022, we have achieved our goals that at least 50% of our total workforce is female, and at least 50% of all employees hired, trained, promoted, and retained are female.

We strive to provide comprehensive care for our female employees in both the workplace and their family life. In addition to mandated benefits such as maternity leave, extended leave, and care during pregnancy and nursing periods for female employees as well as paternity leave for male employees, we set up dedicated lactation rooms in our workplace to offer privacy and comfort. To provide more convenience for employees, we have introduced parent-care and childcare leave policies. We also offer a series of female leadership training programs to equip female employees with greater professional capability and future employability to achieve self-actualization.



*STEM: Science, Technology, Engineering and Mathematics

We annually review our compensation and benefits system to ensure pay equality between gender. We are committed to the principle of equal pay for equal work. In March 2022, we were named one of the Top 100 global companies in the 2022 Gender Equality Global Report and Ranking published by Equileap. We were the only company from mainland China that made to the list, and one of the only 19 companies globally with no gender pay gaps. This recognition serves as a testament to our dedication and contribution to promoting gender equality.



Care for People with Disabilities

Yum China strives to create a barrier-free, friendly, and inclusive workplace for people with disabilities. Yum China is committed to offering over 1.5% of our full-time positions to people with disabilities.

Yum China strives to provide people with disabilities throughout the country with not only career opportunities but also a platform for their integration into society. In the last decade, we have launched 'Angel Restaurants' to help 'angel employees' (employees with disabilities) master useful professional skills. To cater special needs of 'angel employees', the restaurants were upgraded again in 2022 with an overall enhancement of the equipment supported by optimized operation standards. The restaurants were provided with upgraded visual devices, and customized visual learning materials to further enhance our angel employees' work efficiency.



Photo taken of 'angel employees'

In 2022

Number of cities with 'Angel Restaurants'	Number of 'Angel Restaurants'	Number of people with disabilities employed in 'Angel Restaurants'	Number of people with disabilities gained employment support
27	30	~200	~2,000

Case 'Angel Employees' Became Asian Games Ambassadors

On December 1, 2022, 28 'Asian Games Ambassadors' including a few angel employees were selected from 40,000 employees across 1,000 restaurants in Zhejiang Province. These ambassadors will provide outstanding service with passion to participating athletes and spectators, showcasing the spirit of our brands as well as the Asian Games.



Foster the Growth of Innovative Industry Pioneers for Shared Success

At Yum China, we believe everyone has unlimited potential and a company's success is contingent on its people's capability. Yum China provides comprehensive training programs and clear career advancement paths to anyone interested in pursuing a career in the restaurant industry. We invest in every step of employees' growth and are committed to nurturing best in class innovative pioneers for the industry.

From a Part-time Staff to RGM - The Career Path of an RGM

10+ years of working experience in restaurant operation not only gave me a chance to challenge myself, hone my operation skills, and improve my coordination and planning ability but most importantly, allowed me to form enduring friendships that will last a lifetime. Yum China believes in RGM No. 1 (RGM is the most important leadership role in the Company). I am honored that I am entrusted with this important role. I hope I can continue this exciting journey alongside my teammates and the KFC brand to face all future challenges. I value the platform that the Company provided to me to realize my full potential.

- Wei Zijia

Wei Zijia, currently the RGM of KFC Dafeng restaurant, started his career in Yum China as a part-time employee when he was in college. After his promotion to RGM, he took on job rotation opportunities to three different cities. He accumulated a wealth of experience in managing restaurants in different trade zones. He also learned how to apply digital business models to the restaurant operations. A wide range of career advancement programs offered by Yum China, including the KFC Business School and the district manager training workshops, have enabled Wei Zijia to jump-start his career progression. The values of 'legacy, perseverance, and empowerment' reinforced continuously by his manager have created a lasting impression on him. He deeply understands the importance of keeping an open mind and considering problems from the perspective of his front-line employees. When it comes to operation matter, attention to details is critical.

Mitigate Employment Burden for Graduates by Expanding Job Opportunities

In 2022, Yum China announced to open up 50,000 full-time jobs throughout the year, 10,000 of which are reserved for college graduates. We hope to bring in talent through renewed recruitment strategies. A new generation of talent will inject new energy into the Company, develop future talent for the industry, and mitigate the difficulty of job search for college graduates.

We have launched a series of recruitment programs leveraging Yum China's culture, values, and talent strategy to attract our targeted candidate groups. A number of management trainee programs targeting marketing, operations, and supply chain disciplines were set up targeting local and international students. A special program was also set up to fast track part-time student crew members into operations management roles. These initiatives aimed at creating a high caliber talent pool as part of our talent strategy. In 2022, we launched a three-year nationwide campus recruitment campaign, titled 'The Yummy Bazaar', and organized the 'The Perfect Restaurant Manager' competition to bolster students' innovative and entrepreneurial capabilities while further promoting Yum China's employer value proposition of diversity and innovation.

As a leading company in the industry, we hope to nurture more innovative talent to benefit not only our Company but also the industry as a whole. Offering employment opportunities to college graduates and young people also contributes to the country's economic and social development. As a top employer in China, we assume a responsibility to create quality employment opportunities for the society.

- Aiken Yuen, Chief People Officer of Yum China

Deepen Collaboration with Universities

Yum China endeavors to collaborate with universities to provide educational opportunities for college students. We try to integrate theoretical knowledge and real business practices to prepare college students for future careers. We assist them to develop the necessary professional skillsets. We consider offering jobs to young people as our corporate social responsibility.

Case

Yum China and Hotel Association Signed Agreement to Jointly Offer Certification on Restaurant Management

On September 15, 2022, Yum China signed the *Restaurant Management Certification Agreement* with the Hotel Association of China. This will enable us to organize a variety of training initiatives for higher education institutions' professional skillsets. Our ultimate goal is to ensure sustainable development of the restaurant industry and contribute to the improvement of vocational education in the country.



↑ Signing Ceremony ↑

Enhance Employability to Prepare Employees for Growth

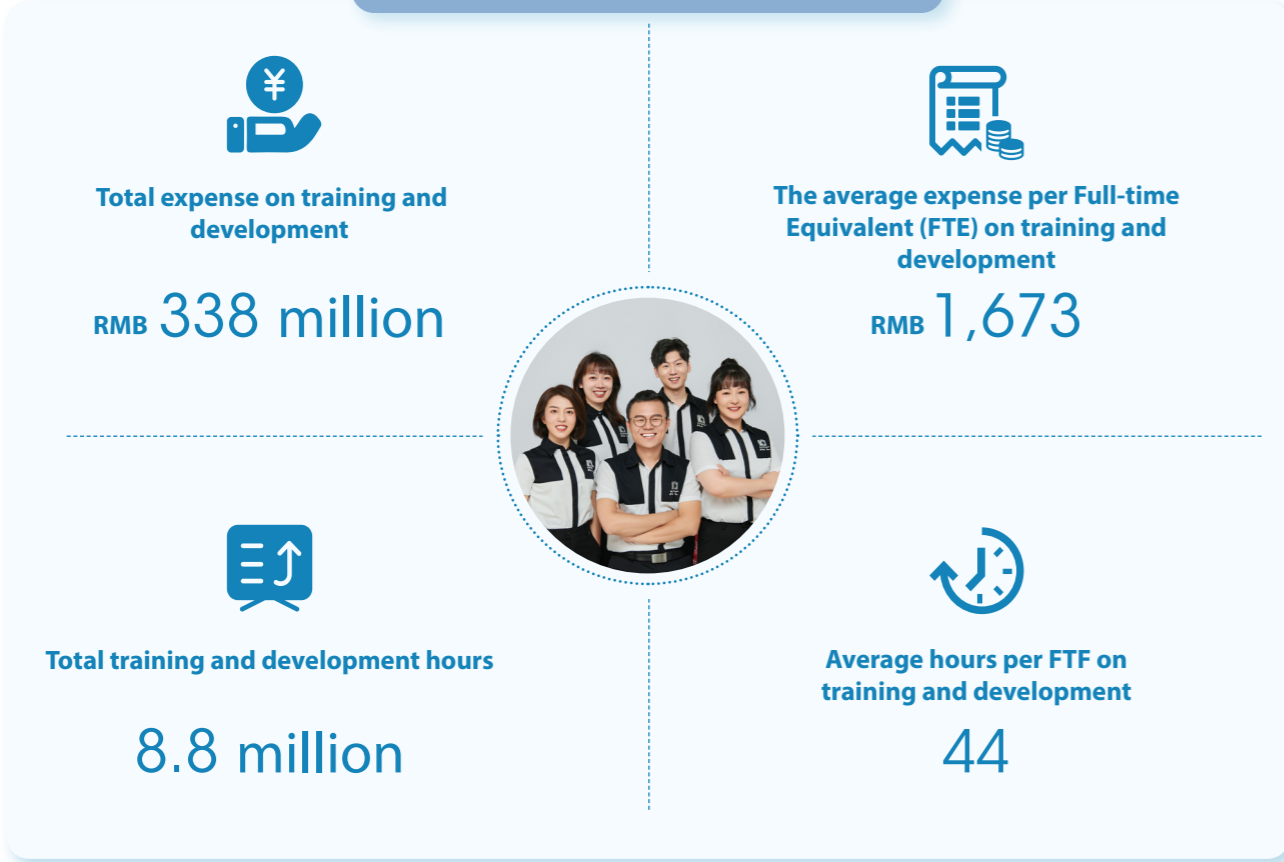
Yum China always invests in nurturing innovative talent for the Company and the industry. We strive to enhance employees' employability through continuous professional development in innovation and digital capability.

Yum China has built an innovative and well-structured training system, which offers tailored training to individual employees based on their respective functions and levels. The system ensures that outstanding employees gain access to a career path to progress in the organization and the industry. For employees in the restaurant operations system, we have launched the KFC Business School and Pizza Hut Management Institute, which are the Company's two signature training systems that provide comprehensive training for new college graduates. The programs allow employees in as short as 18 months to acquire the operational, financial, and managerial skills required for operating a restaurant, allowing their career advancement from entry-level to restaurant manager.

Leveraging the growing trend of digitalization, we have developed a customized mobile learning platform to offer both online and offline learning courses. This platform provides rich and cutting-edge learning resources to meet employees' development needs in various scenarios. The platform also provides high-quality case studies and external learning resources to facilitate digital transformation and innovative development in business departments. In 2022, Yum China received the Enterprise Digital Learning Excellence Award and HR Excellence Center (HREC) Learning & Development Value Award for our exemplary achievements in digitalizing talent development and organization development.

In 2022, we initiated the Pioneer Program, which aims at developing young talent in the Company. The program provides development opportunities for three major competencies frameworks: professionalism, leadership, and cross-functional communication and exposure. We conducted a variety of training activities, including classroom courses, group coaching, and hands-on learning to help participants identify their development goals, enhance their leadership skills, and prepare them for more responsible positions in the Company.

Employees Training and Development Statistics in 2022



Yum China encourages employees to advance their education and enhance their capabilities in various fields. In cooperation with the Open University of China, the YUMC College Program offers sponsorship to employees pursuing higher education, including accredited college degrees and postgraduate studies supporting their individual career aspirations.

To continuously provide diverse development opportunities for employees with disabilities, we cooperated with many institutions to jointly explore innovative forms of integrated education. Yum China 'Angel College' is built upon the 'Angel Restaurant' assistance model. By the end of 2022, the Yum China 'Angel College' had been extended to Guangzhou, Shenzhen, Changsha, and other cities. This initiative targeting specifically employees with disabilities, aims at growing their professional skills and guiding them to discover more possibilities in life in achieving their career aspirations.



YUMC College Program

As of the end of 2022

The YUMC College Program had been implemented in **~20** markets nationwide.

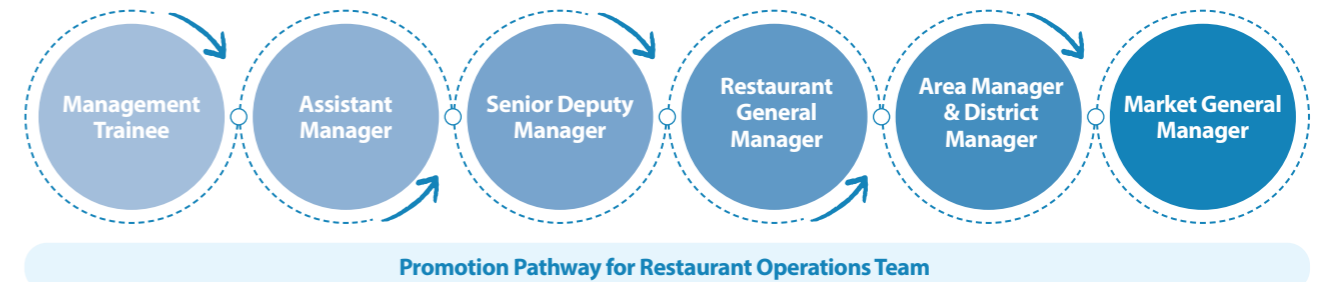
~5,000 employees were granted subsidies and successfully obtained higher education degrees.

Facilitate Structured Career Development and Growth

Develop a Fair and Transparent Career Path

We provide sufficient opportunities for our employees to achieve growth and development, encouraging them to realize their career aspirations on a great platform. The Company has designed an accelerated development program for management trainees in the marketing and supply chain teams. During the two to three years, trainees undergo tailored job rotation, targeted training, and stretch assignments. Fresh graduates can quickly gain a holistic understanding of the business and build a solid foundation for further development.

Our operations career development path, known internally as 'Bench Planning' is fair and transparent. Our management trainees can progress to higher positions such as RGMs and even Market General Managers. Many of the Company's top executives, including the General Manager of KFC, Chief Supply Chain Officer, Chief Development Officer, and most of the Market General Managers started within Yum China from a front-line operations role and progressed through our 100% promotion from within career path.



Implement Fair and Effective Performance Management

At Yum China, we advocate that every employee should 'own their development' and every leader should 'coach others to succeed'. Therefore, we have established a performance management system called the People Planning Process (PPP), which aids employees in setting personal career goals within their areas of responsibility while providing objective evaluations and clear and effective performance feedback. Our PPP mechanism strives to guide employees to enhance their skills with stretch assignments and expanded job responsibilities.



Enhanced Care and Benefits to Build an Engaging Team

Considering the huge impact that the pandemic has had on the restaurant industry and its employees, Yum China continues to enhance our benefits and care for our employees and their family members. We provide employees with open communication channels, competitive compensation, and engaging activities to create a positive work atmosphere.

Flexible Work Scenarios During the Pandemic - Welcome our Alumni Back

We were facing a labor shortage in the midst of the pandemic. Our alumni are very willing to come back to lend a helping hand. Coming back to the restaurant brings back fond memories of the friendly and collaborative working environment they experienced with Yum China. We are grateful to our colleagues for their passion for Yum China, and greatly appreciate the Company for creating such a happy working environment for us.

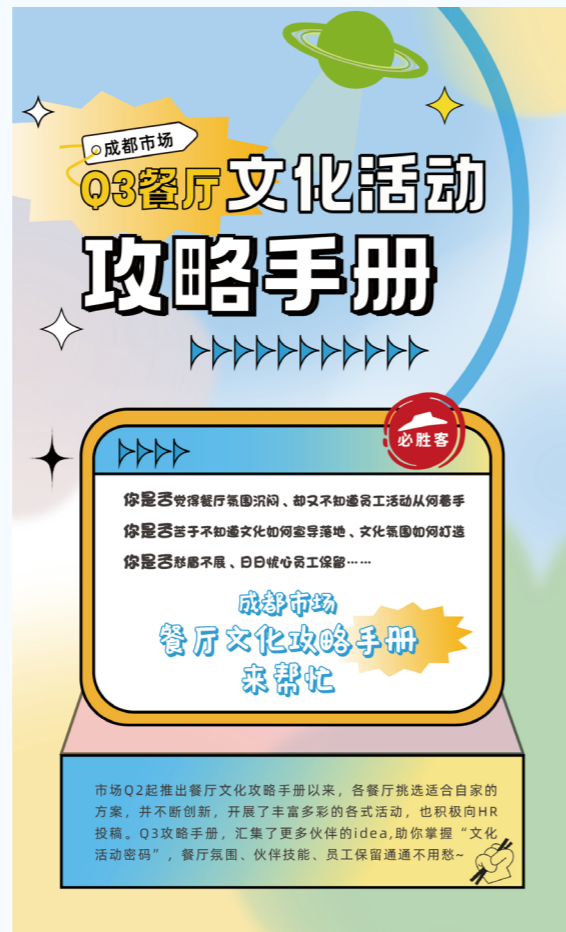
- Human Resources Department of Pizza Hut in Chengdu

On Children's Day in 2022, a number of alumni came back and worked side-by-side with their managers in several Pizza Hut restaurants in Chengdu. By the end of 2022, this program had been implemented in more than 200 Pizza Hut restaurants across Chengdu and will be rolled out to a larger scale nationwide.



↑ Pizza Hut Restaurant Staff Event

At Yum China, each restaurant regularly hosts different thematic cultural events to add variety to employees' daily work and bring a strong sense of belonging. In addition, we also offer a variety of activities for employees, including YUMC Club, Family Day, RGM Convention, Restaurant Management Team's Annual Party, Annual Party, Chinese New Year party, YUMC Youth Program (for children's education), One Yuan Donation Program and other charity activities.



↑ Pizza Hut Chengdu Restaurant Cultural Events Guide

Upgrade YUMC Care to Safeguard Health

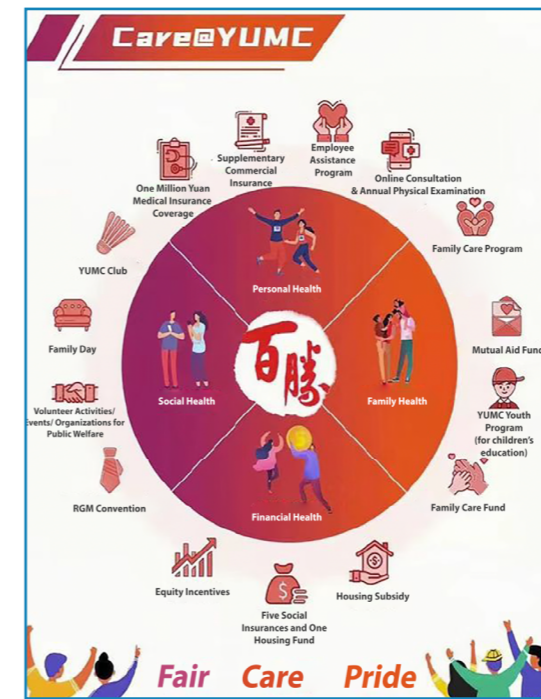
Yum China is committed to creating a working environment based on 'Fair, Care, and Pride' principles. The Company also strives to safeguard the health and livelihood of employees and their family members. In the face of the challenges brought by the unprecedented pandemic, we have always provided employees with a comprehensive protection and well-being program focusing on personal health, family health, social health, and financial health.

We designed and developed the 'YUMC Care' benefit plan, which offers employees benefits tailored to their life stage and individual needs, including the Family Care Program and One Million Yuan Medical Insurance Coverage for RGMs, Housing Subsidies, and the Family Care Fund for leaders of the restaurant management team and crew members. In addition, we expanded our flexible benefits platform for our office employees to select tailored benefits based on their individual needs for both physical and emotional health. YUMC Care is considered as one of the most extensive employee benefits plans in the industry in terms of the number of employees covered. It reflects our concern for employees' life and health particularly to ensure protection against risk for our employees and their family members.

In 2022, the Company invested around RMB 10 million and established the Yum China Employee Mutual Aid Fund to support employees through tough times. The purpose of the fund is to provide monetary support to employees in the event of emergencies, critical illness, and financial difficulties. We also hope that when our employees get over the difficulty, they can also extend their kindness to help others.

We pay much attention to employees' mental health and have launched the Employee Assistance Program (EAP), which provides professional counseling to employees for their physical and mental health. During the pandemic, the EAP also played an important role in helping employees alleviate stress and strengthen their psychological resilience.

In 2022, while the country was widely under lockdown and pandemic policies were adjusted frequently, the Company made every effort to overcome logistic difficulties to help employees with urgent needs for food and medicine. We have also actively provided support and care to our employees who have unfortunately contracted COVID-19.



↑ YUMC Care Employees Welfare Plan



↑ Employee Assistance Program (EAP) ↑



Reward Excellent Performance and Share the Fruit of Success

Yum China adheres to 'Pay for Performance' and is committed to providing employees with fair and competitive compensation and benefits. We have introduced incentive programs that recognize and reward the contributions, performance, and efforts of our employees, sharing the fruit of our success with our motivated and talented employees.

We have launched equity incentive schemes such as CEO Awards and RGM Restricted Stock Units (RSUs) to share our business growth with our employees. In 2016, Yum China announced a grant of RSUs valued at \$2,000* to each qualified RGM. As of the end of 2022, this program had allowed more than 12,500 RGMs to become shareholders of Yum China. In addition, the Company granted RSUs valued at \$3,000* to all eligible RGMs since 2020, covering approximately 4,000 RGMs to date.


Promote Open Communication to Cultivate a Conducive Workplace

We welcome opinions and feedback from our employees and hence we maintain open communication channels with them. We actively organize activities such as the RGM Convention, Founders' Day, and employee representative forums to exchange information with them and collect valuable feedback. In addition, we share our business strategies and corporate messages leveraging various digital platforms such as corporate WeChat, apps, and intranet portals.

Case
RGM Convention

RGM is a critical management position in the Company. In order to recognize their contributions, Yum China holds an annual RGM Convention every year. RGMs from all over the country join together to communicate with each other and celebrate their achievements, as well as deep experience in the Company's culture.

In November 2022, Yum China held the 2022 RGM Convention under the theme of 'Strengthening Resilience and Accelerating Growth'. During the convention, the hard work of our RGMs in 2022 was recognized and appreciated. Employees were committed to continuing their excellent work, enhancing their innovation capabilities, and contributing to the development of the brand and the Company.



↑ RGM Convention

In order to understand employees' concerns and effectively improve our management quality, the Company carries out employee engagement surveys every two years, which allows Management to obtain timely feedback and make improvements. Brands also conduct employee pulse surveys. For example, Pizza Hut conducts an employee survey every six months. Apart from solving relevant problems identified, continuous efforts are made to improve the questionnaire design, survey implementation, and data analysis and feedback process based on employees' feedback.

The Company's independent labor union was established with the support of the All-China Federation of Trade Unions in 2010. As of the end of 2022, over 90% of our employees had joined the union. Over the past 13 years, Yum China Labor Union has always been committed to serving as an important bridge to foster a collaborative relationship between Management and the employees. The union also plays an important role in employee care, labor relationship coordination, and the formulation of relevant rules and regulations.

*'\$' refers to U.S. Dollar.

Safeguard Employees' Occupational Health and Safety

Occupational Health and Safety Management

Yum China has always regarded the health and safety of our employees as our top priority. In 2022, we formulated the *Yum China Occupational Health and Safety Policy* based on ISO 45001 standards and established a compliant and continuously improving OH&S management system. This system helps us identify safety risks, formulate safety standards, clarify roles and responsibilities, as well as build a strong employee ownership to participate in the OH&S management. We make every effort to provide our employees, customers, and partners with a safe and healthy environment while offering safe and delicious food.

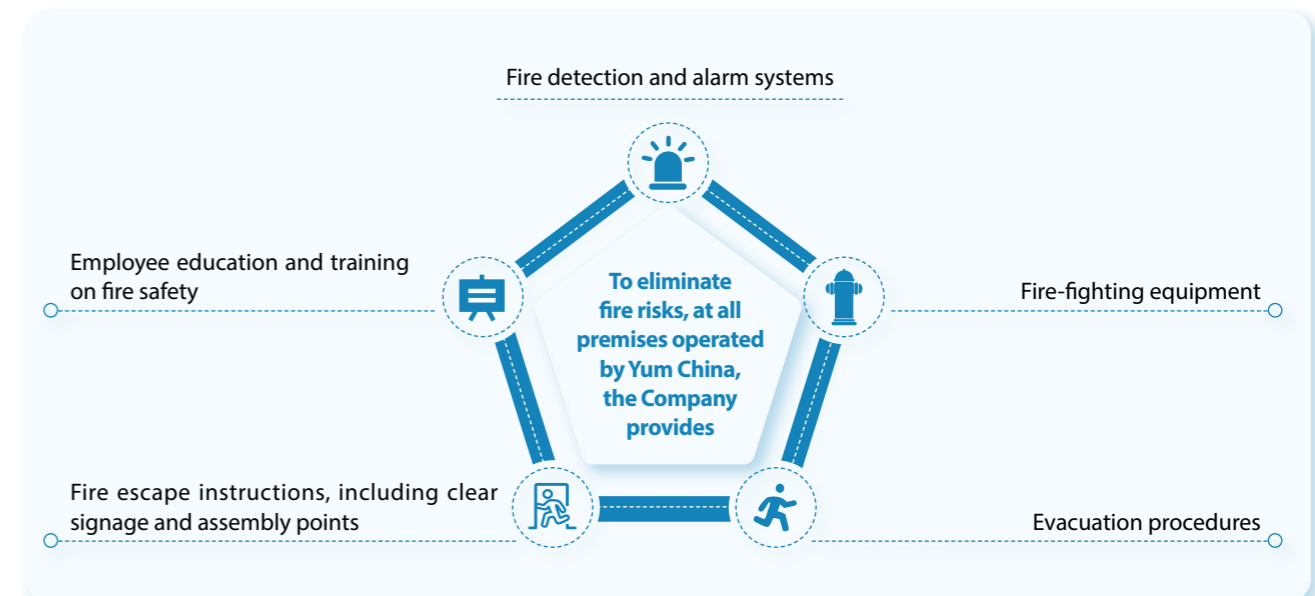
In order to promote the efficient implementation of the OH&S management system in the Company, we have established the OH&S Management Committee, which is responsible for monitoring and tracking the progress of established goals. In addition, we established a project team made up of the OH&S Management Committee, as well as representatives of management and employees to drive effective implementation of the occupational health and safety management system.

We proactively listen to suggestions and feedback through different channels from employees, customers, and partners on our OH&S management and encourage all stakeholders to have a sense of ownership in it. At the same time, we regularly carry out various forms of activities to raise awareness of occupational health and safety among our employees and customers, helping to lower risks and prevent accidents from occurring, while also reducing work-related injuries.

Workplace Safety

To eliminate the safety risks of employees, we began equipping our offices with automated external defibrillators (AED) in 2022. We also recruited volunteers to get certified in the First Aid Accreditation Program hosted by the American Heart Association (AHA). We periodically carry out first-aid drills to raise employee awareness and preparedness for emergencies in and out of our workplace.

Fire safety is at the top of our workplace safety management agenda. We conduct fire risk assessments in all workplaces operated by Yum China to ensure compliance with related laws and regulations. Fire-fighting systems are well-serviced and maintained to ensure the reliability of all fire safety equipment. Various fire prevention measures have been implemented to ensure workplace safety.

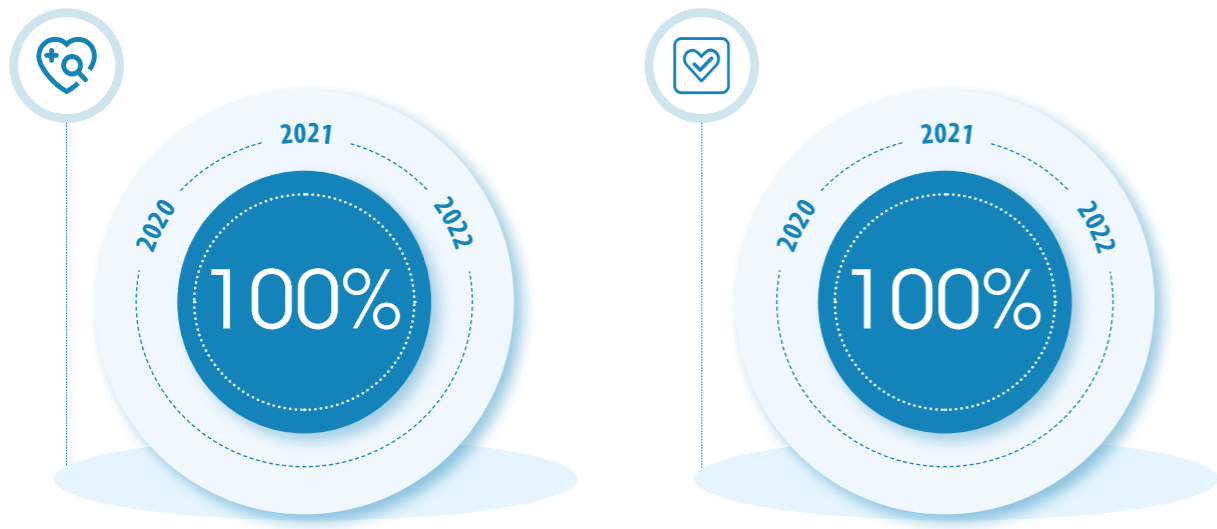


Restaurant Safety

We have formulated strict health and safety measures. Workplace safety audits are conducted to regularly inspect and upgrade employees' protective equipment. We ensure restaurant employees, especially those who perform work that poses higher risks, are fully protected.

The equipment used in our restaurants satisfies the requirements of relevant national laws and regulations. We ensure that all equipment has been examined and tested by Yum China Equipment R&D and Testing Center against our accepted standards. Pilots in real restaurant environments are required before full deployment. Meanwhile, our restaurant training, such as online videos and Standard Operating Procedures for equipment, ensures that all employees are skilled at operating and maintaining equipment to minimize risks to their health or safety.

Employee Health and Safety Statistics in 2022



Annual physical examination coverage of restaurant management team and office employees

Health Certificate coverage of restaurant employees



Customer Relationship Management

Enhance Customers' Experience

At Yum China, we always keep the 'Customer Mania' service concept, one of our core values in mind. Enhancing customer experience is our relentless driving force, and we aim to serve every customer with a 'YES' attitude to create delightful and innovative experiences from multiple dimensions.

Responsible Marketing

To continuously strengthen our responsible business model, we have released the *Yum China Responsible Marketing Policy* in 2022. We have also established a Marketing Communication Committee, composed of multiple function teams. The assessment and review process of the Committee ensures our marketing communication contents are accurate and legitimate. In addition, we regularly conduct responsible marketing training for relevant employees to ensure that they are kept abreast of the latest audit requirements and relevant law and regulation updates.

Protect Intellectual Property and Brand Development

Yum China attaches great importance to protecting intellectual property (IP) and strictly abides by IP-related laws and regulations. We have tailor-made an IP protection system compatible with Yum China's institutional characteristics to safeguard our brands and reputation. We promptly apply for protection of our IPs and oppose vigorously any infringement of our rights through digital empowerment.

Case SmartEyes Early Warning System

In September 2022, we introduced the SmartEyes Early Warning System, which is designed to monitor potential risks associated with the promotional and sales activities of our suppliers and their major upstream enterprises, particularly in relation to the use of Yum China and our subsidiary brand information. The system utilizes multiple dimensions to identify such risks and issues automatic warnings and targeted alerts to relevant stakeholders. The system enables efficient communication with suppliers and other enterprises, continuous tracking, and closed-loop processing through close online cooperation across functions, to effectively safeguard the development of the brand.

Customer Service

We always put customer satisfaction first, and listen carefully to their opinions through multiple channels, including online surveys, online community panels, focus groups, one-on-one interviews, and offline surveys. We collect and analyze customer feedback from social media and other channels to continuously improve and enhance customer service level.

The Guest Experience Survey (GES) system is one of our customer feedback channels. We use this system to collect customer feedback promptly and use customer ratings as one of the important performance indicators for assessing stores, to encourage them to continuously improve service quality. We continue to optimize and upgrade the GES system. In 2022, the system launched the function of uploading and analyzing pictures, collecting an average of 25,000 pictures per month, and analyzing pictures to add supplement description apart from customers' comments. At the same time, with the help of Artificial Intelligence (AI) analysis system, through automatically classify and analyze product issues, we developed customized solutions for customer feedback and improve service quality.

When the GES system receives a low rating, our Customer Service Platform (CSP) will be automatically pushed to us for further tracking and follow-up. Customers may also file complaints on the CSP by scanning the QR code provided in restaurants or logging onto our app. We also have established different levels of complaints handling and mediation mechanisms, and formulated clear responsibilities and time standards for complaint handling. We use digital technology to ensure timely responses, rapid handling, and effective resolution to improve the customer experience. In 2022, the Company did not receive any material complaints about our products and services.

Intelligence Service

Yum China places significant importance on digitalization as a vital driver for supporting our business's resilience and long-term development, and strives to construct a robust digital ecosystem.

We continuously invest in industry-leading digital infrastructure to reinforce our business moat and have inaugurated a Digital R&D Centers with offices in Shanghai, Nanjing, and Xi'an. Our dedication to exploring and implementing innovative digital technologies, such as big data, AI, and intelligent interaction, remains steadfast. These technologies are fully integrated into our business scenarios to optimize customer experience and promote sustainable business growth.

In addition, we strive to constantly transform the traditional perception of the restaurant industry and redefine a new generation of restaurants with digital tools and technologies. Our primary focus is to leverage these tools to improve our operational efficiency. We launched the 'Smart Trade Zones' system in 2022, which adjusts the delivery range of individual restaurants based on their operating hours to maximize delivery efficiency. KFC also recently launched a smart order system, effectively reducing customer waiting times.



Case Yum China and PingCAP Collaborated to Build a Distributed Database and Joint Laboratory

In 2022, Yum China announced a partnership with PingCAP, an open-source distributed database manufacturer in China, to build a joint laboratory for promoting the innovation and application of relevant technologies and facilitate Yum China's goal of establishing a dynamic digital ecosystem.

We believe this cooperation will further reinforce our data security capability and cross-cloud data service capability, as well as optimize business agility with innovation, helping us reduce costs and increase efficiency.



↑ Joint Laboratory Opening Ceremony

Information Security

While using digital technologies to improve customer experience and promote business development, Yum China continues to improve our own information and data security management and raising employees' data compliance awareness.

Management Mechanism

We have established a Data Compliance Committee composed of key representatives from key functions to review our data compliance management program. We have formulated the *Yum China Data Security Compliance Guidelines* and the *Data Security Code of Conduct* in accordance with relevant national laws and regulations, to regulate the data security management involved in various business departments and third-party suppliers in related business processes, thereby reducing potential data security risks.

We updated the *Yum China Data Security Compliance Guidelines* in 2022, and launched the online approval process for data security compliance, achieving digital evaluation and archiving of data processing requirements to ensure the company's data security.

Management Platform

We strengthened the construction of our information and data security management system.

In 2022, we carried out a comprehensive upgrade of the terminal security protection of Zeus Platform, our core information security protection and management platform, and conducted red-blue confrontation exercises to test and improve the platform's network security capabilities. In addition, we developed a data security platform to execute system data security reinforcement and standardized management of sensitive data.

Training System

We continue to strengthen the information security training system to provide our employees as well as our third-party suppliers with training and assessments both online and offline, to raise their data security protection awareness.

In 2022, the *Yum China Data Security and Compliance Newsletter* was officially launched, which popularizes the latest regulations and cases in the field of data security and compliance to employees, and combines business practices to improve the overall staff's awareness of data compliance.

As of the end of 2022

Our information security management system passed the annual review of ISO/IEC 27001:2013 certification

The KFC app and website passed the Multi-level Protection of Information Security (MLPS) of the Ministry of Public Security.

Both the KFC and Pizza Hut apps have passed the Communication Network Security Protection Management Classification of the Ministry of Industry and Information Technology, and were classified as

Level-3

Supply Chain Social Impact

Yum China manages an extensive network of suppliers and is fully aware of the impact of our sourcing decisions on the industry and community. We are committed to driving responsible sourcing practices and building a responsible supply chain in collaboration with our supplier partners.

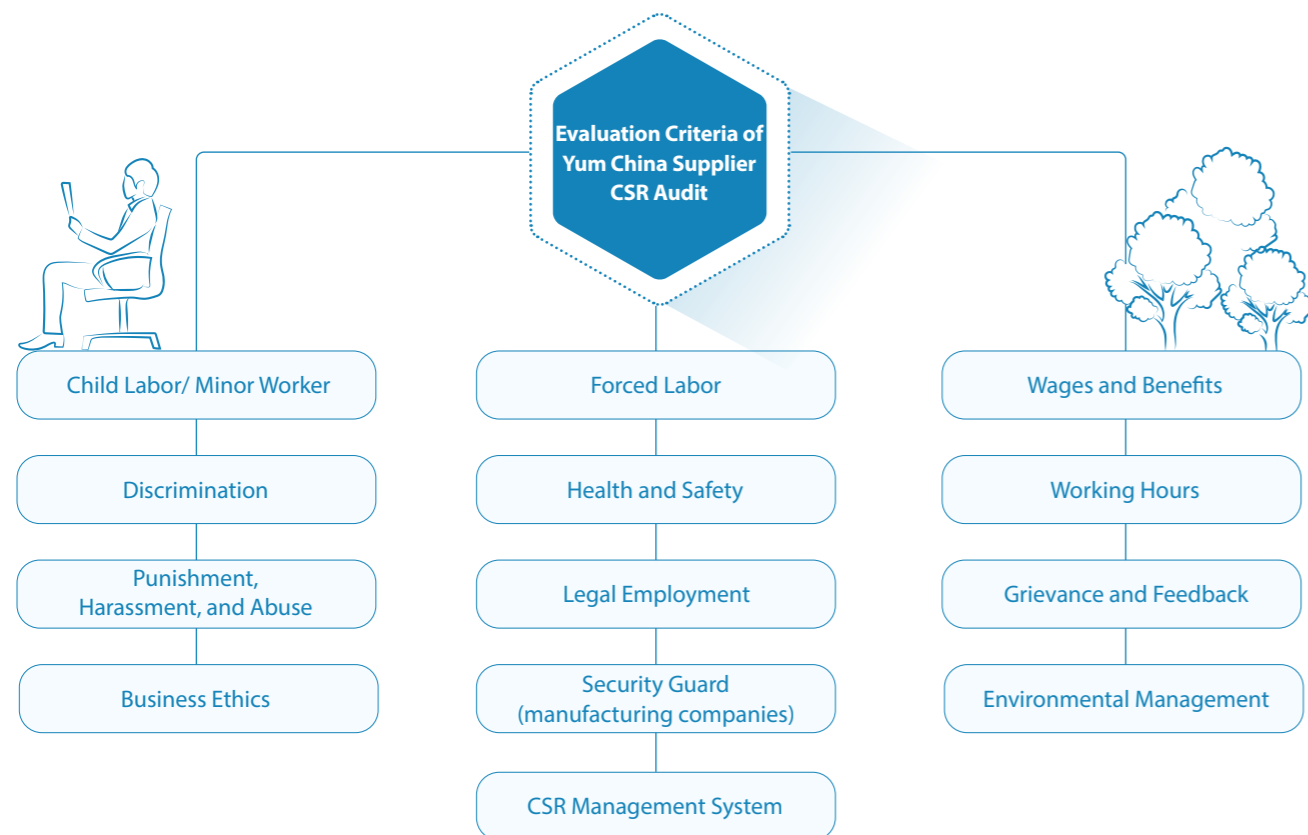
We require that all suppliers should acknowledge and sign the *Yum China Supplier Code of Conduct* before working with us to ensure that they are legally compliant with all applicable laws and regulations, and to fulfill their corporate social and environmental responsibilities.

Supplier CSR Audit

Since 2017, Yum China has been promoting supplier Corporate Social Responsibility (CSR) audit, outlining social and environmental compliance requirements for suppliers to address risks across the supply chain. We also engage professional third-party auditing firms to conduct CSR audits annually.

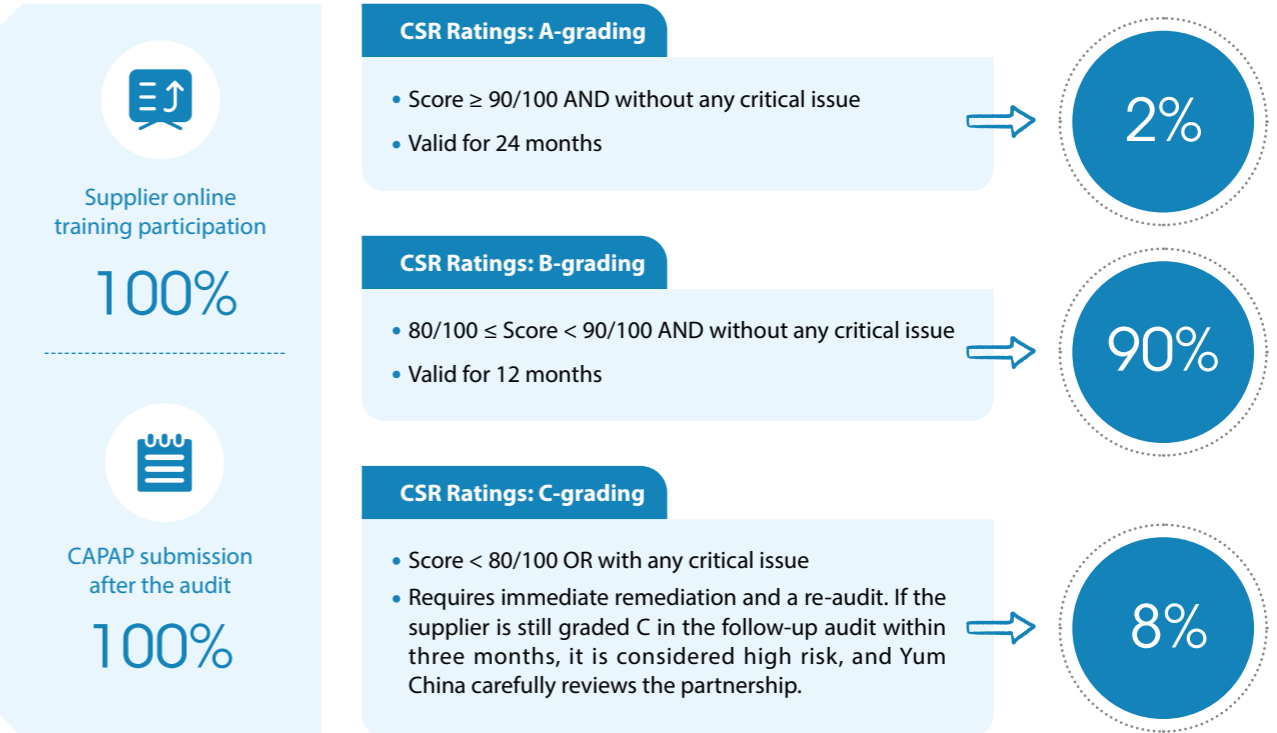
Yum China supplier CSR audit framework and evaluation criteria are developed with reference to applicable national laws and regulations and international standards. It covers areas such as child / minor labor, forced labor, working hours, wages and benefits, health and safety, security, and environmental management. The framework and evaluation criteria are reviewed and updated regularly as appropriate.

We offer training prior to audits to help our suppliers fully understand compliance requirements. Suppliers would be audited by a third-party auditing firm according to CSR audit framework and evaluation criteria annually. After receiving a rating based on non-compliance issues identified during the audit, suppliers are required to submit detailed corrective and preventive action plans (CAPAP) for continuous improvement. In 2022, 100% of suppliers submitted CAPAP after audits. Suppliers' CSR and Business Continuity Management (BCM) are also key priorities in our supply chain management, together with other KPIs such as innovation, cost optimization, quality, and safety, which are also regularly evaluated and summarized in our business review.



2022 CSR Audit Result

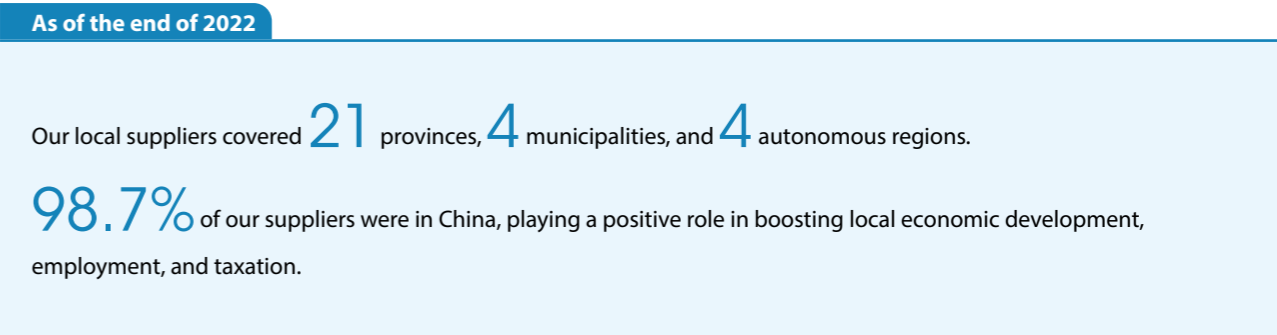
~360 suppliers covered, 100% critical suppliers* included



* Yum China sorts all suppliers into four categories - innovative suppliers, key suppliers, regular suppliers, and other suppliers - based on their innovative capabilities, key raw materials, and procurement volume. Among them, innovative suppliers and key suppliers are our critical suppliers, providing us with critical raw materials and services.

Local Sourcing

Yum China is working to increase local sourcing to build a more efficient, resilient and sustainable supply chain, as well as to actively shoulder our social responsibilities. We proactively cooperate with local suppliers, and also encourage overseas suppliers to expand operations in China to ensure the consistency of product quality while improving our cost competitiveness in the local market. At the same time, we also hope to drive local economic development and bring positive impact to society through our local sourcing.



Community

Yum China has always adhered to the principle of 'Always do the right thing' and actively giving back to society through spreading kindness and promoting shared prosperity. Rural revitalization starts with talent cultivation. Therefore, we strive to improve the nutrition and health of rural children and improve access to digital education in rural areas. Through our extensive value chain network, we aim to empower local economies by supporting the revitalization of rural industries. Yum China's nationwide store network helps promote the concept of 'Everyone does good' and we also encourage our employees actively help and support customers and communities. We have a long-standing commitment to supporting the healthy growth of children and care for frontline workers to build harmonious and friendly communities. Moreover, we actively promote traditional Chinese culture and advocate a healthy lifestyle and balanced diet through our participation in various sporting events. In the future, we will continue to demonstrate our sincere care and leverage our strengths and partnerships to positively contribute to social development.

Highly Relevant



Moderately Relevant



Primary Focus



Highlights from 2022

Rural Revitalization

15th Anniversary of 'One Yuan Donation'

RMB 240million+ raised since 2008

55million+ nutritious offered to benefit children in rural areas

1,350+ rural schools provided with modern kitchen equipment

Digital Classroom Program

~340 schools covered in 5 provinces (Ningxia, Hunan, Henan, Yunnan, and Guizhou) since 2019



Grow Local Initiative

Leveraged the resources of local planting and tourism, implemented the **Village Empowerment Program**

56 training sessions conducted, with 600+ participants in 2022

Community Care

KFC Little Migratory Birds Fund

29 provinces (autonomous regions) covered

5million children benefited since 2016

KFC Book Kingdom Program

100million+ books distributed, and

790,000+ story-telling sessions organized since 2015

Pizza Hut Public Reading Program

70+ themed restaurants

18 cities covered ~55,000 books stored since 2018

Public Safety-themed Restaurants

(emergency/fire rescue/Internet security)

36 themed restaurants in 14 cities covered

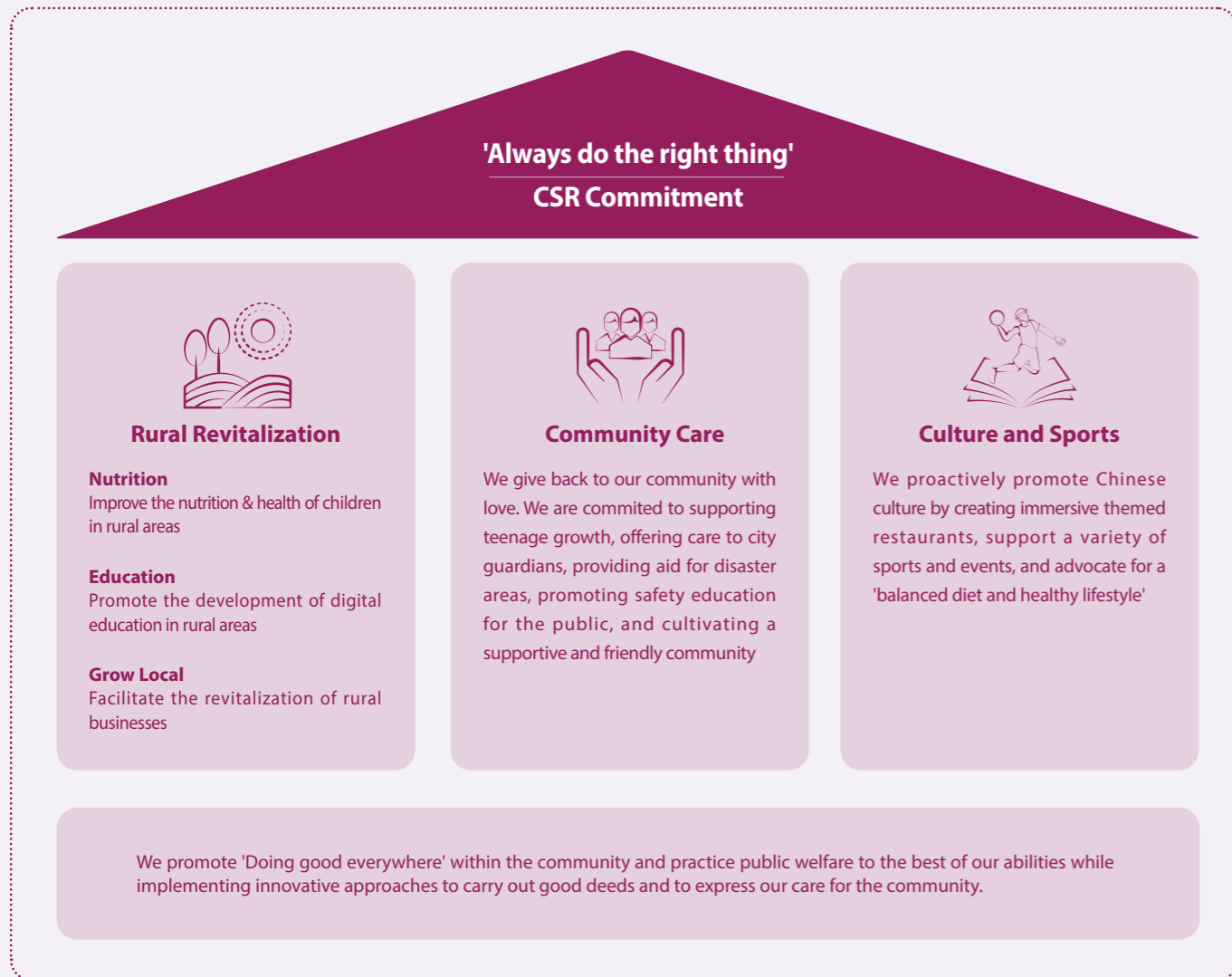
450+ knowledge sharing sessions organized since 2021

Care for City Guardians

126,000+ free meal sets sent to city guardians and frontline workers in 2022

Employee Volunteer Time

4 million+ hours in 2022



Rural Revitalization

Yum China is leveraging our strengths and various channels to drive the revitalization and growth of rural areas throughout the country. We are continuously expanding our One Yuan Donation, Digital Classroom, and Grow Local initiatives which focus on improving the health and nutrition of rural children, revitalizing rural communities, and fostering the development of local talent. These efforts also seek to boost economic development by empowering local industries.

As a responsible enterprise, we are committed to upholding our core value of 'Always do the right thing' by shouldering our responsibility and undertaking various initiatives in giving back to the community. In addition, we encourage everyone at Yum China to embrace a spirit of generosity and contribute to public welfare in their own way. By doing so, we hope to spread warmth and create a positive impact that will endure.

- Joey Wat, CEO of Yum China

Improving Child Nutrition

For over 15 years, Yum China has been a proud partner of the China Rural Development Foundation (formerly CFPA), supporting our One Yuan Donation initiative. Our brand restaurants, including KFC, Pizza Hut, and Taco Bell, serve as the main contributors to this cause through in-store and online donations. We have rapidly adapted to the changing times and established innovative fundraising channels.

The One Yuan Donation Program is one of Yum China's flagship initiatives that has grown into one of the largest and most impactful charity events in China over the years. This year, the program was honored with numerous awards in recognition of its impact on society. These awards include:



↑ 15th Anniversary of 'One Yuan Donation': Love in Every Yuan

• Southern Weekly 2022 Welfare Case Award

• iFeng.com Social Change Activist Alliance 2022 Charity Award



Innovative Approach

- Company executives launched a charity auction livestream
- Participated in the 'Happy Doing Good' event hosted by ByteDance, raising funds by initiating a charity check-in activity and inviting food TikToker to join charity live streams
- Launched short fundraising videos in conjunction with ByteDance's charity event
- Initiated a charity donation event with Tencent Charity

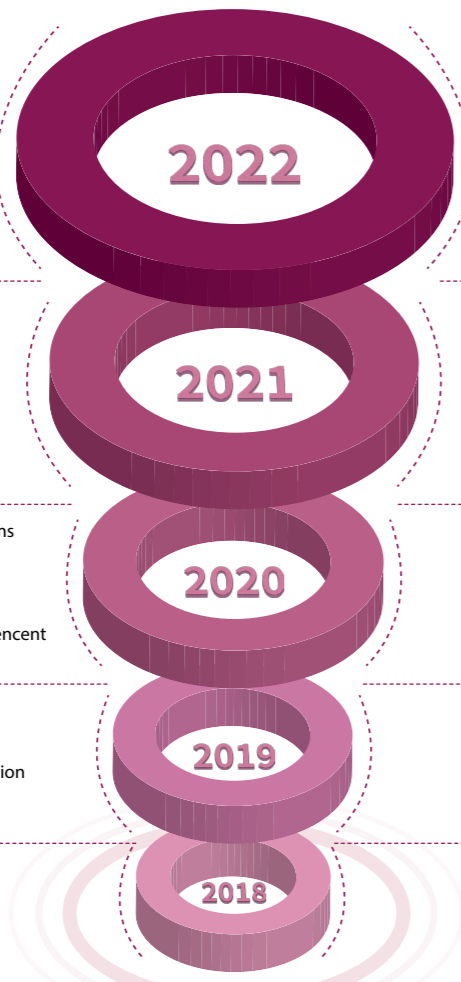
- Launched the Charity E-Shop
- Launched charity sale live streams
- Launched charity markets

- Launched charity live streams and online drop-ins
- Launched the 'One Yuan Donation · Welfare Partnership' Program
- Set up a 'Donate Together' team campaign on Tencent Charity

- 'V Gold Donation' Campaign
- Launched the monthly recurring donation function on the National Welfare Platform

- Online donation via the KFC and Pizza Hut Apps and WeChat mini Apps

Innovation of 'One Yuan Donation' in the Past Five Years



Communication

- Launched the 'Love in Every Yuan' topic on TikTok
- Launched the 'One Yuan Donation' channel to post short promotional videos
- Called for #MyOneYuanDonationStory online
- Organized the 'One Yuan Donation' Charity Photography Exhibition

- Added a diary section to record charity events and spread love
- Released the 'One Yuan Donation' promotional short film, *Let Me Tell You a Secret*, and accompanying publications
- Jointly launched 'Asian Games x One Yuan Donation Rural Dreambuilders Campaign'

- Launched hashtags '#PoutUp' and '#PickYourNutrition' on TikTok

- Officially launched the program logo, mascot 'One Yuan Man', and accompanying emoji set
- Launched the 'One Yuan Donation' Creative T-shirt Campaign

- Released *Wings of Love* and accompanying MV – the theme song of the One Yuan Donation Program

In 2022, our team organized a series of charity events under the banner of 'Donate Together', and we started online interactive topics, produced short films and shared stories and knowledge to generate both funds and awareness about the importance of nutrition and charitable giving nationwide.



↑ Charity market and sale



↑ 'Donate Together' Team PK event

For approximately every RMB three donated, a wholesome meal is provided to a child living in a rural area, and approximately every RMB 60,000 raised outfits a rural school with modern kitchen equipment.

Case

Ceremony of Modern Kitchen Donation to Malipo in Yunnan

In 2022, the China Public Diplomacy Association held the Paired Assistance for Rural Revitalization Ceremony in Malipo County, Yunnan, joining forces with Yum China and the China Rural Development Foundation in donating modern kitchens to five schools in Malipo County. The provision of standardized electronic equipment is expected to enhance the quality of school meals and improve the nutritional intake of students.



↑ Modern Kitchens Donation Ceremony ↑



For the past 15 years, we have been dedicated to promoting public welfare through various innovative means. From offering nutritious meals to providing modern kitchens, and to digital classrooms, from in-store donations to creating online donation channels including online charity shops, we stay ahead of the times while embracing love and generosity. Our aim is to make a lasting impact and raise awareness about the importance of public welfare in society.

- Alice Wang, Chief Public Affairs Officer of Yum China



As of the end of 2022

One Yuan Donation Program has covered **14** provinces (autonomous regions)

Accumulatively RMB **240million+** has been raised

Yum China and employees have contributed RMB **~70million**

140million+ customers have participated

Accumulatively **55million+** nutritious meals have been offered to benefit rural children

Provided **1,350+** rural schools with modern kitchen equipments

Pictures of 'One Yuan Donation'



↑ Introducing 'One Yuan Donation' by KFC restaurant staff



'One Yuan Donation' themed Photography Exhibition launched in a Pizza Hut restaurant



↑ 'One Yuan Donation' Charity Market



↓ 'One Yuan Donation' Public Service-themed Flights

Promote Digital Education

In 2019, Yum China joined forces with the China Rural Development Foundation and Leap Learner to create a revolutionary charity model that combines the power of the Internet and AI-integrated education. This model aims to help that children have access to fair and high-quality education. By donating computers and providing programming courses, the model strives to improve the programming literacy of rural schools and open up new opportunities for rural children to learn computer programming.

The One Yuan Donation Program expanded its mission in 2022 by adding a 'Digital Classroom' component to our existing program on nutrition supplement and modern kitchen. This new focus emphasizes on talent development, intending to promote the healthy growth of rural young children and contribute to rural revitalization.

As of the end of 2022

Yum China has successfully offered programming training to **400+** teachers in **~340** rural schools ocated in **5** provinces

Case

Rural Programming Classes – Bringing Digital Classroom to Zhujiezhen Central Elementary School in Yunnan Province

At Zhujiezhen Central Elementary School in Guangnan County, Yunnan Province, there are nearly 800 students. Teachers at the school have successfully completed their professional training and assessments through 'Digital Classroom'. In the spring of 2022, Yum China donated laptops to the school, launching our Digital Classroom Program. The computer programming course not only enriches the students' lives but also empowers them to develop useful programs, despite the geographic limitations of the area. A prime example of this is the Intelligent Farming System, which was entered into the 2022 China Adolescents Science and Technology Innovation Contest's science and technology innovation segment for primary school students. Through programming, children are connected to the world beyond the mountains, enabling them to embrace the future with innovation and competitiveness.



↑ Students are Taking Programming Classes

Support Rural Industry Development

Committed to supporting local development, Yum China draws on the strengths of supply chain management and product R&D capabilities to support local development. In Yunnan, we source coffee and vegetables locally, do charity sales of potatoes, and offer professional training for local farmers to drive local industrial development.

Grow Local

Since the launch of the Grow Local initiative in 2018, high-quality products such as Yunnan truffles, Guizhou dragon fruits, and Shaanxi apples have been brought to the table as delicacies for our customers. We explore the potential of high-quality domestic products to promote rural revitalization and regional prosperity. Meanwhile, we are committed to developing this into a sustainable agriculture program by capitalizing on Pizza Hut's strong supply chain management and practices. After years of exploration and engagement in this area, we have developed a new concept of rural revitalization focusing on extending the industrial chain, improving the value chain and building the supply chain.

In 2022

Pizza Hut Grow Local Initiative has held **56** training sessions with **600+** participants

Case

'Grow Local' Initiative Continues to Empower Rural Development

In 2022, Pizza Hut's Grow Local initiative invested in dragon fruit farming in Guizhou by establishing new farmland and stationing experts to standardize farming practices and carry out a series of flower nursery and cultivation training. The locally grown dragon fruit and passion fruit products were made accessible through both online and offline channels. To enhance the local industrial value chain, the initiative leveraged the educational resources of 'Grow Local Cooperatives' to implement the 'Village Empowerment Program'. Furthermore, baking classes were introduced to improve the culinary skills of farmers ahead of the tourist season.

Through providing technical training and onsite brand guidance programs, the Grow Local initiative has created new opportunities for agricultural development and empowered local industries to thrive.



↑ 'Grow Local Cooperative' at Shibing County in Guizhou



↑ Classes of the Village Baking Program



↑ Onsite Training



↑ Trainees Engaged in Spring Sowing

At KFC, our priority extends beyond merely delivering consistent, high-quality products. We are passionate about discovering and celebrating the diverse food traditions of the communities we serve. We make a conscious effort to source our materials and ingredients locally and establish partnerships with local vendors, thereby supporting the growth and development of local industries.

Case

'KFC Dark Soy Milk' Finally Launches in Sichuan and Chongqing

Following years of joint research, testing, and production with Huantai Buckwheat, Yum China recently added 'KFC Dark Soy Milk' to the KFC breakfast menu at the end of 2022. This limited time item by using three unique dark ingredients has been available in 270 restaurants in Sichuan and Chongqing, and one of the ingredients is the Tartary buckwheat grown in the Liangshan region of Sichuan. The inclusion of this iconic geographical product is a result of the efforts of the 'Liangshan Help and Support Class', bringing the essence of the Liangshan region to the supply chain system of Yum China.



↑ 'KFC Dark Soy Milk'

Community Care

At Yum China, we are dedicated to making a positive impact on the communities we serve. We prioritize the growth and well-being of children through education funding, promote literacy in local communities, and educate the public on health and safety matters. Furthermore, we recognize and honor the contributions of city guardians and frontline workers, offer aid to disaster-affected areas, and strive to provide the best assistance to our communities.



Youth Development

KFC Little Migratory Bird Fund

In 2016, KFC teamed up with the China Children and Teenagers' Fund (CCTF) to launch the 'Little Migratory Birds Fund'. The fund provides support for a range of reading, sports, and arts activities across the country, aimed at promoting the physical and mental development of left-behind children. In 2022, 'KFC Little Migratory Birds Fund' joined forces with the Alibaba Foundation to hold a charitable event that aimed to promote the fund and encourage book donations. By the end of 2022, the Fund had donated nearly RMB 30 million, benefiting five million left-behind children.

↑ 'Fly To Nature' Event

KFC Book Kingdom Program

In 2017, KFC introduced its Book Kingdom Program which aimed to promote reading among children by pairing books with their Kids' Meals. The initiative encouraged kids to explore new worlds and broaden their horizons through reading while enjoying their meals. KFC regularly holds free in-store storytelling sessions across the country to promote parent-child reading, and as of the end of 2022, the campaign had distributed 140 million books and organized 790,000 storytelling sessions.

↑ Most Beautiful 'Book Kingdom' Restaurant in Chengdu

KFC First Light Fund

Yum China established the 'KFC First Light Fund' in 2002, intending to promote personal growth and independence among financially struggling students. The fund operates on an integrated 'Receive Help – Help Yourself – Help Others' model, which provides scholarships to support these students in their educational pursuits. As of the end of 2022, the fund had invested over RMB 120 million and assisted 20,000 college students in 68 universities across 30 cities nationwide.

↑ Graduation of KFC First Light Students

Pizza Hut Public Reading Program

On 2018 World Reading Day, Pizza Hut launched its Public Reading Program nationwide, establishing book donation locations and building public spaces to promote reading. In 2022, Pizza Hut held public reading activities in several cities across the country and jointly launched the 'Listen to the Heart' event with Himalaya to raise reading awareness through the power of audio.

↑ 'Public Reading' Corner in Chongqing

Pizza Hut 'Pass Every Exam'

In 2015, Pizza Hut launched the nationwide Pass Every Exam campaign to support students as they prepare for exams. The campaign delivers meals to students as a way to provide encouragement and motivation during stressful times. 2022 marked the 7th anniversary of the campaign, and Pizza Hut launched the 'Youth Boosting' gift box to express our belief in the potential of young people. Over the years, Pizza Hut has expanded the reach of the Pass Every Exam campaign, delivering special set meals to an increasing number of students in more cities.

↑ 'Pass Every Exam' at Zhongshan High School in Shenyang



Care for City Guardians

Aiming to demonstrate our gratitude through tangible actions, Yum China recently initiated several initiatives to express appreciation to city guardians, including health workers, law enforcement officers, sanitation workers, commercial drivers, and media professionals.



Caring for Frontline Health Workers in Covid-19

Yum China introduced the 'Million Thanks, Million Gifts' campaign on Labor Day, utilizing KFC and Pizza Hut restaurants across the country. Over 30,000 meal sets were presented as a show of gratitude and appreciation to the medical staff in Shanghai for their tireless efforts during the pandemic. Yum China provided special meal sets to returning medical workers as soon as they arrived, demonstrating to them that the community recognizes and deeply appreciates their role in combatting the pandemic.

'Million Thanks, Million Gifts' Campaign ↓



Gratitude to Frontline Workers



Yum China held a series of 'Heartwarming Breakfast' events, providing hot meals to essential workers during both chilly winter days and sweltering summer days, as well as on special holidays. In 2022, KFC went a step further by utilizing their delivery team to bring breakfast and refreshing beverages to city guardians, including traffic police and taxi drivers, as a way to express our appreciation for their service.

← KFC Delivers Hot Meals to Traffic Police



Tribute to Media Professionals

Every year, Pizza Hut hosts a series of themed events to celebrate Chinese Journalists' Day. These events provide an opportunity for journalists to share their experiences and are a tribute to their work. The venues are decorated with the journalists' work, and Pizza Hut offers delicious cuisine and impeccable service for them.

Pizza Hut Pays Tribute to Media Professionals with Delicious Food →



Disaster Relief

Yum China has responded swiftly to natural disasters and is firmly committed to providing aid to affected communities. In September 2022, a 6.8 magnitude earthquake hit Luding County in Ganzi Prefecture. Yum China sprang into action, conducting welfare checks on our local employees and their families. We quickly dispatched tens of thousands of KFC products and beverages to the impacted regions. Furthermore, our brands donated RMB one million to the affected areas in Sichuan, channeled through the China Rural Development Foundation, to support disaster relief and post-disaster reconstruction efforts.



↑ Yum China's Emergency Relief Loaded for Disaster Areas

Care for Stray Animals

Yum China is committed to both fulfilling our social welfare responsibilities and diversifying our operations through innovation. Pizza Hut is committed to animal protection, helping stray animals by donating to shelters, operating a support platform, converting multiple restaurants around the country into pet-friendly spaces, and organizing themed charity events.

As of the end of 2022

Yum China had created **11** pet friendly restaurants, covering **9** cities

In 2022, Pizza Hut and the Beijing Loving Animals Foundation have collaborated to launch the 'Love and Protect Strays' public welfare project to help protect stray animals, the project introduced charity set meals and Pizza Hut will donate RMB one for each set meal sold. In addition, pet-friendly restaurants have been opened in Shanghai, Chengdu, Wuhan, and Zhengzhou, with outside tethering spots and pet-friendly seating. These restaurants also display signage boards highlighting the Foundation's donation and charity events to raise awareness for stray animals and appeal to animal lovers.

Carried out 'Adoption Instead of Purchase' online and offline adoption activities, Pizza Hut's pet-friendly restaurants serve as a platform for animal welfare awareness and advocacy in the manner of promoting pet adoption and cultivating a community for animal enthusiasts interacting with one another.



↑ Pizza Hut 'Love and Protect Strays' Adoption Party

A Public Organization Representative Talks About Adoption ↓



Former Stray Cat Irene and Her Owner ↓



↑ A Vet Shares Animal Knowledge



Popularize Safety Education

Yum China is dedicated to promoting safety education in communities through our themed restaurant, offering instruction on a variety of topics including Internet security and fire safety. By integrating educational initiatives with restaurant activities, we aim to promote safety awareness in a unique and engaging way.

In 2022, KFC and Pizza Hut opened several Internet security-themed restaurants and conducted engaging safety events to increase public awareness of cybersecurity. Moreover, KFC and Pizza Hut sustained their efforts to promote emergency response education in communities, improving public understanding of fire safety.

As of the end of 2022

Yum China had constructed **36** fire safety-themed and Internet Security-themed restaurants, covering Shanghai, Guangdong, Jiangsu, and other provinces, and organized **450+** emergency education activities



↑ KFC Fire Safety-themed Restaurant in Beijing



↑ First KFC Safety-themed Restaurant in Henan



↑ Pizza Hut Parent-child Fire Safety-Event in Jinan



↑ Pizza Hut Fire Safety-themed Restaurant in Guizhou

Culture and Sports

Yum China is dedicated to promoting Chinese culture and advocating balanced diets and healthy lifestyles. Our restaurant network and innovation capabilities have allowed us to create culturally themed restaurants and support a variety of sports and cultural events since our inception.

Enjoy Traditional Cultures

In 2022, KFC and Pizza Hut persisted in their efforts to introduce culture-themed restaurants all over China. Their aim has been to celebrate the beauty and uniqueness of Chinese culture in a fun and fashionable way, while also revitalizing cultural heritage in the modern world.

Grand Canal-themed KFC Restaurant in Suzhou



Chu-themed KFC Restaurant in Wuhan



Intangible Cultural Heritage-themed Pizza Hut Restaurant in Guangzhou



Traditional Culture-themed Restaurants



'High Mountains and Flowing Water'-themed Pizza Hut Restaurant in Wuhan



Promote Sports

During 2022, Yum China continued our commitment to the Asian Games in Hangzhou, which will be held in 2023, by launching a themed restaurant that blended food and sports. Furthermore, Pizza Hut marked its fifth year of involvement

in the Qingdao International Sailing Week & Ocean Festival by organizing an event that brought athletes together to promote sailing to young people.

Case Yum China Unveiled the Asian Games-themed Restaurant

In 2022, Yum China launched Asian Games-themed KFC and Pizza Hut restaurants in Hangzhou, showcasing Asian Games culture through immersive store designs and interactive experiences, allowing locals to get up close with the Games and conveying the spirit of sports to them. In

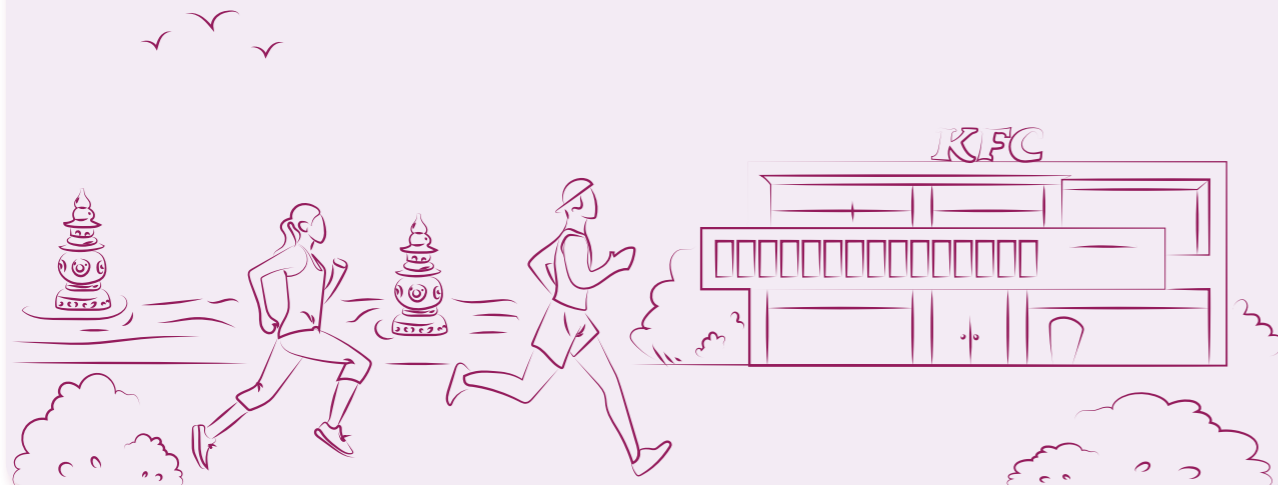
addition, KFC and Pizza Hut selected 28 'Games promotion ambassadors' from more than 40,000 employees in Zhejiang, who will promote Asian Games history and culture to customers through the restaurants over the next year and help with brand building for the Asian Games.



↑ KFC Asian Games-themed Restaurant



↑ Pizza Hut Asian Games-themed Restaurant



Case KFC Asian Games Mobile Art Exhibition

As a tribute to the 15th World Autism Awareness Day in 2022, KFC delivery riders in Hangzhou supported children with autism by decorating their backpacks with artworks made by the children, and providing cards created by the children with every meal delivery, thereby connecting the children to the world through their actions.



Case From the Winter Olympics to the Asian Games – KFC Promotional Stations in Hangzhou

To mark the 200-day countdown of the 2022 Asian Games in Hangzhou, citizens of Hangzhou met by the side of the Guyun River and walked together to sprint for the Hangzhou Asian Games. As the official exclusive supplier for the Hangzhou Asian Games, KFC organized promotional activities to offer participants a special set meal to build excitement for the Asian Games.



Participants Bless the 2022 Asian Games at the KFC Promotional Stations →

Case Pizza Hut 5th Anniversary Cooperative Sailing Event



↓ Pizza Hut Sailing Contest

↑ National Games Champion Huang Xufeng Shares Her Sailing Stories



In the 5th anniversary celebration of the partnership between Pizza Hut and Qingdao International Sailing Week & Ocean Festival, the sailing-themed Pizza Hut restaurant in Qingdao hosted a sailing competition with 10 event-themed sailboats, attracting a large crowd of spectators. In the themed restaurant, three-time National Games champion Huang Xufeng was invited to share her story with young sailing enthusiasts and promote their knowledge of sailing.



Appendix

Key Performance Indicators

Indicators	Unit	2022	2021	2020
FOOD				
Food Safety and Quality Audits on Suppliers	times	470+	400+	600+
Key Raw Materials Sampling Tests in Restaurants	times	350+	300+	300+
Restaurant Food Safety and Quality Audits (i.e. Operational Excellence Compliance Audit)	times	21,200+	19,400+	16,200+
Product Checks on Key Menu Items in Restaurants	times	~4,500	~4,500	3,690+
Microbiological Testing in Restaurants	pieces	89,000+	111,000+	71,000+
ENVIRONMENT				
Direct (Scope 1) GHG Emissions	tCO ₂ e	165,197	158,887	135,615
Energy Indirect (Scope 2) GHG Emissions	tCO ₂ e	1,740,134	2,158,856	1,873,757
Average Restaurant Energy Indirect GHG Emissions	tCO ₂ e	148	205	207
Other indirect (Scope 3) GHG Emissions	tCO ₂ e	8,198,807	8,446,963	7,079,379
Total Electricity Consumption	MWh	3,029,361	3,165,227	2,760,611
Average Restaurant Electricity Consumption	MWh	259	303	304
Total Water Consumption	tons	24,961,986	27,280,872	24,579,253
Average Restaurant Water Consumption	tons	2,149	2,628	2,710
Total Amount of Packaging Usage* (Plastic Packaging & Paper Packaging)	tons	110,485	111,360	/
Total Amount of Plastic Packaging Usage*	tons	20,076	22,027	/
Total Amount of Paper Packaging Usage*	tons	90,409	89,333	/
Packaging Usage per Sales* (in million RMB)	tons	1.8	2.0	/
Total Packaging Reduction (Plastic Packaging & Paper Packaging)	tons	~19,400	~18,900	9,200+
Percentage of RSPO-Certified Palm Oil	%	100	100	100
PEOPLE				
Total Number of Employees	person	400,000+	450,000+	400,000+
Number of Full-time Employees	%	36	33	34
Number of Part-time Employees	%	64	67	66
Number of Male Employees	%	34	35	36
Number of Female Employees	%	66	65	64
Number of Employees under 30 and below	%	53	58	60
Number of Employees 31~40	%	25	23	23
Number of Employees 41~50	%	19	16	15
Number of Employees over 50	%	3	3	2

*In 2021, the total amount of packaging usage covered waste generated from customer-facing side and back of the house across all brands. Starting from 2022, the statistical scope changes to customer-facing side to better track the progress of packaging-related goals.

Indicators	Unit	2022	2021	2020
PEOPLE				
Employee Turnover Rate of Restaurant General Managers (RGMs)	%	9.0	10.6	9.2
Share of Women in All Management Positions	%	61	61	60
Share of Women in Junior Management Positions	%	61	61	61
Share of Women in Top Management Positions	%	53	53	54
Share of Women in Management Positions in Revenue-Generating Functions	%	63	62	61
Share of Women in STEM-related Positions	%	23	22	15
Share of Female Employees in New Hire Employees	%	59	66	59
Share of Female Employees in Promotion Employees	%	67	68	62
Share of Female Employees in Turnover Employees	%	58	57	56
Mean Hourly Gender Pay Gap of Restaurant Service Team	%	0	0	0
Median Hourly Gender Pay Gap of Restaurant Service Team	%	0	0	0
Number of Cities with Angel Restaurants	/	27	22	23
Number of Angel Restaurants	/	30	23	24
Number of People with Disabilities Employed in Angel Restaurants	person	~200	~200	200+
Number of People with Disabilities Gained Employment Support	person	~2,000	~2,000	2,100+
Total Amount Spent on Training and Development	million RMB	338	456	266
Average Amount Spent per FTE on Training and Development	RMB	1,673	3,000	1,308
Training and Development Hours in Total	million hours	8.8	12	8.6
Average Hours per FTE of Training and Development	hours	44	54	42
Number of Full-time Employees Trained	person	140,000	147,000	136,000
Number of Part-time Employees Trained	person	260,000	303,000	270,000
Share of Male Employees in Training Programs	%	34	35	36
Share of Female Employees in Training Programs	%	66	65	64
Annual Physical Examination Coverage of Restaurant Management Team and Office Employees	%	100	100	100
Health Certificate Coverage of Restaurant Employees	%	100	100	100
Lost-time Injury Frequency Rate for Employees*	n/million hours worked	1.07	0.99	1.34
Total Number of Work-related Fatalities for Employees*	person	0	0	0
Percentage of CSR Audited Critical Suppliers	%	100	100	100
Percentage of Suppliers in China	%	98.7	99.1	99.1
COMMUNITY				
Employee Volunteer Time	million hours	4.0+	1.8+	1.5+

*The number does not include casualties that are not attributed to work.

HKEX ESG Reporting Guide Index

KPI	Description	Responses
A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	The laws and regulations that Yum China complies with include but are not limited to: <ul style="list-style-type: none"> • <i>Environmental Protection Law of the PRC</i> • <i>Law of the PRC on the Prevention and Control of Water Pollution</i> • <i>Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste</i>
A1.1	The types of emissions and respective emissions data.	Total water discharge: 21,965,421 tons Water discharge intensity: 1,891 tons per store Air emissions: The air emissions from business activities mainly come from the cooking fumes from the kitchen. We set up management standards and comply with relevant national laws and regulations to make it meet the standard.
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Environment > Climate Action, P37
A1.3	Total hazardous waste produced and, where appropriate, intensity.	As a restaurant company, we do not produce hazardous waste on account of business features.
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Total non-hazardous waste: 311,736 tons Non-hazardous waste intensity: 27 tons per store Total waste recycled/reused: 118,519 tons Total waste disposed: 193,218 tons
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment > Climate Action, P37
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment > Circular Economy, P45
A2	Use of Resource	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment > Climate Action, P37
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environment > Climate Action, P37
A2.2	Water consumption in total and intensity.	Environment > Climate Action, P37
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment > Climate Action, P37
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Yum China has no issue in sourcing water. Environment > Climate Action, P37
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Environment > Circular Economy, P45
A3	The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment > Supply Chain Environmental Impact, P54
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment > Supply Chain Environmental Impact, P54
A4	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment > Climate Action, P37
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment > Climate Action, P37

KPI	Description	Responses
B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	The laws and regulations that Yum China complies with include but are not limited to: <ul style="list-style-type: none"> • <i>Labor Law of the PRC</i> • <i>Labor Contract Law of the PRC</i> • <i>Regulations on the Prohibition of Child Labour</i> People > Innovate through Team Work, P59
B1.1	Total workforce by gender, employment type, age group and geographical region.	Total number of employees: 400,000+ Total workforce rate: <ul style="list-style-type: none"> • By gender: Women: 66% • Men: 34% By employment type: Full-time: 36% Part-time: 64% <ul style="list-style-type: none"> • By age: 30 years old and below: 53% 31~40 years old: 25% 41~50 years old: 19% 50 years old and above: 3% <ul style="list-style-type: none"> • By region: Mainland China: 99.99853% Hong Kong, Macau, and Taiwan: 0.00098% Other regions: 0.00049%
B1.2	Employee turnover rate by gender, age group and geographical region.	Turnover Rate of RGMs: 9.0% <ul style="list-style-type: none"> • By gender: Women: 4.8% Men: 4.2% <ul style="list-style-type: none"> • By age: 30 years old and below: 3.5% 31~40 years old: 4.9% 41~50 years old: 0.6% 50 years old and above: 0.02% <ul style="list-style-type: none"> • By region: Mainland China: 9.0% Hong Kong, Macau, and Taiwan: 0.0% Other overseas regions: 0.0%
B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	The laws and regulations that Yum China complies with include but are not limited to: <ul style="list-style-type: none"> • <i>Security Law of the PRC</i> • <i>Law of the PRC on the Prevention and Control of Occupational Diseases</i> • <i>Fire Protection Law of the PRC</i> People > Innovate through Team Work, P59

KPI	Description	Responses
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	From 2018 to 2022, work-related fatalities of Yum China continued to be zero*.
B2.2	Lost days due to work injury.	In 2022, there were about 10,700* lost days due to work injury.
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People > Innovate through Team Work, P59
B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People > Innovate through Team Work, P59
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The percentage of employees trained in total workforce: 100% • By Gender: Women: 66% Male: 34% • By employee category: Non-manager: 95% Managers: 5%
B3.2	The average training hours completed per employee by gender and employee category.	Average hours per FTE of training and development: 44 The average training hours completed per employee** • By gender: Women: 17 Male: 23 • By employment category: Non-manager: 37 Managers: 19
B4	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	The laws and regulations that Yum China complies with include but are not limited to: • Labor Law of the PRC • Labor Contract Law of the PRC • Regulations on the Prohibition of Child Labour People > Innovate through Team Work, P59
B4.1	Description of measures to review employment practices to avoid child and forced labour.	People > Innovate through Team Work, P59
B4.2	Description of steps taken to eliminate such practices when discovered.	People > Innovate through Team Work, P59
B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	People > Supply Chain Social Impact, P76
B5.1	Number of suppliers by geographical region.	By the end of December 2022, the number of suppliers by region is as follows: • Total: 909 • China: 897 • Overseas: 12
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Food > Uphold Food Safety and Quality, P18

*The number does not include casualties that are not attributed to work.

** Including office staff and RGMs, the average training hours completed per employee = In this category, Total Hours of training for employees/Total full-time manpower hours FTE.

KPI	Description	Responses
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	People > Supply Chain Social Impact, P76
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Environment > Climate Action, P37
B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	The laws and regulations that Yum China complies with include but are not limited to: • Food Safety Law of the PRC • Advertising Law of the PRC • Trademark Law of the PRC • Law of the PRC on the Protection of Consumer Rights and Interests • Data Security Law of the PRC • Personal Information Protection Law of the PRC Food > Uphold Food Safety and Quality, P18 People > Customer Relationship Management, P73
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Yum China had no incidents in which the products sold or shipped subject to recalls for safety and health reasons during the reporting period.
B6.2	Number of products and service related complaints received and how they are dealt with.	In 2022, Yum China did not receive any material complaints related to products and services.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	People > Customer Relationship Management, P73
B6.4	Description of quality assurance process and recall procedures.	We pay attention to food recalls, develop relevant systems to standardize the food recall process, and clarify the involving departments and responsibilities.
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	People > Customer Relationship Management, P73
B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Yum China strictly complies with <i>Company Law of the PRC</i> , <i>Criminal Law of the PRC</i> , <i>Anti-money Laundering Law of the PRC</i> , and other laws and regulations and adopts a 'zero tolerance' attitude towards corruption. Corporate Governance, P09
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Governance, P09
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corporate Governance, P09
B7.3	Description of anti-corruption training provided to directors and staff.	Corporate Governance, P09
B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community, P78
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community, P78
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community, P78

GRI Standards Index

GRI Standards	Disclosure Title	Responses
Organizational profile	102-1 Name of the organization	About Us, P08
	102-2 Activities, brands, products, and services	About Us, P08
	102-3 Location of headquarters	Headquartered in Shanghai, China
	102-4 Location of operations	About Us, P08
	102-5 Ownership and legal form	About Us, P08
	102-6 Markets served	About Us, P08
	102-7 Scale of the organization	About Us, P08
	102-8 Information on employees and other workers	About Us, P08
	102-9 Supply chain	People > Supply Chain Social Impact, P76
	102-10 Significant changes to the organization and its supply chain	No significant changes
	102-11 Precautionary Principle or approach	Corporate Governance, P09
	102-12 External initiatives	Sustainability Strategy, P11
	102-13 Membership of associations	Food > Industry Development and Public Education, P31
Strategy	102-14 Statement from senior decision-maker	Remarks by Yum China CEO, P02
	102-15 Key impacts, risks, and opportunities	Sustainability Strategy, P11
Ethics and integrity	102-16 Values, principles, standards, and norms of behavior	Corporate Governance, P09
	102-17 Mechanisms for advice and concerns about ethics	Corporate Governance, P09
Governance	102-18 Governance structure	Corporate Governance, P09
	102-19 Delegating authority	Corporate Governance, P09
	102-20 Executive-level responsibility for economic, environmental, and social topics	Sustainability Strategy, P11
	102-21 Consulting stakeholders on economic, environmental and social topics	Sustainability Strategy, P11
	102-22 Composition of the highest governance body and its committees	Corporate Governance, P09
	102-23 Chair of the highest governance body	Corporate Governance, P09
	102-24 Nominating and selecting the highest governance body	Corporate Governance, P09
	102-25 Conflicts of interest	Corporate Governance, P09
	102-26 Role of highest governance body in setting purpose, values, and strategy	Sustainability Strategy, P11
	102-27 Collective knowledge of highest governance body	Corporate Governance, P09
	102-28 Evaluating the highest governance body's performance	Corporate Governance, P09
	102-29 Identifying and managing economic, environmental, and social impacts	Sustainability Strategy, P11
	102-30 Effectiveness of risk management processes	Sustainability Strategy, P11
	102-31 Review of economic, environmental, and social topics	Sustainability Strategy, P11

GRI Standards	Disclosure Title	Responses
Governance	102-32 Highest governance body's role in sustainability reporting	Sustainability Strategy, P11
	102-33 Communicating critical concerns	Sustainability Strategy, P11
	102-34 Nature and total number of critical concerns	Sustainability Strategy, P11
	102-35 Remuneration policies	People > Innovate through Team Work, P59
	102-36 Process for determining remuneration	People > Innovate through Team Work, P59
	102-37 Stakeholders' involvement in remuneration	Corporate Governance, P09
	Stakeholder engagement	102-40 List of stakeholder groups
102-42 Identifying and selecting stakeholders		Sustainability Strategy, P11
102-43 Approach to stakeholder engagement		Sustainability Strategy, P11
102-44 Key topics and concerns raised		Sustainability Strategy, P11
Reporting practice	102-45 Entities included in the consolidated financial statements	About this Report, P04
	102-46 Defining report content and topic boundaries	Sustainability Strategy, P11
	102-47 List of material topics	Sustainability Strategy, P11
	102-48 Restatements of information	No material restatements of information to reports
	102-49 Changes in reporting	About this Report, P04
	102-50 Reporting Period	About this Report, P04
	102-51 Date of most recent report	About this Report, P04
	102-52 Reporting cycle	About this Report, P04
	102-53 Contact point for questions regarding the report	About this Report, P04
	102-54 Claims of reporting in accordance with the GRI Standards	About this Report, P04
	102-55 GRI content index	GRI Index, P100
	102-56 External assurance	Assurance Report, P106
Management Approach	103-1 Explanation of the material topic and its boundary	Sustainability Strategy, P11
	103-2 The management approach and its components	Food, P16 Environment, P34 People, P56 Community, P78
	103-3 Evaluation of the management approach	Sustainability Strategy, P11
GRI 201: Economic Performance	201-2 Financial implications and other risks and opportunities due to climate change	Environment > Climate Action, P37
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	Corporate Governance, P09
GRI 206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions recorded during the reporting period

GRI Standards	Disclosure Title	Responses
GRI 301: Materials	301-1 Materials used by weight or volume	Environment > Circular Economy, P45
	301-2 Recycled input materials used	Environment > Circular Economy, P45
	301-3 Reclaimed products and their packaging materials	Environment > Circular Economy, P45
GRI 302: Energy	302-1 Energy consumption within the organization	Environment > Climate Action, P37
	302-2 Energy consumption outside of the organization	Environment > Climate Action, P37
	302-3 Energy intensity	Environment > Climate Action, P37
	302-4 Reduction of energy consumption	Environment > Climate Action, P37
	302-5 Reductions in energy requirements of products and services	Environment > Climate Action, P37
GRI 303: Water	303-1 Water withdrawal by source	Environment > Climate Action, P37
	303-2 Management of water discharge-related impacts	Environment > Climate Action, P37
	303-3 Water withdrawal	No issue in sourcing water
	303-4 Water discharge	Total water discharge: 21,965,421 tons
	303-5 Water consumption	Environment > Climate Action, P37
GRI 304: Biodiversity	304-2 Significant impacts of activities, products, and services on biodiversity	Environment > Supply Chain Environmental Impact, P54
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	Environment > Climate Action, P37
	305-2 Energy indirect (Scope 2) GHG emissions	Environment > Climate Action, P37
	305-3 Other indirect (Scope 3) GHG emissions	Environment > Climate Action, P37
	305-4 GHG emissions intensity	Environment > Climate Action, P37
	305-5 Reduction of GHG emissions	Environment > Climate Action, P37
GRI 306: Effluents and Waste	306-1 Water discharge by quality and destination	Environment > Circular Economy, P45
	306-2 Waste by type and disposal method	Environment > Circular Economy, P45
	306-3 Significant spills	Environment > Circular Economy, P45
	306-4 Transport of hazardous waste	Environment > Circular Economy, P45
	306-5 Water bodies affected by water discharges and/or runoff	Environment > Circular Economy, P45
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	No major violations occurred during the reporting period
GRI 401: Employment	401-1 New employee hires and employee turnover	People > Innovate through Team Work, P59
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	People > Innovate through Team Work, P59
	401-3 Parental leave	People > Innovate through Team Work, P59
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	People > Innovate through Team Work, P59
	403-2 Hazard identification, risk assessment, and incident investigation	People > Innovate through Team Work, P59
	403-3 Occupational health services	People > Innovate through Team Work, P59
	403-4 Worker participation, consultation, and communication on occupational health and safety	People > Innovate through Team Work, P59

GRI Standards	Disclosure Title	Responses	
GRI 403: Occupational Health and Safety	403-5 Worker training on occupational health and safety	People > Innovate through Team Work, P59	
	403-6 Promotion of worker health	People > Innovate through Team Work, P59	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	People > Innovate through Team Work, P59	
	403-8 Workers covered by an occupational health and safety management system	People > Innovate through Team Work, P59	
	403-9 Work-related injuries	People > Innovate through Team Work, P59	
	403-10 Work-related ill health	People > Innovate through Team Work, P59	
	GRI 404: Training and Education	404-1 Average hours of training per year per employee	People > Innovate through Team Work, P59
		404-2 Programs for upgrading employee skills and transition assistance programs	People > Innovate through Team Work, P59
		404-3 Percentage of employees receiving regular performance and career development reviews	People > Innovate through Team Work, P59
	GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	People > Innovate through Team Work, P59
405-2 Ratio of basic salary and remuneration of women to men		People > Innovate through Team Work, P59	
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	People > Innovate through Team Work, P59	
GRI 412: Human Rights Assessment	412-2 Employee training on human rights policies or procedures	People > Innovate through Team Work, P59	
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	Community > Community Care, P86	
	413-2 Operations with significant actual and potential negative Impacts on local communities	No evidence of potential impacts on the local community	
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	People > Supply Chain Social Impact, P76	
	414-2 Negative social impacts in the supply chain and actions taken	People > Supply Chain Social Impact, P76	
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	Food > Uphold Food Safety and Quality, P18	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No related incidents occurred during the reporting period	
GRI 417: Marketing and Labeling	417-1 Requirements for product and service information and labeling	People > Customer Relationship Management, P73	
	417-2 Incidents of non-compliance concerning product and service information and labeling	No related incidents occurred during the reporting period.	
	417-3 Incidents of non-compliance concerning marketing communications	No related incidents occurred during the reporting period.	
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No substantiated complaints received	
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	No major violations occurred during the reporting period	

SASB Index

Topic	Accounting Metrics	Responses
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Environment > Climate Action, P37
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Environment > Climate Action, P37
Food & Packaging Waste Management	(1) Total amount of waste, (2) percentage food waste, and (3) percentage diverted	Total amount of waste: 311,736 tons Percentage diverted: 38% Environment > Circular Economy, P45
	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	Total weight of packaging: 110,485 tons Environment > Circular Economy, P45
Food Safety	(1) Number of confirmed foodborne illness outbreaks, (2) percentage resulting in U.S. Centers for Disease Control and Prevention (CDC) investigation	N/A
	(1) Number of recalls issued and (2) total amount of food product recalled	Yum China had no incidents in which the products sold or shipped subject to recalls for safety and health reasons during the reporting period.
	(1) Percentage of restaurants inspected by a food safety oversight body, (2) percentage receiving critical violations	Yum China always regards food safety as the first priority and is committed to providing customers with delicious, safe, nutritious, and high-quality food. We have established and effectively implemented a food safety and quality management system throughout the entire value chain, covering upstream suppliers, logistics centers to restaurants and delivery, to fulfill the food safety commitment of 'from farm to table'. We have established a management structure, from the Board of Directors/Food Safety and Sustainability Committee to all relevant functions, to comprehensively supervise the implementation of various management systems, measures, and standards.
Nutritional Content	(1) Percentage of meal options consistent with national dietary guidelines and (2) revenue from these options	N/A
	(1) Percentage of children's meal options consistent with national dietary guidelines for children and (2) revenue from these options	N/A
	Number of advertising impressions made on children, percentage promoting products that meet national dietary guidelines for children	People > Customer Relationship Management, P73

Topic	Accounting Metrics	Responses
Labor Practices	(1) Voluntary and (2) involuntary turnover rate for restaurant employees	Voluntary turnover rate for RGMs: 7.8% Involuntary turnover rate for RGMs: 1.2%
	(1) Average hourly wage, by region and (2) percentage of restaurant employees earning minimum wage, by region	In 2022, we published the <i>Yum China Human Rights Policy</i> , promising to provide a workplace without discrimination and harassment and to ensure that employees receive reasonable remuneration. We adhere to the concept of 'pay based on performance results and business impact' and provide employees with reasonable and competitive compensation and benefits. The salary and benefits we provide to employees are generally higher than the minimum salary standard required by laws and regulations in various regions.
Supply Chain Management & Food Sourcing	Total amount of monetary losses as a result of legal proceedings associated with (1) labor law violations and (2) employment discrimination	People > Innovate through Team Work, P59
	Percentage of food purchased that (1) meets environmental and social sourcing standards and (2) is certified to third-party environmental and/or social standards	Environment > Supply Chain Environmental Impact, P54
	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	Food > Uphold Food Safety and Quality, P18
	Percentage of (1) eggs that originated from a cage-free environment and (2) pork that was produced without the use of gestation crates	N/A

Basis of Assured Data

No.	Data	Basis
1	Direct (Scope 1) GHG Emissions	Direct (Scope 1) GHG Emissions of Yum China in 2022 were the direct (Scope 1) GHG emissions generated by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, COFFii & JOY and Lavazza restaurants, and logistics centers within our operational control in 2022. The majority of direct (Scope 1) GHG emissions are derived from installation, operation and disposal of refrigeration and air-conditioning equipment, which is calculated by using Refrigeration and Air-Conditioning Equipment Tool issued by GHG Protocol. The type of refrigerant and original refrigerant charge of refrigeration equipment comes from the nameplate. The type of refrigerant of air-conditioning equipment comes from the nameplate, and the average restaurant original refrigerant charge of air-conditioning equipment is defined by Yum China based on the restaurant area and refrigerant charge. The Global Warming Potential (GWP) of refrigerant refers to the 100-year GWP values in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change and 2017 American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHARE) Handbook – Fundamentals. The rest of direct (Scope 1) emissions are derived from natural gas consumption from Yum China company-owned Little Sheep and Huang Ji Huang restaurants, which is calculated by multiplying each restaurant's natural gas consumption by the emission factors of natural gas. The carbon dioxide emission factor of natural gas refers to the emission factor in the <i>GHG Emission Accounting Method and Reporting Guide for Food, Tobacco, Alcohol, Beverage and Refined Tea Enterprises (Trial)</i> issued by the National Development and Reform Commission. Natural gas consumption refers to the data on natural gas bills from restaurant.
2	Energy Indirect (Scope 2) GHG Emissions	Energy indirect (Scope 2) GHG emissions of Yum China in 2022 were the energy indirect (Scope 2) GHG emissions generated by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, COFFii & JOY and Lavazza restaurants, offices and logistics centers within our operational control in 2022. The majority of energy indirect (Scope 2) GHG emissions are derived from electricity consumption, which is calculated by multiplying each restaurant's electricity consumption by the average national carbon dioxide emission factors of power grid. The average national carbon dioxide emission factors of power grid refer to the emission factor of 2022 in the <i>'Notice on the Management of Corporate GHG Emissions Reporting in Power Generation Industry from 2023 to 2025'</i> issued by Ministry of Ecology and Environment. The rest of indirect (Scope 2) emissions are derived from purchased heat, which is calculated by multiplying purchased heat consumption of each restaurant from heating areas by the carbon dioxide emission factors of heating power supply.
3	Total Electricity Consumption	Total electricity consumption of Yum China in 2022 was the electricity consumed by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, COFFii & JOY and Lavazza restaurants, offices and logistics centers within our operational control in 2022. Electricity consumption refers to the data on electricity bills from company-owned restaurants, offices and logistics centers within our operational control.
4	Average Restaurant Electricity Consumption	Average restaurant electricity consumption of Yum China in 2022 was the average electricity consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, COFFii & JOY and Lavazza restaurants in 2022. The total electricity consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, COFFii & JOY and Lavazza restaurants is used for calculating the average restaurant electricity consumption.
5	Total Water Consumption	Total water consumption of Yum China in 2022 was the water consumed by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, COFFii & JOY and Lavazza restaurants in 2022. 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.
6	Average Restaurant Water Consumption	Average restaurant water consumption of Yum China in 2022 was the average water consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, COFFii & JOY and Lavazza restaurants in 2022.

No.	Data	Basis
7	Amount of UCO Converted into Biodiesel in Sichuan Biodiesel Project	Amount of UCO converted into biodiesel in Yum China Sichuan biodiesel project in 2022 was the amount of UCO converted into biodiesel in the project, which was carried out in Yum China's KFC, Pizza Hut and Taco Bell restaurants in Sichuan province in 2022. The amount of UCO converted into biodiesel refers to the data on receipts from UCO collectors.
8	Percentage of RSPO-certified Palm Oil	Percentage of RSPO-certified palm oil of Yum China in 2022 was the percentage of RSPO certified palm oil in all the purchased palm oil products of Yum China in 2022.
9	Percentage of CSR Audited Critical Suppliers	Percentage of CSR audited critical suppliers of Yum China in 2022 was the percentage of CSR audited critical suppliers in all the critical suppliers of Yum China in 2022. 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 two million, IT service suppliers and headquarter suppliers).
10	Share of Women in Total Workforce	Share of women in total workforce of Yum China in 2022 was the percentage of female employees out of all employees of Yum China at the end of 2022. 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 2022, 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 2022, including office staff and restaurant staff.
11	Lost-time Injury Frequency Rate for Employees	Lost-time injury frequency rate for employees of Yum China in 2022 was the number of lost-time injuries per one million hours worked for employees of Yum China in 2022. The working hours are the total working hours of full-time and part-time employees directly hired by Yum China in 2022, 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 2022, including office staff and restaurant staff. The lost-time refers to the loss of productivity for Yum China as a result of a work-related injury. The following incidents are not considered to be work-related injury: 1) a worker suffers a heart attack while at work that is unconnected with work; 2) a worker driving to or from work is injured in a car accident (where driving is not part of the work, and where the transport has not been organized by Yum China); 3) a worker with epilepsy has a seizure at work that is unconnected with work. The definition of work-related injury is based on the definition from GRI standards-GRI 403: Occupational Health and Safety 2018.
12	Work-related Fatalities for Employees	Work-related fatalities for employees of Yum China in 2022 were the number of fatalities as a result of work-related injury of full-time and part-time employees directly hired by Yum China in 2022, including office staff and restaurant staff. The work-related fatalities refer to the death of an employee arising from an occupational disease or injury sustained while performing work that is controlled by Yum China in 2022. The following incidents are not considered to be work-related injury: 1) a worker suffers a heart attack while at work that is unconnected with work; 2) a worker driving to or from work is injured in a car accident (where driving is not part of the work, and where the transport has not been organized by Yum China); 3) a worker with epilepsy has a seizure at work that is unconnected with work. The definition of work-related injury is based on the definition from GRI standards- GRI 403: Occupational Health and Safety 2018.
13	Total Amount of Packaging Usage	Total amount of packaging usage of Yum China in 2022 was the total amount of customer-facing Plastic and Paper packaging usage in 2022. The amount of paper packaging usage is calculated by adding the amount of raw paper supplied from suppliers and the amount of molded pulp. The amount of plastic packaging usage equals to the weight of each packaging item multiplied by the number of items in either each case or bag, as well as the total number of cases and bags in 2022.

Yum China Holdings, Inc.

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