



YumChina



2021 Sustainability Report

Creating A Responsible Ecosystem



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Remarks by Yum China CEO



As the world continues to navigate the profound economic and social disruption caused by the COVID-19 pandemic, we remain steadfast in our long-term commitment to sustainability and sustainable growth. And as we continue to adapt to the rapid change and the new realities, building and maintaining a responsible ecosystem remains at the core of our mission.

Addressing the challenges of climate change requires immediate and tangible actions. Many companies have begun incorporating climate-related risks into their planning to turn the challenges of decarbonization into opportunities for sustainable growth. To support the transition to a less carbon-intensive world economy, we took an important step forward by committing to Science Based Target initiatives (SBTi) and to reaching net zero value chain Greenhouse Gas (GHG) emissions by 2050. We have started to formulate a GHG emissions inventory across our entire value chain as a basis for defining emissions reduction targets and roadmaps. In early June 2022, we submitted our near-term targets to SBTi for validation, and we have developed a decarbonization roadmap to guide emissions reduction actions across our value chain.

In April 2022, on Earth Day, to make our net zero pledge tangible, we launched our first Green Pioneer Stores in Beijing and Hangzhou. This initiative sets out our vision and mission to reduce the carbon footprint of our operations by utilizing renewable energy and advanced low-carbon technologies. It also serves as a touch point for customers to experience eco-friendly restaurants, encouraging them to embrace more sustainable lifestyles.

Additionally, we identified and assessed climate-related risks and opportunities in our operations and value chain in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). This provides a solid foundation for enhancing the climate resilience of our business model.

We are collaborating with stakeholders across our value chain to drive meaningful progress towards a circular economy, and we are leveraging our programs as opportunities to build a green and sustainable consumption model in the restaurant industry. In 2021, we expanded our 'Food Bank' program, which provides unsold products to neighboring residents in need, to cover 120 KFC restaurants in 27 cities across China. We continued to expand our Conversion of Used Cooking

Oil initiative and to seek ways to power our logistics fleets with biodiesel. By the end of 2021, 325 restaurants in Sichuan province had received ISCC certification, including KFC, Pizza Hut, and Taco Bell stores. Through innovative packaging design and by actively promoting the use of eco-friendly materials, we were able to reduce plastic packaging by 9,300 tons in 2021.

In these uncertain times, we feel it is especially important to shoulder our responsibilities as a good corporate citizen, supporting our employees and giving back to our communities.

Adhering to the 'People First' principle, we released the Yum China Human Rights Policy and Occupational Health and Safety Policy, reiterating our commitments to create a 'Fair, Care and Pride' workplace. Additionally, as a token of our appreciation of our front-line employees, who have risen to meet the challenges of the pandemic, we have upgraded the medical insurance coverage of our eligible Restaurant General Managers (RGMs), restaurant management teams and supervisors. These enhanced benefits are expected to cover around 100,000 frontline employees and their family members. In recognition of our continuous efforts to create an industry-leading sustainable workplace, the Top Employers Institute named Yum China a Top Employer China for the fourth consecutive year. We were the only restaurant company among the top 20 employers.

We are committed to fostering a diverse and inclusive working environment for all, including under-privileged groups, and to helping employees realize their full potential. In 2021, our 'Angel Restaurants' continued to provide gainful job opportunities for employees with disabilities. I am very proud that we offered eight of our KFC 'angel employees' the opportunity to support the 2022 Beijing Winter Olympics on behalf of Yum China. They provided catering services to athletes from around the globe, demonstrating the Olympic spirit and our brand vitality.

We firmly believe in giving back to the communities in which we work and live. Throughout the pandemic, we have ensured the continuity of vital services by keeping our restaurants open wherever possible. Our employees volunteered to work hand in hand with local communities to provide help and support, from delivering nutritious and delicious meals to medical workers and frontline volunteers to providing shelter for citizens impacted by heavy flooding.

Children are always close to our hearts. Our One Yuan Donation program has supported the health and growth of children in remote rural areas for 14 years. In 2021, the program developed a Charity E-Shop to provide a more engaging way to interact with millions of Yum China's customers and popularize the concept of 'Everyone does good'. In addition, we officially launched the Digital Classroom program to support rural education, as part of our commitment to rural revitalization. We provided digital equipment to primary schools located in remote areas and offered programming classes to help children in rural areas get access to high-quality education essential for a better future.





As the largest restaurant company in China, food safety is always our No.1 priority. Having a strong and reliable supply chain to ensure food safety is critical to surviving the pandemic. We continue to increase investment in digitalization and innovative solutions to increase food safety visibility and traceability from farm to fork. A Supply Chain Data Integration (SCDI) platform, launched in 2021, is transforming the way we manage food safety through advanced digital technologies, such as AI. Additionally, in response to growing consumer demand for nutritious and delicious food, in 2021 we launched the 'Fruit and Vegetable 100+' program simultaneously across multiple brands to promote balanced diets and healthy lifestyles by offering customers more fruit and vegetable options.

Over the past year, we have focused on staying agile, and we have relied on our resilient business model to overcome the many near-term challenges presented by the pandemic. As we look ahead, we are committed to working even more closely with all our stakeholders to continue to transform and find innovative solutions for sustainable growth. Together, I believe we will continue to make meaningful progress towards a more sustainable future.

Joey Wat
Chief Executive Officer
Yum China Holdings, Inc.

Highlights from 2021

> Achievement towards Goals

Pillar	Goals and Commitments	Status
 Food	Food safety and quality audit covers 100% of restaurants and logistics centers	Achieved
	Food safety and quality training covers 100% of employees in offices, restaurants, and logistics centers	Achieved
	Food safety assessment covers 100% of food and food contact packaging suppliers	Achieved
 Environment	Commit to setting SBT*, in line with SBTi** criteria	Near-term targets submitted to SBTi on June 8, 2022
	Reach net-zero value chain emissions by 2050	Making progress
	All newly built restaurants to comply with the Yum China Green Building Standards	Achieved
	10% reduction of average restaurant water consumption by 2025 as compared to the 2017 baseline	Achieved
	10% reduction of our 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	Achieved
	100% of FSC***-certified paper packaging by 2025	Making progress
	100% of purchased palm oil is RSPO**** certified	Achieved
	 People	At least 50% of our employees are female
At least 50% of all employees hired, trained, promoted, and retained are female		Achieved
Over 1.5% of full-time jobs are offered to people with disabilities.		Achieved
100% of critical suppliers are covered by Corporate Social Responsibility (CSR) audit		Achieved
 Community	Our employees volunteer no less than 1.5 million hours per year	Achieved

*Science-based targets
 **Science Based Targets initiative
 ***Forest Stewardship Council
 ****Roundtable on Sustainable Palm Oil

> Indices and Rankings

Member of
Dow Jones Sustainability Indices
 Powered by the S&P Global CSA

- Yum China received the best score in the Restaurant & Leisure Facilities Industry in the S&P Global Corporate Sustainability Assessment (CSA) 2021
- Yum China was selected as a member of both Dow Jones Sustainability Indices (DJSI): World Index (DJSI World) and Emerging Market Index (DJSI Emerging Markets) for the second consecutive year and is the only company from mainland China selected as a member of DJSI World
- Yum China received a Gold Class Award in the *Sustainability Yearbook 2022* by S&P Global

MSCI
 ESG RATINGS **A**
CCC B BB BBB A AA AAA

- Yum China received an 'A' rating in MSCI ESG Rating for 2021, being one of only two restaurant companies to receive an 'A' rating

Bloomberg
 Gender-Equality Index
 2022

- Yum China has been named for the fourth consecutive year to the Bloomberg Gender-Equality Index (GEI) and is one of only three companies from mainland China included in the latest GEI

top
 EMPLOYER
 中国杰出雇主
 CHINA
 2022
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

- Yum China was certified by Top Employers Institute as a Top Employer China for the fourth consecutive year and is the only restaurant company named among the top 20 employers

CDP
 DISCLOSURE INSIGHT ACTION

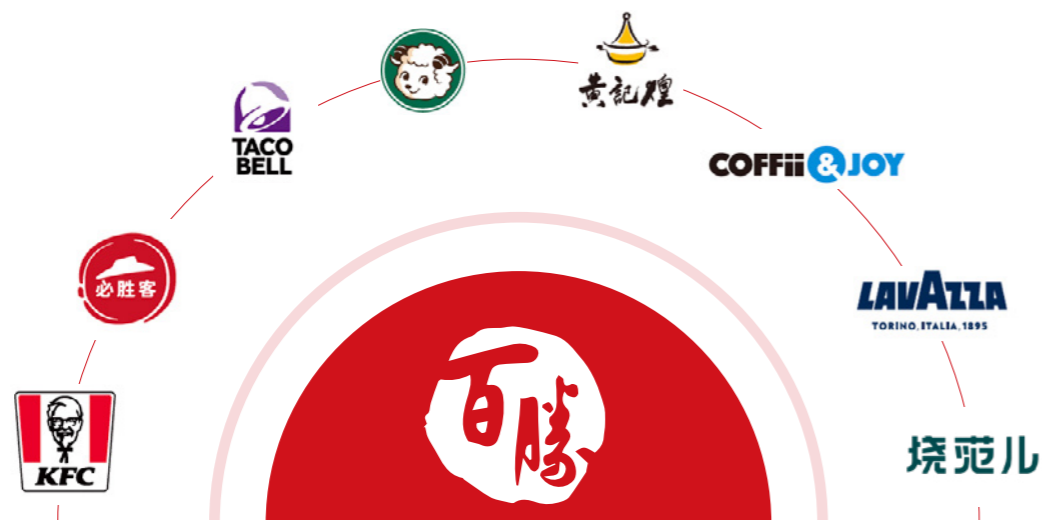
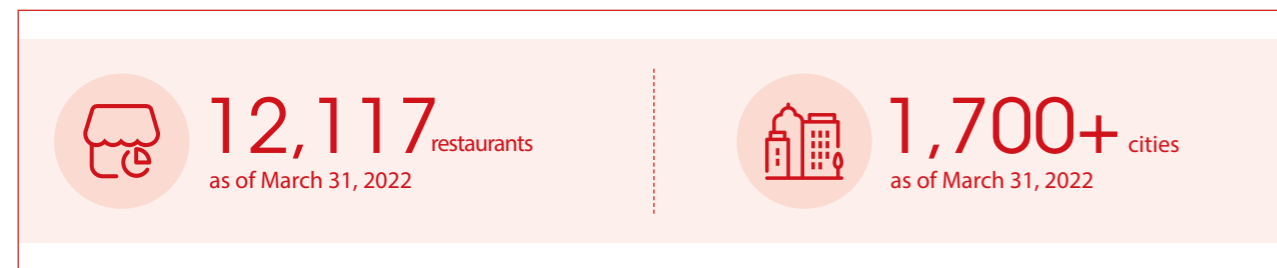
- Yum China participated in the CDP questionnaire for the first year on Climate Change, Forests, and Water Security



About Us

Yum China Holdings, Inc. is a licensee of Yum! Brands in mainland China. It has exclusive rights in mainland China to KFC, China's leading quick-service restaurant brand, Pizza Hut, the leading casual dining restaurant brand in China and, subject to achieving certain agreed upon milestones, Taco Bell, a California-based restaurant chain serving

innovative Mexican-inspired food. Yum China also owns the Little Sheep, Huang Ji Huang and COFFii & JOY concepts outright. In addition, Yum China has partnered with Lavazza to explore and develop the Lavazza coffee shop concept in China. The Company had 12,117 restaurants in over 1,700 cities at the end of March 2022.



Purpose

Let's Make Every Life Taste Beautiful

The World's Most Innovative Pioneer in the Restaurant Industry

Vision

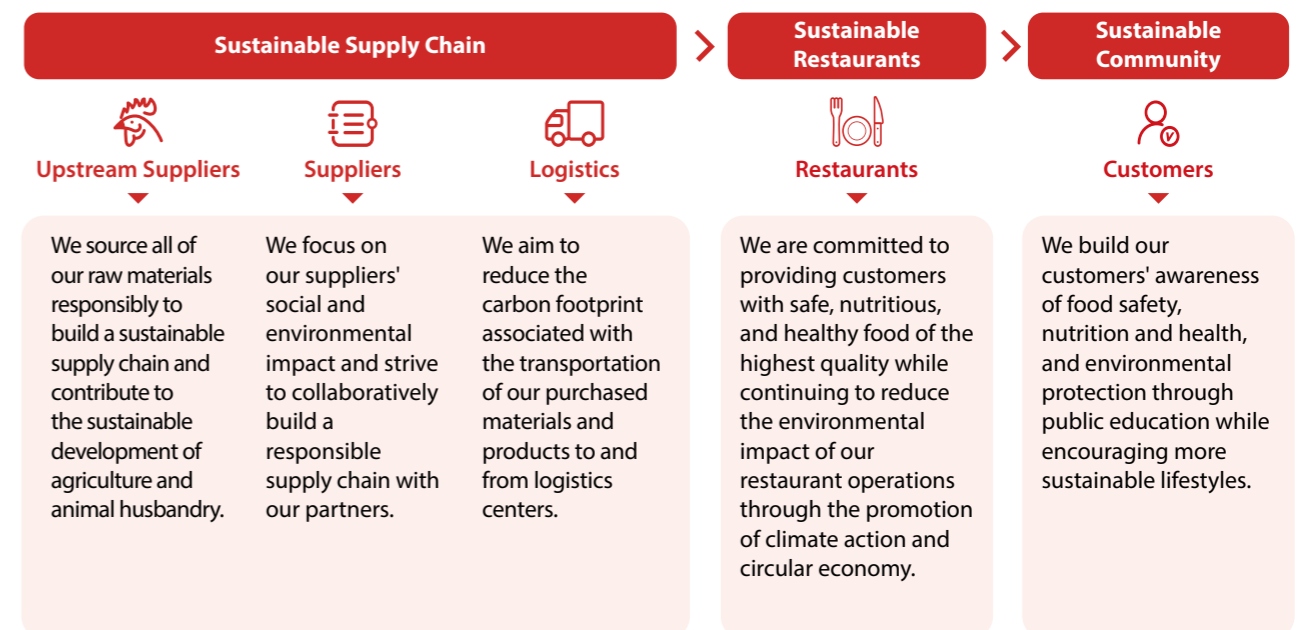
Core Values

Founder's Mentality

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

> Our Value Chain

We focus on our stakeholders and our impact across the entire value chain.



Corporate Governance

> Governance Structure

The business and affairs of the Company are managed under the direction of the Board of Directors. The Board believes that good corporate governance is a critical factor in achieving business success and in fulfilling the Board's responsibilities to stockholders. The Board believes that its practices align management and stockholder interests.



The Board has four standing committees

- Audit Committee
- Compensation Committee
- Nominating and Governance Committee
- Food Safety and Sustainability Committee

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

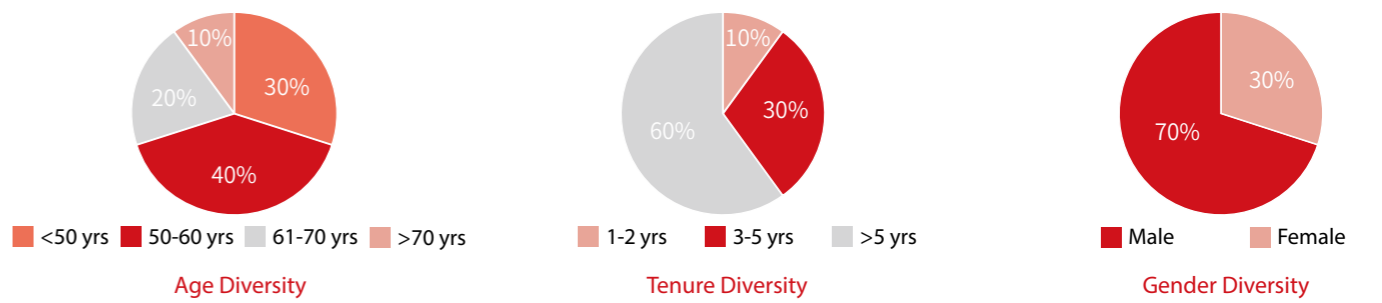
Director Independence	<ul style="list-style-type: none"> • Independent Board Chairman • 9 of 10 directors are independent
Director Elections and Attendance	<ul style="list-style-type: none"> • Annual election of all directors • Majority voting policy for elections of directors in uncontested elections • Proxy access for director nominees by stockholders • 99% director attendance at Board and committee meetings in 2021
Board Refreshment and Diversity	<ul style="list-style-type: none"> • Board Diversity Policy • Directors with experience, qualifications, and skills across a wide range of public and private companies • Directors reflect diversity of age, gender, race, and nationality • Average director age of 56 as of April 14, 2022 • Independent and non-management directors may generally not stand for re-election after age 75
Other Governance Practices	<ul style="list-style-type: none"> • Stockholders holding at least 25% of the Company's outstanding shares have the right to call special meetings • Active stockholder engagement • No shareholder rights plan (also known as a poison pill) • Director and executive officer stock ownership policies • Policy prohibiting hedging or other speculative trading of Company stock • Policy regarding resignation if any director experiences a significant change in professional roles and responsibilities • Board access to senior management and independent advisors

> Board Diversity

The Nominating and Governance Committee seeks to recommend nominees that bring a unique perspective to the Board in order to contribute to the collective diversity of the Board. The Board believes that having directors of diverse backgrounds helps the Board better oversee the Company's management and operations and 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. As a part of the director nominating process, the Nominating and Governance Committee considers several factors to ensure the entire Board collectively embraces a wide variety of characteristics. Each director nominee will generally exhibit different and varying degrees of these characteristics. With respect to the Company's current directors, the Company also benefits from the diversity inherent from differences in Board member age, gender, race, and nationality. Thirty percent of directors are women.

The following charts summarize the diversity of our directors.



> 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* sets forth specific policies in areas most relevant to the Company, including food safety and product quality, gifts, and *Foreign Corrupt Practices Act (FCPA)*. The *Code of Conduct* also includes information and procedures for employees to report ethical or accounting concerns, misconduct or violations of the *Code of Conduct* in a confidential manner.

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 Yum China 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.

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 *Code of Conduct* online training every year. The training series includes the *Code of Conduct online questionnaire*, *Code of Conduct*, gift policy, authorization policy, *FCPA*, information security, anti-harassment, and understanding and avoiding insider trading. The Company requires employees to complete corresponding training within the specified period. In 2021, all target employees have completed relevant training.

We encourage our employees and suppliers to participate in building our business ethics and compliance culture. We set up a comprehensive whistleblower mechanism, with multiple complaints and reporting channels for 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. Based on applicable laws and regulations, 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, fines, 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.

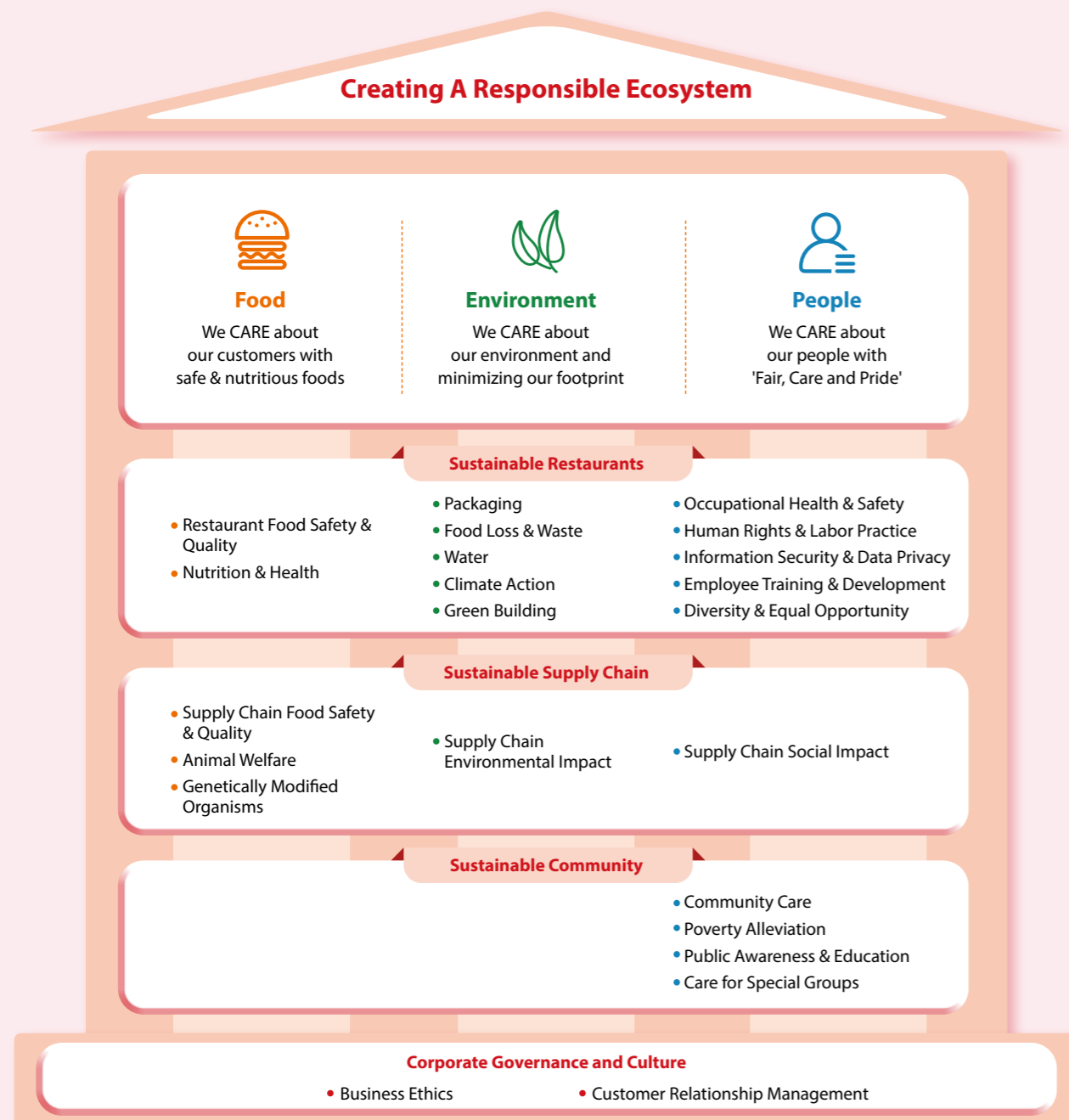
<p>Telephone Hotline (24/7) China: 400-8-801-346 US: 1-800-241-5689</p>	<p>Web Platform Employee Complaint and Integrity Compliance Reporting System (Anonymity protected): www.yumchina.com/compliance Whistleblowing Supplier Reporting Platform: www.yumchina.com/chuishaoren</p>	<p>Mail Submit directly to the relevant department or person in charge</p>
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Yum China Complaint and Reporting Channels for Non-compliance

Sustainability Strategy

Yum China's operations have substantial economic, social, and environmental impact as the largest restaurant company in China. Communities in which we operate increasingly demand that we incorporate sustainability into our operations. We are actively doing our part to address global topics, such as climate change, plastic pollution, food safety, and social responsibility. We are dedicated to providing our customers with safe and nutritious food while promoting social and environmental sustainability. We strive to go the extra mile to improve the quality of the food we eat, the water we drink, and the air we breathe.

Our sustainability strategy is core and fully integrated into the Company's long-term business growth strategy - 'Sustainable Platform for Growth'. Our contributions toward a sustainable ecosystem are reflected by the commitments and initiatives within our three strategic pillars of Food, Environment, and People.



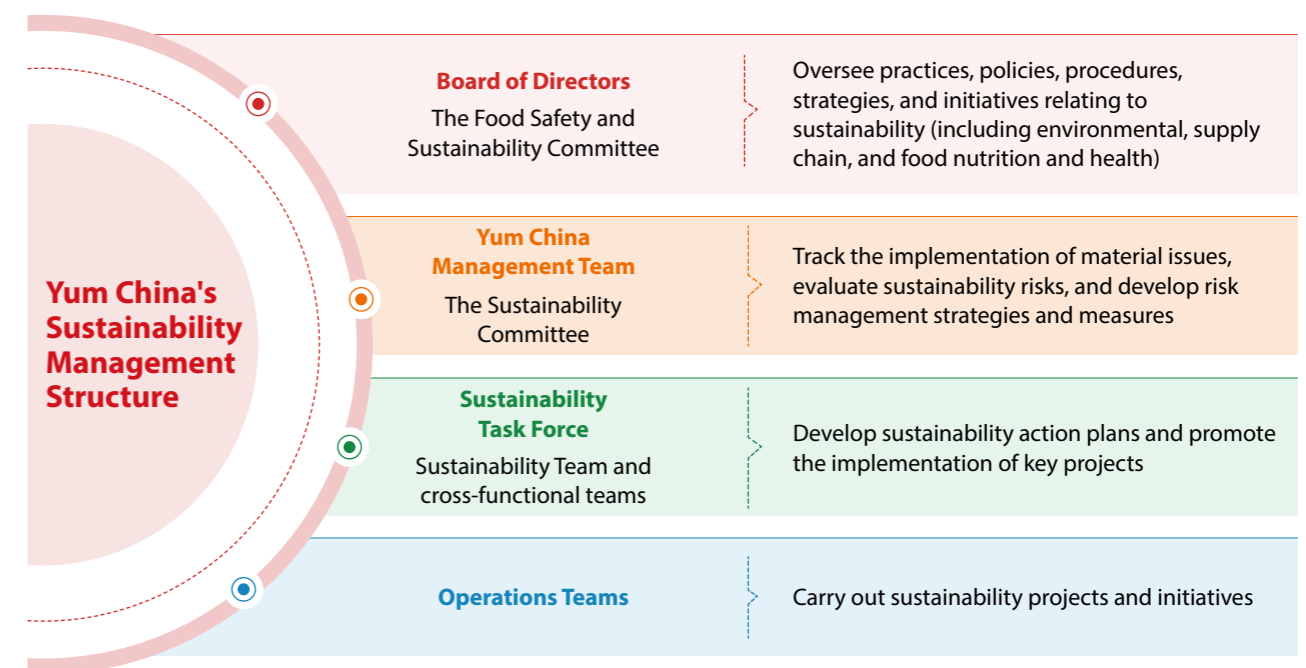
> Sustainability Governance

Yum China recognizes a systematic and comprehensive management mechanism is the cornerstone of integrating sustainable development into the Company's operation and management. Yum China has an established governance mechanism on sustainability matters from the Board to Operation Teams. We have a Sustainability Officer supported by a full-time sustainability team.

At the Board level, the Food Safety and Sustainability Committee assists the Board in its oversight of the Company's sustainability matters, including environmental, supply chain, and food nutrition and health. In 2021, Yum China Management Team and the Food Safety and Sustainability Committee supported signing and submitting the *Business Ambition for 1.5 °C Commitment Letter* to the SBTi, making commitment to reaching net-zero value chain emissions by 2050. In 2022, our Management Team and the Food Safety and Sustainability Committee approved Yum China near-term science-based GHG emissions reduction targets for SBTi submission.

Yum China also established a Sustainability Committee, which is a management committee responsible for evaluating sustainability risks and monitoring the implementation of key initiatives and regularly reports to the Food Safety and Sustainability Committee. It 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.

To effectively assist the Sustainability Committee in implementing sustainable initiatives, Yum China's Sustainability Task Force was established, which includes cross-functional teams and a sustainability team. It is responsible for taking actions to achieve our sustainability goals under three strategic pillars of Food, Environment, and People. The Sustainability Task Force monitors current and emerging climate-related regulations, develops sustainability action plans, and promotes the implementation of key sustainability initiatives. The Operations Teams are responsible for implementing projects and initiatives relevant to sustainable restaurants, sustainable supply chain, and sustainable community to support Yum China's sustainability strategy.



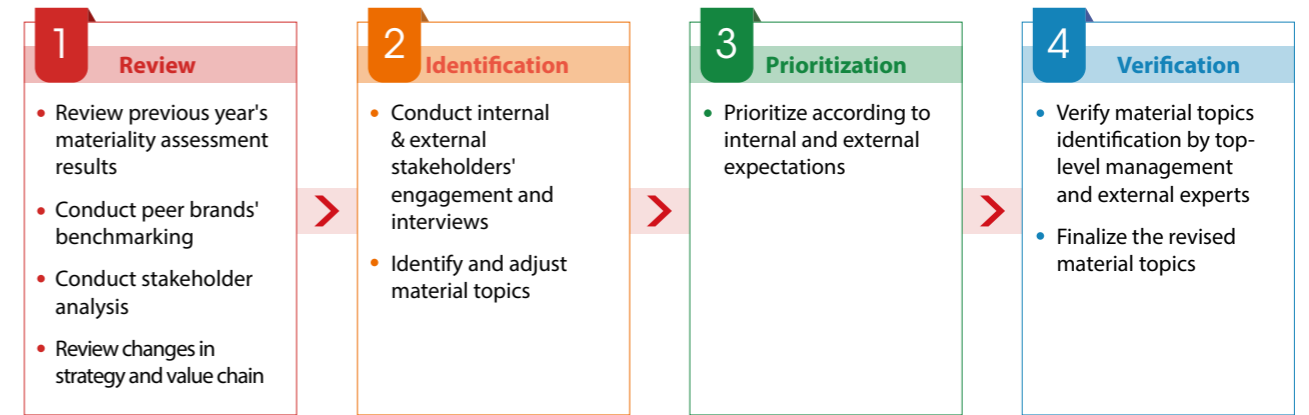
> Stakeholder Engagement

Stakeholder engagement is essential for Yum China to timely adopt constructive suggestions from all parties. We closely engage with different stakeholders and incorporate constructive opinions and suggestions in the future direction of our sustainability efforts.

Stakeholder	Engagement Approaches	Expectations and Areas of Concerns
Franchisors, Shareholders, and Investors Yum! Brands, institutional investors, ESG rating agencies	<ul style="list-style-type: none"> Annual Shareholder Meetings Annual and Quarterly Reports Press Releases Investor Conferences Emails and Telephone Communications Investor Survey 	<ul style="list-style-type: none"> Returns on Investment Information Disclosure ESG Management and Performance
Government and Regulators Food safety regulators, central and local government	<ul style="list-style-type: none"> Regular Conferences Seminars Written Replies to Public Inquiries 	<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"> Board Meetings Management Meetings Employee Communication and Feedback Platforms Employee Engagement Surveys RGM Conventions Founders' Day 	<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"> Direct Communications in Restaurants Customer Satisfaction Surveys and Feedback Customer Service Centers Social Media Online Service 	<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 Review Meetings Management Team Dialogues Supplier Visits Supply Chain Partners Conventions Supply Chain Sustainability Workshop 	<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"> Business Review Meetings Annual Franchise Conventions 	<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"> Working Committees, Groups, and Meetings Seminars and Lectures Duties in Associations 	<ul style="list-style-type: none"> Fostering Industry Development
Communities The communities where Yum China operates	<ul style="list-style-type: none"> Community Visits Regular Dialogues Volunteer Activities 	<ul style="list-style-type: none"> Contribution to Communities Employee Volunteers

> Materiality Assessment

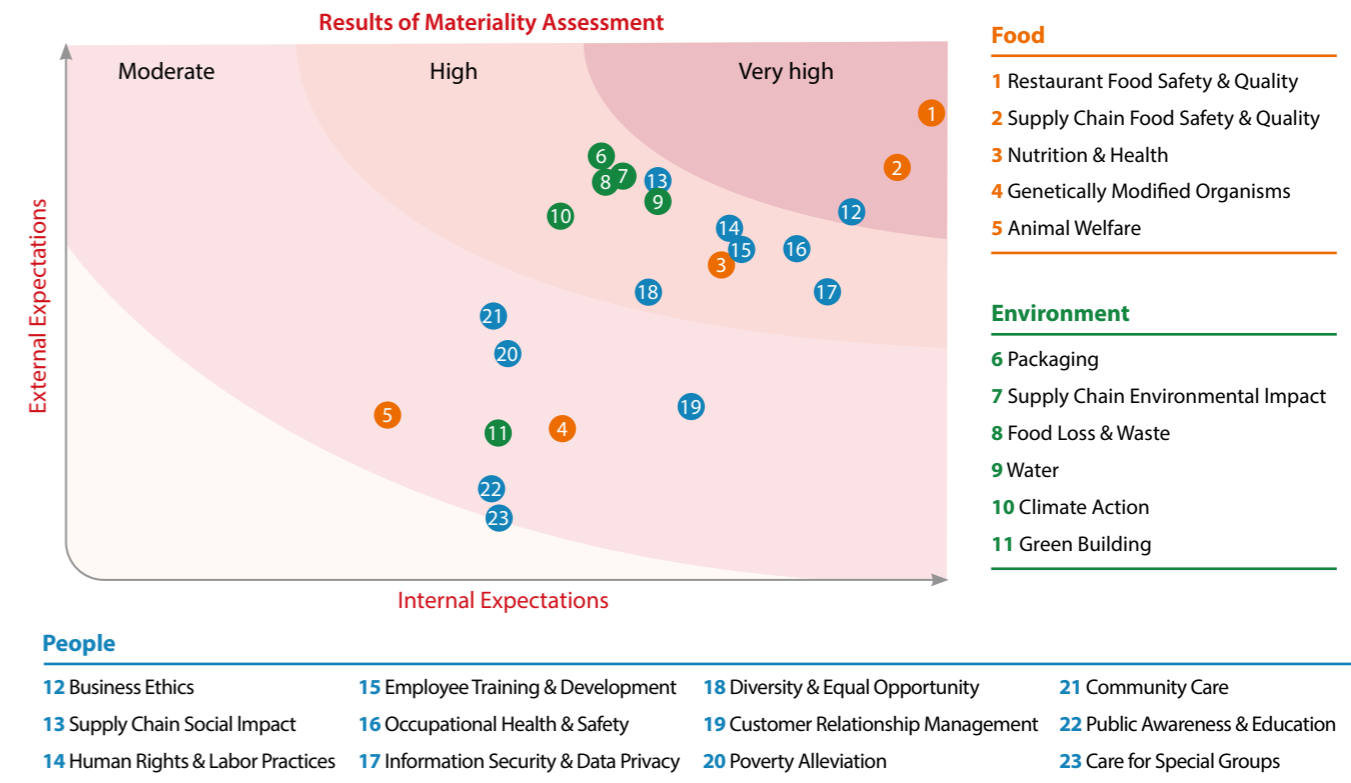
Materiality assessment is the principal step of sustainability disclosure for Yum China. In 2017, we initiated the materiality assessment and prioritized 28 material issues based on the materiality assessment approach of 'review, identification, prioritization, and verification'. After then, every year, we revisit the material topics to make sure the topic aligns with our operations and stakeholders' concerns.



Yum China's materiality assessment approach

In 2020, we continued the materiality assessment approach and refined the key topics. We sent online questionnaires to various stakeholders and collected over 4,400 valid responses, helping us better understand their expectations and demands. Through analysis and validation of the results, we have identified 23 key material topics across the pillars of Food, Environment, and People, and have defined the content and boundary of each material topic. For more details on the materiality assessment, please refer to the *Yum China 2020 Sustainability Report*.

For 2021, upon reviewing the results of the previous materiality assessment, we conclude that the topics and their materiality are still applicable to Yum China during the reporting period.



Food

Yum China has been committed to providing customers with delicious, safe, nutritious, and high-quality food for more than 30 years. Food safety is our top priority. We embed the food safety culture in our approaches from corporate governance to the entire value chain from farm to fork. We are passionate about exploring technology enabled food safety management from suppliers, logistics centers to restaurants and delivery. And we use cutting-edge digital technology to build an industry leading intelligent and digitalized supply chain. We embrace national nutrition and health policies, and have been striving for product innovation and other relevant measures to deliver a greater variety of balanced, nutritious food to our customers. We actively promote healthy industry development through collaboration with various stakeholders, fostering progress in social governance and public awareness of food safety, nutrition, and health, so as to create a trustworthy ecosystem.

Highly Relevant



Moderately Relevant



Primary Focus



Restaurant Food
Safety & Quality



Supply Chain Food
Safety & Quality



Nutrition & Health



Trending issues

Opportunities and Challenges

- Food safety attracts wide attention in China and internationally. The *Food Safety Law* intensifies government supervision and companies' responsibilities in food safety
- The *Outline of Healthy China 2030 Plan*, *National Nutrition Plan 2017-2030*, *Scientific Report on Chinese Dietary Guideline (2021)*, and other policies and guidelines advocate balanced and nutritious diets and healthy lifestyles
- Investors have higher expectations of information disclosure and transparency in food safety, quality, and nutrition
- Customers have a growing demand for safe, healthy food, and a balanced diet

Goals and Commitments

- Food safety and quality audit covers 100% of our 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

Key Actions

- Implement a standardized food safety system at every restaurant
- Ensure all our suppliers comply with relevant laws, regulations, and Yum China's food safety standards
- Diversify menus with more choices of delicious and nutritious food
- Promote food safety management, support education and research in the restaurant industry, and build public awareness of food safety, nutrition, and healthy diet

Build a Value Chain that Protects Food Safety

Food safety and quality are the cornerstones of our corporate culture and a top priority for everyone at Yum China since the incorporation of our business over three decades ago. We are committed to setting the highest standards among the industry, staying true to our values, and consistently doing the right thing. Given the nature of our entire value chain - including the hundreds of suppliers and their upstream farming and planting bases, our 32 logistics centers, and over 11,000 restaurants by the end of 2021 - any food safety risk may undermine our business and jeopardize customer

trust that we value so greatly. To fulfill our commitment to protect food safety from farm to fork, we have developed a holistic food safety and quality management system that is embedded in our value chain, involving all participants from upstream, suppliers, logistics centers, and restaurants to delivery, to build trust in every bite. We also engage with various stakeholders to promote social governance in food safety, nutrition, and health to foster healthy industry development.

Food Safety Commitments



Food safety is Yum China's top priority.



We are dedicated to building an advanced food safety system and strive to provide customers with safe food.



We take on additional social responsibilities to play a leading and exemplary role in the industry.



> Food Safety Governance

To ensure the development and effective implementation of food safety management processes and standards, Yum China established a holistic food safety management mechanism ranging 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's development is supported by an in-house and integrated supply chain management team that includes Food Safety, Quality Assurance, Engineering, Procurement Management, Logistics, and Supply Chain System. As of the end of 2021, the supply chain management team included more than 1,400 professionals.



> Food Safety Comes First

Yum China's corporate culture places a high emphasis on food safety. For our employees and franchisees, we improve their food safety awareness through food safety training, assessment, and reward & penalty mechanisms. For our suppliers, we guide them to integrate food safety values into their employees' conduct, laying a solid foundation for food

safety management. We established the Quality Assurance Management Institute in 2020, a platform to provide comprehensive and systematic food safety and quality training, and give technical and professional consultation to our employees, suppliers, and industry peers upon request to enhance their food safety management expertise.

Cultivate Yum China Food Safety Culture

For office employees, we require all new employees to read and sign the *Yum China Code of Conduct Confirmation Letter*. We also conduct online food safety courses to strengthen employees' understanding of food safety laws, regulations, and Yum China standards. We require new restaurant employees to read and sign *Employee Manual Confirmation Letter*, take online courses on food safety, watch the video on employee compliance, and undergo stringent on-the-job training to help them get familiar with national food regulations to better understand and observe the Company's food safety standards.

We require and guide our franchisees, our important partners, to cultivate the food safety culture in their organizations. Franchisees must sign the *Franchise Policy Manual* upon joining and commit to complying with Yum China's Operations Manual, Yum China's *Code of Conduct*, and safety and health standards. In 2021, we updated the food safety training materials for the franchisees to reinforce their understanding of relevant food safety laws and regulations, Yum China's food safety policies, and industry trending issues. Refresh training and assessments are conducted for all existing office employees, restaurant employees, and franchisees once every year.

Illustration First Yum China Food Safety Cultural Festival

In June 2021, we held the first Yum China Food Safety Cultural Festival. We organized more than 170 food safety activities, such as food safety workshops, lunch break lectures, food safety debates, food safety quiz, and 'My story with Food Safety' essay contest. Every Yum China employee's participation demonstrated our belief in upholding food safety culture and passion for sharing food safety knowledge.



Drive Supplier Food Safety Culture Development

Yum China incorporates food safety culture into 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. To further drive our food safety and quality philosophy, we conduct supplier quality management seminars to interpret regulations and standards, and to share best practices and studies

on trending issues such as intelligent quality control and process innovation. We coach our suppliers to use scientific tools and methods to integrate the food safety culture into their food safety management, and to create a working environment that encourages full participation in such practices. In 2021, we conducted 28 quality management seminars to improve suppliers' management capabilities and raise their productivity.



Food Safety and Quality Management Across the Value Chain



> Upstream Suppliers Management

To ensure food safety and product compliance right from the source, we require our suppliers to establish upstream suppliers' approval and monitoring procedures to effectively identify and manage potential food safety risks associated with their raw materials.

Poultry is one of our major food materials. We strengthen source management and invest enormous efforts in developing a holistic control system for the broiler industry, from breeding to slaughtering and meat processing. We have established an electronic farm information system to register and monitor the use of veterinary drugs and information of Yum China approved poultry farm. At the same time, we conduct unannounced farm inspections and raw material food safety monitoring tests to grade upstream suppliers' performance.

For fruits and vegetables, we are working with our suppliers to develop a sustainable agricultural ecosystem and to drive improvements in farm management systems. We promote the implementation of Yum China Good Agricultural Practices (Yum China GAP) to require farmers and producers to take scientific, prudent and responsible approaches, and implement systematic control measures right from planting farm management, in order to effectively preventing the occurrence of food safety issues. By the end of 2021, Yum China GAP had 100% coverage in butterhead lettuce bases and tomato & pepper bases*.

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

> Supplier Management

We adopt rigorous approval processes for new suppliers, including risk assessments, qualification and compliance checks, and factory approval audits. We conduct regular reviews to verify whether the suppliers' food safety and quality management systems continuously meet our requirements. We encourage our suppliers to obtain food safety and product quality management certifications.

Yum China has developed a comprehensive performance management system to regularly evaluate suppliers' performance in food safety and quality. We conduct quarterly assessments of our suppliers' performance and develop measures for suppliers to drive continuous improvement. Based on the assessment results, we grade suppliers as T1, T2, T3, and T4, with T1 being the best tier. For T2 and T3 suppliers, we coach them and provide support to improve their management capability. For T4 suppliers, we suspend or terminate the contract, and these suppliers will only be allowed back as our suppliers after undertaking the same vetting process as new suppliers. For suppliers of raw materials with lower food safety risks, we encourage them to obtain GFSI certification and/or assessment for food safety and regulatory compliance.



By drawing on the Global Food Safety Initiative (GFSI) certification standard, extracting the essence of the audit requirements of Yum China, and integrating the supplier management specifications and special control requirements of each category, we updated our Yum China's Supplier Tracking Assessment and Recognition (STAR) audit standard.



We conducted STAR training to help suppliers understand Yum China's most up-to-date requirements.



We carry out STAR audits, to verify whether the suppliers' food safety and quality management systems meet our requirements. In 2021, we conducted over 200 food safety audits and over 200 unannounced supplier quality audits.



In addition to suppliers' in-house testing, Yum China develops an annual raw material food safety sampling plan and conducts random tests to ensure compliance with relevant standards. In 2021, we conducted food safety sampling tests on over 300 key raw materials, involving 162 suppliers.



> Logistics Management

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. By the end of 2021, we utilized 32 logistics centers to distribute supplies to company-owned and franchised stores, as well as to third-party customers. Our supply chain strategy of working with multiple suppliers, as well as building a vast logistics network, allows for continuous supply of products in the event that supply from an individual supplier or logistics center becomes unfeasible.

Each of our logistics centers has a full-time quality assurance specialist responsible for inspecting storage facilities and the receipt, distribution, and unloading of goods. We also conduct regular audits and routine inspections of our logistics service providers (including warehouse and transportation) to verify that their food safety and quality management systems meet our requirements. In 2021, we conducted about 191 food safety and quality audits and over 2,300 routine inspections for warehouse and transportation service providers.



> Restaurant and Delivery Management



Restaurant
Operation
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 ensure that all our restaurants implement consistent food safety standards and provide food with consistent quality and taste. We conduct risk assessments at our restaurants every year 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 ensure compliance with food safety and quality requirements.

Our Quality Assurance function 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 ensure compliance. In 2021, the Quality Assurance function performed over 19,400 OEC Audits, approximately 4,500 quality assessments on key products, and microbiological tests on over 111,000 samples.



Audits
and
Inspections



Delivery
Management

We have established our delivery service teams for KFC and Pizza Hut. We require all third-party delivery partners to sign and strictly implement a letter of commitment on the food safety and quality practice of delivery food, which stipulates clear requirements for regulatory compliance, staff management, catering, delivery facilities, equipment and strict management of third-party platforms.

> Trending Issues for the Food Sector

We continuously monitor changes in policies, laws and regulations, as well as trends in food industry hot topics. We pay close attention to emerging industry challenges such as animal welfare, genetically modified organisms (GMO), foodborne illnesses, food additives, and veterinary drugs

and pesticides management. We have calibrated our control priorities based on the urgency and importance of food safety-related risks.

Animal Welfare

- Establish a collaborative platform to continuously promote industry cooperation and animal welfare management
- Develop a series of *Yum China Animal Welfare Policies* and promote 'Five Freedoms' for animal welfare
- Implement animal welfare audits for broiler farming and slaughtering

- Suppliers must provide documentary evidence that the food additives comply with relevant standards to strengthen regulations awareness and self-inspection mechanism
- Promptly notify suppliers of the latest food-governing laws, regulations, and standards for their compliance
- Conduct sampling tests on additives in relevant food materials to verify compliance

Food Additives

GMO

- Respect and support Chinese agricultural development policies
- Comply with Chinese laws and regulations on safety evaluation, approval and management of genetically modified agriculture products, and require our suppliers to provide raw materials in compliance with national regulations
- Monitor new achievements of international scientific research and trends of Chinese regulations and standards



Foodborne Illnesses

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

- Promote the implementation of Yum China GAP in upstream vegetable farms
- Set up a strict pesticide residue monitoring system and conduct regular pesticide residue tests

Pesticide Management

- Starting in 2016, Yum China studied antimicrobial drug use trends in the domestic broiler industry and took the lead to remove the use of antimicrobial drugs important to human medicine as growth-promoting agents in broiler feed. In 2020, in line with the national plan of stopping the use of all growth-promoting drug additives in feed (except traditional Chinese medicine) issued by the Ministry of Agriculture and Rural Affairs, we worked with our domestic broiler suppliers to ensure full compliance ahead of the national deadline
- 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

Veterinary Drug Management



Technology Enabled Food Safety Management

Our vision is to become the world's most innovative pioneer in the restaurant industry. In addition to our holistic food safety management system, we have upgraded food safety management through innovative technology, and built an industry-leading intelligent and digitalized supply chain

management system. The cutting-edge technologies enabled us to combine traditional control measures with real-time data collection and analysis, key process visibility, and deviation rectification to improve efficiencies and timeliness of Yum China's food safety management.

> iFS

Intelligent Food Safety (iFS) codified Yum China's over 30 years of food safety and quality management experience and integrated internal and external food safety big data. iFS uses technologies and algorithms including Knowledge Graphs, natural language processing, and named entity recognition. iFS has eight functional modules including but not limited to Risk Alert, Risk Assessment, Food Safety-pedia. As a scientific and machine learning-based artificial intelligent tool, iFS can significantly improve our ability to identify potential risks, enable rapid assessment, and enhance proactive risk prevention.

iFS won the 'First prize of Science and Technology Innovation' in the Chinese Food Science and Technology Award



Award certificate of the 'First prize of Science and Technology Innovation' of the Chinese Food Science and Technology Award

> eQA/ QA Time

eQA enables online management of the entire value chain from farm to fork, including upstream, suppliers, logistics centers, and restaurants, on an integrated platform. eQA can automatically verify regulatory compliance for food additives used in raw materials for new products. It greatly increases our capabilities and efficiency in managing suppliers and their products as a data integration platform for food safety and quality control.

In 2021, we launched mobile application QA Time, focused on digitalized online management from logistics centers to restaurants. It enables efficient communication, better team collaboration, data integration, and information synchronization. QA Time makes work easier and enhances the problem solving efficiency.



> iQA

iQA is a critical part of the intelligent supply chain management of Yum China. iQA system divides the production process into seven data modules and defines control points within each module. And key data are transmitted to the system in real-time during the production cycle. In doing so, we are able to complete the goal of data

interconnectivity and visibility, intelligent real-time data collection, timely deviation rectification, and efficient traceability of raw material in the value chain. By 2021, we have rolled out iQA in more than 200 suppliers' plants.

> IoT

Real-time temperature monitoring in the logistics cold chain is essential to ensure the food safety and quality of our products. Yum China logistics has built a comprehensive real-time cold chain monitoring system, from the temperature of warehouses and compressors, to the temperature of products in transit and vehicle conditions. The deviation is automatically sent to

Digital Call Center (DSC), allowing DSC to contact the relevant driver through GPS to rectify the problems. Our 24/7 round the clock digitalized cold chain management system integrates Internet of Things (IoT), big data, cloud computing, and other cutting-edge technologies, to safeguard food safety.



> SCDI

As an enterprise that makes enormous efforts in digital and intelligent technology, Yum China has launched a series of digitalized business systems. In 2021, we built Supply Chain Data Integration (SCDI), a supply chain data platform, to integrate data from different business systems and to break the data silos between business functions. The introduction of SCDI has enabled Yum China to harmonize data formats across our complex business functions, as well as improve the quality and accuracy of our data. With SCDI, we can visualize the supply chain process and accurately locate and trace each batch of purchased goods from all channels to ensure the transparency of upstream raw material

information. Through the data consolidation and visualized analysis, our management teams could better understand the scenarios to quickly respond to the business requirements.

SCDI enabled better efficient and accurate risk management through online visualized supply chain Key Performance Indicators aggregation. The system also improves the ability of supply chain risk perception, realizes 'Quick Response' to diversified business scenarios, and strengthens the agile and resilient supply chain.

Balanced and Nutritious Meals

We are committed to offering delicious and nutritious food choices to our customers as well as promoting a balanced and healthy diet. We keep updating our menus to provide a great variety of delicious and nutritious food. We continually innovate in recipe optimization, abundant ingredients and

multiple cooking methods, while maintaining the quality and taste our customers expect. In terms of child nutrition, we pay particular attention to enhancing the nutritional value of our kids meals.

> Product Innovation & More Choices

To meet the growing needs of customers, we continue to carry out product innovation and strive to provide customers with more nutritious and tasty choices for achieving our collective vision of becoming 'The World's Most Innovative Pioneer in the Restaurant Industry'. Our dedicated Food Innovation Team (FIT) incorporates market feedback to improve our product offering in terms of the choice of ingredients, cooking methods, and product specifications.

Based on customer feedback, we enrich our menu choices to provide customers with a balanced diet. Meanwhile, we launch limited-time offers throughout the year according to seasons and festivals. In addition, we provide multiple size selections to meet different customers' needs and fit different dining occasions. For example, Pizza Hut provides 9 inches, 10 inches, and 12 inches pizza sizes and one person meals.

> Three Reductions: Reducing the Use of Salt, Sugar, and Oil

We explore ways to improve the nutritional value of our products. We adhere to the 'three reductions' principle by adjusting the use of salt, sugar, and oil. We always care for customers' feedback and conduct regular sensory tests on salinity, sweetness, and texture to ensure that our food choices continue to meet our customers' expectations.

By the end of 2021

Since 2018, KFC has reduced salt

240 tons

In 2021, KFC and Pizza Hut have reduced sugar

51 tons



- Reduce Salt**
 - Through recipe upgrade
 - Upgraded bread with reduced salt
- Reduce Sugar**
 - Through more choices with less sugar
 - For example:
 - Non-sweetened milk
 - Sugar-free and fiber-rich Pepsi
- Reduce Oil**
 - Through multiple cooking methods
 - Over 90% of breakfast menu items and 60% of all-day items at KFC and 90% of all-day items at Pizza Hut are prepared using multiple cooking methods, including roasting, boiling, sautéing, and grilling
 - Through more low-fat choices
 - Zero fat ice cream
 - Low-fat yogurt replacing traditional cheese foam in drinks

> Abundant Ingredients

We focus on enriching our food ingredients, providing a variety of staple protein options including steak, seafood, chicken, sausage, and actively increase other food ingredients such as grains, fruits and vegetables, beans, and nuts. Fruits and vegetables are widely used in all our brands.

In 2021, Yum China purchased more than 44,000 tons of fruits and vegetables, including lettuce, cucumber, potato, celery, green pepper, tomato, onion, covering more than 60 fruit and vegetable categories.

Illustration

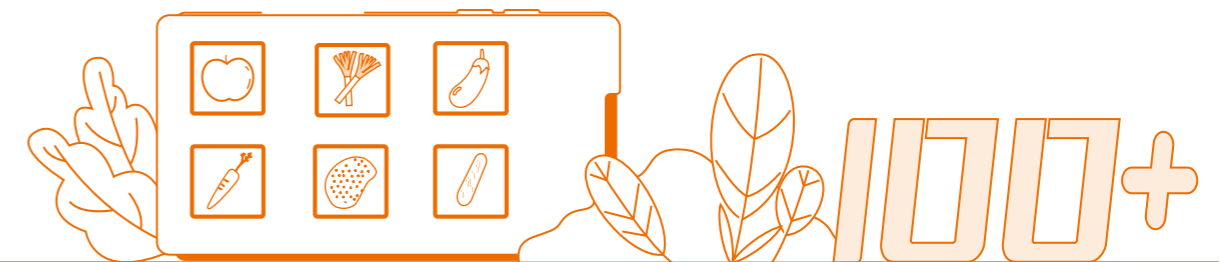
Yum China Strengthens its Commitment to Promoting Balanced Diets and Healthy Lifestyles

In 2021, Yum China launched a new campaign to promote balanced diets by offering customers more fruit and vegetable options, covering 6,000 KFC, Pizza Hut and Taco Bell stores nationwide. A core component of the campaign is the 'Fruit and Vegetables 100+' program that encourages customers to add at least 100g of fruits and vegetables to their meals.

At the same time, KFC, Pizza Hut and Taco Bell have also launched a series of new and updated fruit and vegetable based products in China, while leveraging their digital platforms to raise public awareness of nutrition and healthy eating.



'Fruit and Vegetables 100+' Campaign



The *Scientific Report on Chinese Dietary Guideline* issued by the Chinese Nutrition Society in 2021 encourages the consumption of grains, fiber, and plant-based food. We have always had such popular products in KFC and Pizza Hut, such as noodles, corn sticks, and fiber-rich and sugar-free cola. KFC introduced OATLY's signature oat drink for breakfast and coffee menu. It is a good milk substitute for lactose-intolerant individuals, and oat is also a lower carbon alternative compared to milk.

As we notice the growing trend of plant-based products, we actively respond to customers' needs. Yum China is one of the first in the industry to introduce plant-based products in China. Since 2020, KFC, Pizza Hut, and Taco Bell have introduced various plant-based products and drinks to our menus, including but not limited to OATLY latte, plant-based beef burgers, plant-based chicken nuggets, plant-based beef and plant-based pork tacos. In 2021, KFC sold 2.5 million units of plant-based meat products.



> Multiple Cooking Methods

We enhance the choices and nutritional value of our menu through a variety of cooking methods, including frying, roasting, boiling, sautéing, and grilling. By combining modern food preparation technologies with traditional cooking methods, we lock in the flavors of our food and maintain consistent quality and taste for our customers.

> Kids Meals

We followed the *Nutrition Guidelines for Meals Offered by the Restaurant Industry to School-Age Children* released by the Chinese Nutrition Society (CNS) to provide balanced diets in our kids' meals. For example, at KFC, we include eggs, tomatoes, corn stick, milk, and other ingredients as our core offering in our kids meals to increase their intake of dietary fiber, vitamins, and minerals.



Industry Communication and Public Education

> Industry Communication

Yum China actively promotes social governance of food safety and elevates public awareness of health. We work closely with the regulators, industry associations, and academic community to drive the development of the food industry and ensure food safety. At the same time, we also play an important role in food safety advocacy and education programs.

Yum China holds key positions 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 Work Federation. By collaborating with these associations, we actively bring our expertise to industry conferences and seminars, share our technical and management knowledge, promote food safety, and develop standards.

Illustration

China Chain Store and Franchise Industry High Quality Development Forum in Beijing

In June 2021, Yum China participated in the China Chain Store and Franchise Industry High Quality Development Forum. In the forum, we engaged in deep dialogues with peers on high quality development practices and restaurant chain operations and introduced our achievements in digitalization for food safety such as the iFS.

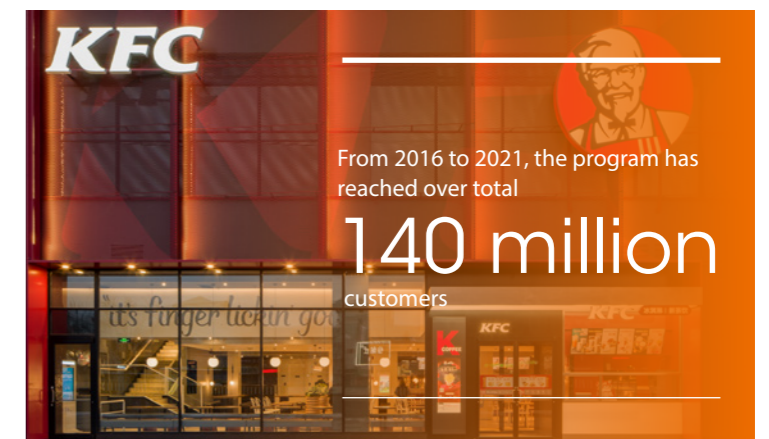
Yum China has joined forces with industry peers to provide professional opinions on food-related laws and regulations during the public consultation stage. We have also participated in the development of relevant industry group standards. In 2021, Yum China provided suggestions on 11

laws, regulations, and national standards, covering food safety-related standards, food testing, and logistic cold chain. We also contributed to 10 industry and group standards covering topics such as delivery, nutrition, and operation management.

> Public Education

National Nutrition Week

Yum China has been an active supporter of the National Nutrition Week since its establishment in 2016, which is a nationwide nutrition promotion program jointly initiated by the Chinese Nutrition Society and the Institute of Nutrition and Health of the Chinese Center for Disease Control and Prevention. In support of this annual initiative, Yum China shared nutritional knowledge on tray liners in KFC restaurants across China and has reached more than 140 million customers over the past six years. The program is also an integral component of the *National Nutrition Plan (2017-2030)*, contributing to the construction of building a healthy China in the new era.



YUMC Cup

Yum China launched the YUMC Cup knowledge contest in 2017. Since then, we have regularly held YUMC Cups for Food Safety and Nutritional Health Knowledge Competition. The contest includes online and offline knowledge contests to increase the understanding and awareness of nutritional science and health among college students and the public.

YUMC Cup 2021 was jointly held by Yum China, the China Market Regulation News, the Chinese Institute of Food Science and Technology, and Alipay's Answering Planet, aiming to further enhance the food safety literacy of college students and guide college students to cultivate a healthy lifestyle. In 2021, the event attracted over 4.6 million knowledge quiz participants through the competition platform just for the practice section, covering more than 140 universities from 16 cities.

In 2021

Attracted over **4.6 million** knowledge quiz participants

Attracted participants from over

140 universities in

16 cities nationwide.



Campaign of National Food Safety Publicity and Education for the Youth

Focusing on the healthy growth of teenagers, the Campaign of National Food Safety Publicity and Education for the Youth includes various campaigns and education activities on food safety and nutritional health knowledge. Since its launch in 2016, there have been over 470 popular science education activities held in 47 cities across the country, with more than 300,000 people directly participating in offline activities. Yum China's own teams actively provide support, such as providing tours to KFC restaurants, logistics centers, and upstream supplier bases. The tours help children understand the whole process of food preparation from source to processing, enhance their understanding of food safety, and support them to develop healthy living habits through the combination of education and entertainment.

In 2021, the program expanded significantly with the technical guidance of the China Health Education Center and the media support of China Education Daily. And it was introduced into over 100 schools in 10 cities such as Beijing, Shanghai, Dalian, and Tianjin, with nationwide popular science education activities conducted for primary and secondary school students, advocating a healthy lifestyle with a balanced diet and exercise.

Tray Liners Featuring 2021 Popular Science Day

From August 30 to September 19, 2021, as one of the series activities of National Science Popularization Day. Yum China collaborated with the Chinese Institute of Food Science and Technology on 'Food Safety for Thousands of Families - Food Service' and distributed more than 15.5 million tray liners

in more than 5,000 KFC restaurants themed 'Science and Technology, Protect Food Safety in Every Bite' to help customers understand how modern technology used in food safety management from farm to fork.

Best Foods & Best Sports

Yum China's official WeChat account, Best Foods & Best Sports, was officially established and promoted in 2017 to raise awareness of health and nutrition. In the WeChat official account, everyday stories are used to spread the knowledge of a healthy diet and healthy living in an engaging way. A TikTok account was created in May 2020, where we created short videos on related topics using everyday stories that resonate with people.



Scan QR code and subscribe for more information



Environment

Climate change has become a global challenge across countries, industries and enterprises all over the world. Yum China has always been committed to reducing the adverse environmental impacts from the operation of our restaurants nationwide, as well as from our upstream and downstream activities. We have set the goals of 'reaching net zero value chain GHG emissions by 2050' and 'zero deforestation supply chain'. Against these goals, we continue to promote green restaurants, facilitate the low-carbon transition of suppliers and responsible raw material procurement, and advocate a sustainable lifestyle with our customers. Driven by the concept of circular economy, we strive to strengthen waste management and resource utilization, develop innovative solutions of sustainable packaging, and continuously explore green and sustainable consumption in the restaurant industry. We will continue to work hand in hand with stakeholders across the value chain to promote the industry transition by turning challenges into opportunities, and to better protect the earth we live on.

Highly Relevant



Moderately Relevant



Primary Focus



Opportunities and Challenges

- The *Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report* issued in 2021, which once again reminds that climate change exerts a certain impact on the current food system, including supply chain and restaurant operations. At the same time, the food and restaurant industries can also contribute to climate change mitigation by taking action to reduce GHG emissions and facilitate the transition towards a more sustainable lifestyle
- As the transition toward a circular economy is a proven global trend, the Chinese government correspondingly works on improving overall resource utilization capacity, supporting enterprises in building the system of circular economy and continuously enhancing waste management, so as to weaken the over-reliance on limited resources and minimize the environmental impact of business operations
- There is an increasing need for food and restaurant industries to put more focus on the sustainability topics of their upstream value chain, especially the impact on biodiversity and deforestation. Enterprises can effectively mitigate the negative impact of supply chain on environment by implementing sustainable sourcing

Goals and Commitments

Climate Action

- Commit to setting SBT, in line with SBTi criteria
- Reach net-zero value chain emissions by 2050
- 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

Circular Economy

- 10% reduction of our food waste per restaurant by 2030 as compared to the 2020 baseline
- 30% reduction in non-degradable plastic packaging weight by 2025 as compared to the 2019 baseline
- 100% of customer-facing plastic based packaging is recyclable

Supply Chain Environmental Impact

- 100% of FSC-certified paper packaging by 2025
- 100% of purchased palm oil is RSPO certified

Key Actions

- Announce our commitment to support the *Paris Agreement*, develop a GHG emissions inventory and set science-based targets for emissions reduction, striving for net-zero value chain emissions by 2050
- Near-term science-based GHG emissions reduction targets submitted to SBTi for validation
- Participate in the CDP questionnaire for the first year to demonstrate our efforts to improve information transparency on our impact on climate change, forest and water
- Produce our first Task Force on Climate-related Financial Disclosures (TCFD) report to better assess climate risks and opportunities across our operations and value chain
- Leverage our strong capacity on equipment innovation and effective management practices to improve energy and water efficiency
- Proactively explore the concept of circular economy, tackling the sustainability challenges of food waste and packaging
- Practice the principle of sustainable raw material procurement and strengthen the traceability management in the supply chain
- Engage suppliers to collectively drive supply chain sustainability and promote low-carbon lifestyle

Minimize Environmental Footprint by Leveraging 4R Principles

Yum China is committed to strengthening environmental management as an ongoing priority. The Sustainability 4R Principles (Reduce, Reuse, Recycle, and Replace) serve as clear guidance across the value chain of Yum China, which are adopted to set relevant environmental goals accordingly. We strive to reduce environmental impact from farm to fork, including raw material sourcing, logistics and warehousing, restaurant operations and delivery services, and to incorporate sustainability into daily operations.

Yum China 4R Principles

Reduce	Reuse	Recycle	Replace
<ul style="list-style-type: none"> • Reduce energy consumption • Reduce water consumption • Reduce materials used in packaging • Reduce food loss • Reduce waste generation 	<ul style="list-style-type: none"> • Design reusable packaging • Apply reusable decoration materials 	<ul style="list-style-type: none"> • Use recyclable packaging materials • Convert used cooking oil (UCO) into biodiesel 	<ul style="list-style-type: none"> • Use energy-saving equipments • Use renewable energy via rooftop solar panels • Replace non-degradable plastic packaging with biodegradable materials • Purchase sustainable palm oil • Refuse to purchase paper products from suppliers that knowingly cause deforestation

Environmental Management

Yum China firmly believes in the role of business leaders as stewards of the environment. Yum China strictly abides by the environment-related laws and regulations of China and develops relevant internal environmental policies such as the *Yum China Environmental Management System*. We have also established a Sustainability Committee 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.

We see environmental management at Yum China as an ongoing journey with cross-functional collaboration. In order to firm up environmental policies and goals, we pursue green building design and construction, and challenge ourselves to improve our management plans and initiatives in reducing GHG emissions, and enhancing the efficiency of use of resources. We work with suppliers to strengthen environmental management across our value chain, actively promote the use of renewable energy and continuously facilitate sustainable packaging. In addition, we are fully aware that only by creating a green culture can help our environmental policies be better implemented. In 2021, we rolled out training on 'Carbon Peaking and Carbon Neutrality Goals' to raise the climate change awareness of our employees.

Illustration

Lunchtime Sharing Session on Carbon Peaking and Carbon Neutrality Goals

In 2021, we organized a lunchtime sharing session themed 'The Macro Situation and Development Trend of Carbon Peaking & Carbon Neutrality', and launched an online course -*The Opportunities and Challenges brought by Dual Carbon Goals*, which helped improve employees' understanding and cognition of the government's climate action plan.

The event attracted 4,097 participants in total.



Lunchtime Sharing Session Poster

Climate Action

Together with our employees, customers, supply chain partners, and communities, we strive to take active climate action to transit to a low-carbon economy. We are fully committed to driving GHG emissions reduction across our value chain, and at the same time proactively review our business resilience against the climate risks and opportunities with reference to the TCFD, both in the near and long term.

As we move further along our climate action journey, we are stepping up our efforts to become a net-zero emissions company. Yum China will continue to collaborate with stakeholders across the value chain to convert the sustainability challenges of today into business opportunities for tomorrow.

—Joey Wat, CEO of Yum China

> Climate-related Risks and Opportunities

TCFD was established by the G20 Financial Stability Board (FSB) in December 2015 to develop an internationally recognized framework for climate-related financial risk disclosures. TCFD published a set of recommendations in 2017, covering four pillars namely governance, strategy, risk management, and metrics and targets.

As Yum China builds long-term climate change resilience capacity and drives transition towards a low-carbon economy,

we recognize the need to consider the potential impacts of climate-related risks and opportunities in our strategy to ensure business continuity and sustainability. Therefore, we commit to fully adopting the TCFD recommendations. We identified and assessed climate-related risks and opportunities that have significant impact on our business in different scenarios and outlined the approach to addressing them. For more details, please refer to our TCFD report, which will be released in July, 2022.



> Science-based Targets Setting

As the largest restaurant company in China, we see the needs to be part of the global climate action to meet the long-term targets of the Paris Agreement, to limit global temperature rise to 1.5°C above pre-industrial levels, and China's commitment to peak carbon emissions by 2030 and achieve carbon neutrality by 2060. We officially announced the signing and submission of the Business Ambition for 1.5°C Commitment Letter to SBTi on June 8, 2021, demonstrating our commitment to science-based targets to reduce GHG emissions and the ambition to reach net-zero value chain emissions by 2050.

Developing a comprehensive GHG emissions inventory is our first priority in this journey to identify major sources of our emissions and track our progress over time. In 2021, we had

undertaken a systematic and methodical approach to measure and calculate the GHG emissions across our entire value chain including upstream, downstream and our own operations from 2019 to 2021, in accordance with the latest Greenhouse Gas Protocol and SBTi manuals. We use this as a basis to develop GHG emissions reduction targets that align with the methodologies and requirements of the SBTi.

We have developed our near-term targets in line with 1.5°C pathway and the SBTi criteria. We are pleased to announce that on June 8, 2022, Yum China submitted our near-term science-based GHG emissions reduction targets to SBTi for validation. Once the target is approved, we will publicly disclose Yum China's carbon reduction ambitions and GHG reduction strategy across the value chain.

CO₂ Organizational Boundary of GHG Emissions Inventory

To set organizational boundary of our GHG emissions inventory, we use the control approach to consolidate GHG emissions, which covers our own operations (restaurants, office buildings and logistics centers) and 11 relevant Scope 3 categories in upstream and downstream of the value chain. We calculated the GHG emissions within the organizational boundary for three consecutive years from 2019 to 2021.

Accounting Methodology of GHG Emissions

Formulating a full GHG emissions inventory of our entire value chain is a complex and challenging task. We estimated our GHG emissions by using a systematic, comprehensive and methodical approach. In 2021, we relied on a hybrid approach to calculate Scope 1, 2 and 3 emissions. We calculated GHG emissions from purchased goods, which account for the largest proportion of scope 3 emissions, through top-down estimation and bottom-up data calibration. We also verified the GHG emissions of selected suppliers by performing site visits to further improve data integrity, reliability and accuracy.

Selection of Data Types

We prioritize calculating our GHG emissions through primary data which directly measures our activities that result in GHG emissions. We use other methods to utilize financial data for calculation where primary data is not available.

Selection of Emission Factors

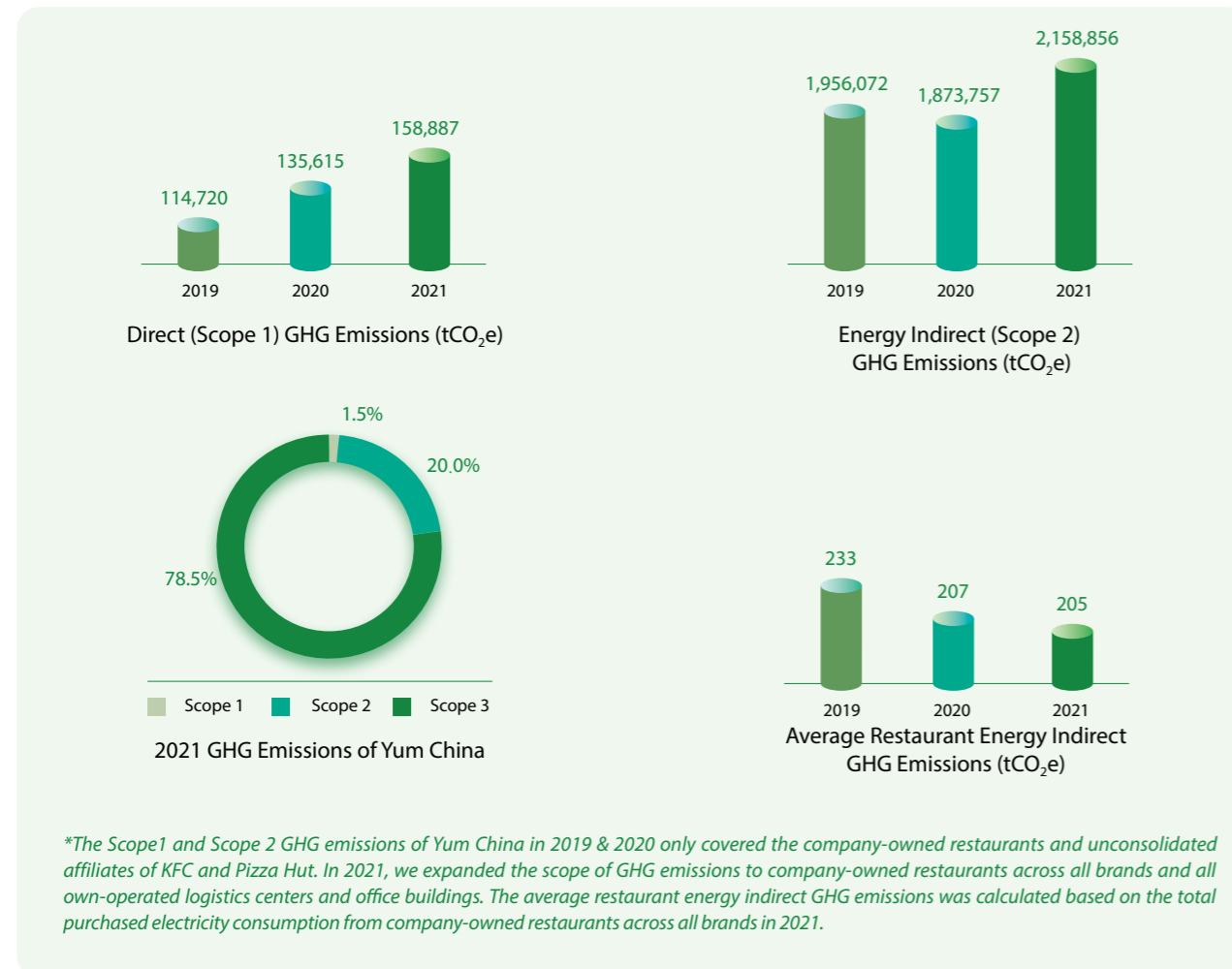
The emission factors and Global Warming Potential adopted for the entire value chain GHG emissions calculation were taken from the following sources:

- IPCC Fifth Assessment Report
- Food and Agriculture Organization of the United Nations (UN FAO)
- Average CO₂e* emission factors of the grid in China issued by the National Development and Reform Commission (NDRC)
- Other published databases and government statistics

*Carbon Dioxide equivalent



GHG Emissions of Yum China (2019-2021)*



> Low-carbon Operations

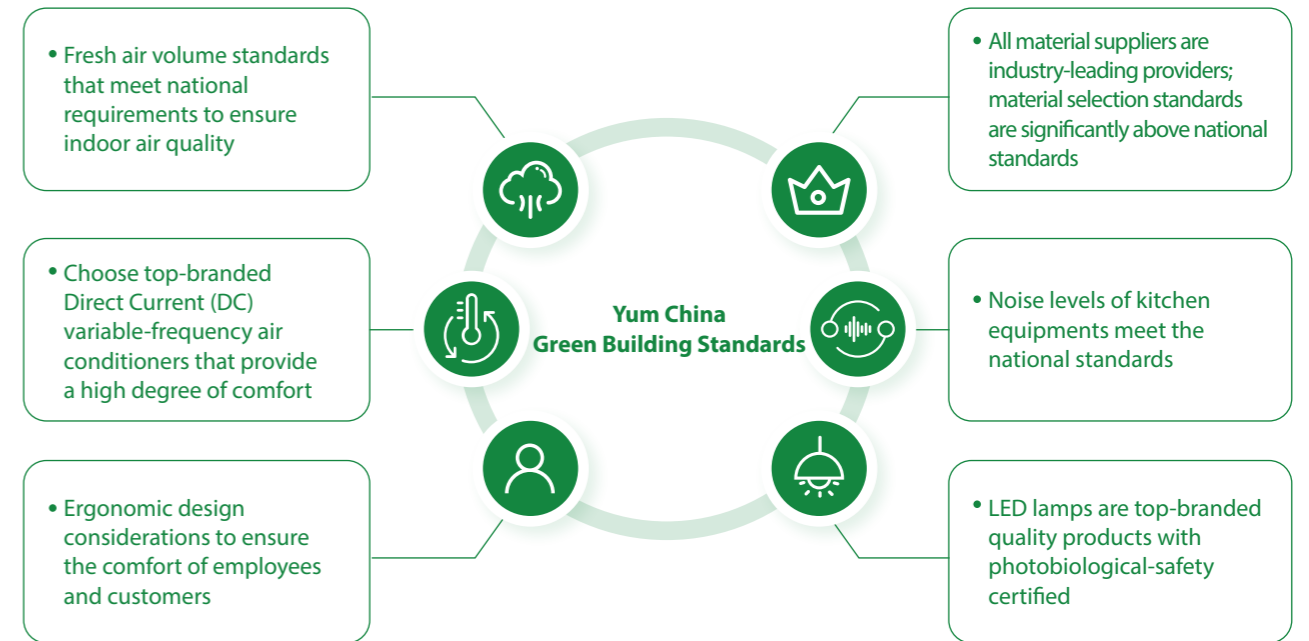
To reduce the carbon footprint, Yum China has laid the foundation of making progress through efforts to improve energy and water efficiency across its own operation. We have made significant investments to establish an efficient technology infrastructure, which serves as the foundation

of our intelligent restaurant network management and facilitates efficient and innovative restaurant operations across all our brands. Meanwhile, our effective management practices also help reduce GHG emissions considerably.

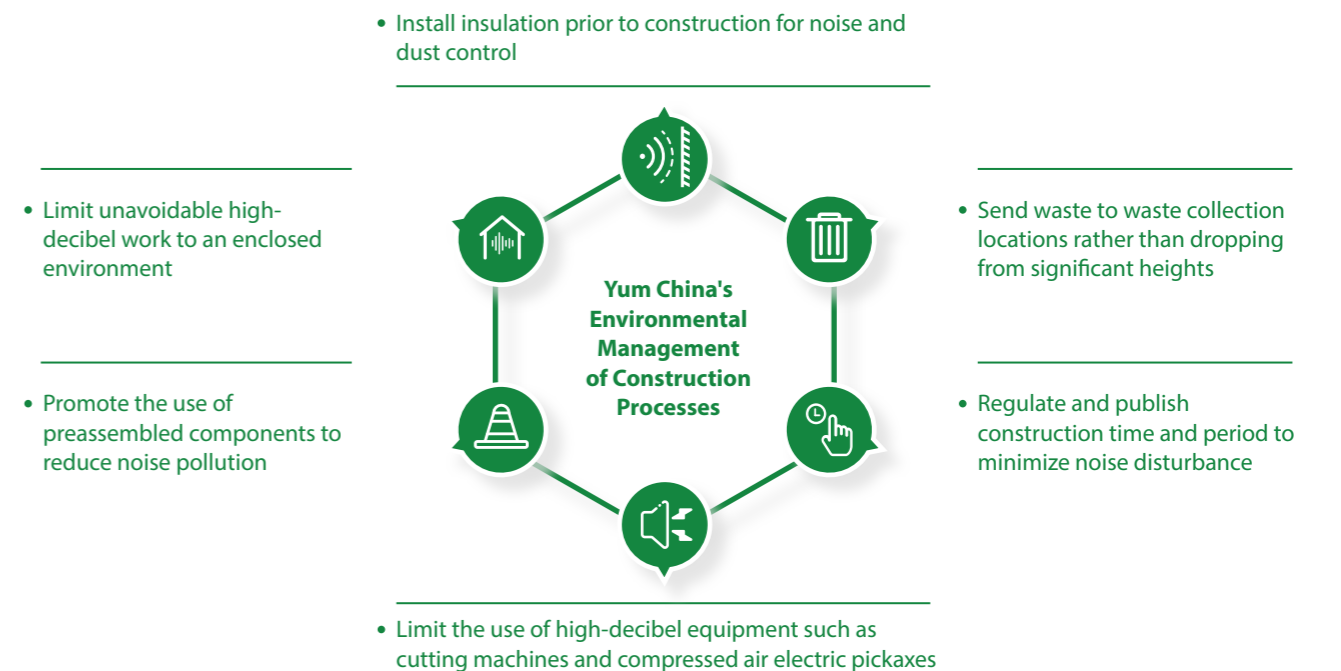
Green Building

We benchmark our buildings against the Leadership in Energy and Environmental Design (LEED) criteria and formulated 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 2021, all our 1,410 newly built

and remodeled KFC and Pizza Hut restaurants were compliant with the Yum China Green Building Standards, achieving the goal of 'All newly built restaurants to comply with the Yum China Green Building Standards'. We regularly review and update the Yum China Green Building Standards according to international and national standards.



To further minimize our environmental impact, we have implemented various programs in restaurant construction, including noise and dust control.



Energy Efficiency

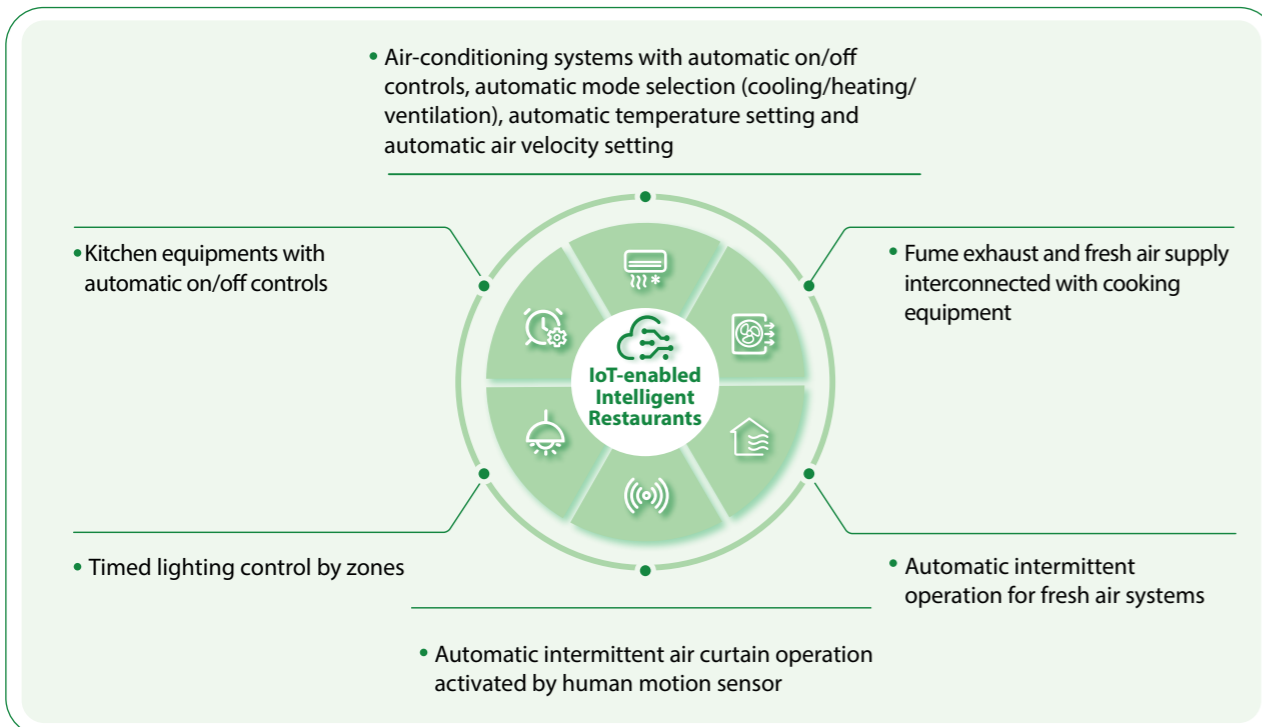
Energy efficiency and low-carbon operations of our restaurants have been a long-term priority in our efforts to reduce GHG emissions. We have continuously upgraded equipments and facilities with advanced technologies to promote the digitization, automation, and intelligence of our restaurants.

In 2021, Yum China continued to expand the Value-added Technology Application (VTA) system in newly-built and remodeled restaurants. The VTA system is equipped with real-time monitoring of CO₂ concentrations and automatic fresh air volume control, contributing to the reduction of air-conditioning energy consumption while ensuring a comfortable environment. In 2021, the VTA system has been installed in over 1,050 restaurants, resulting in electricity savings of approximately 12,670 MWh. We are also incorporating IoT-enabled features as part of our efforts to develop 'intelligent restaurants', and plan to roll out this initiative nationwide as appropriate.

Energy Consumption of Yum China (2019-2021)*

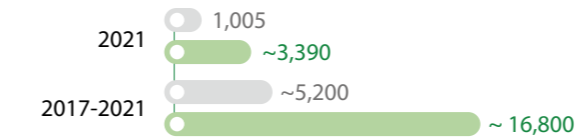


*The electricity consumption of Yum China in 2019 & 2020 only covered the company-owned restaurants and unconsolidated affiliates of KFC and Pizza Hut. In 2021, we expanded the scope of electricity consumption to company-owned restaurants across all brands, own-operated logistics centers and office buildings. The average restaurant electricity consumption was calculated based on total electricity consumption from company-owned restaurants across all brands in 2021.

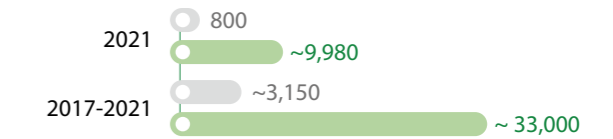


Achievements of Energy Saving Technology Applications

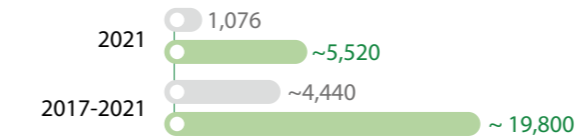
Kitchen cooking fume exhaust control system



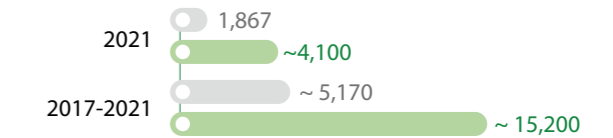
Heat pump water heater



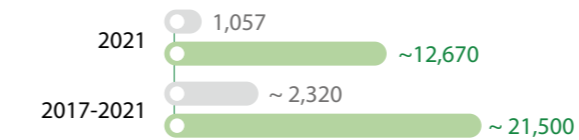
High-efficiency DC air-conditioning system



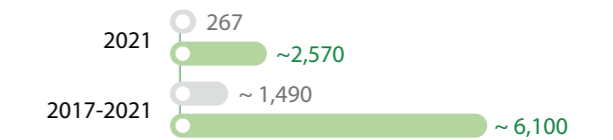
LED lighting



VTA system



Kitchen hood

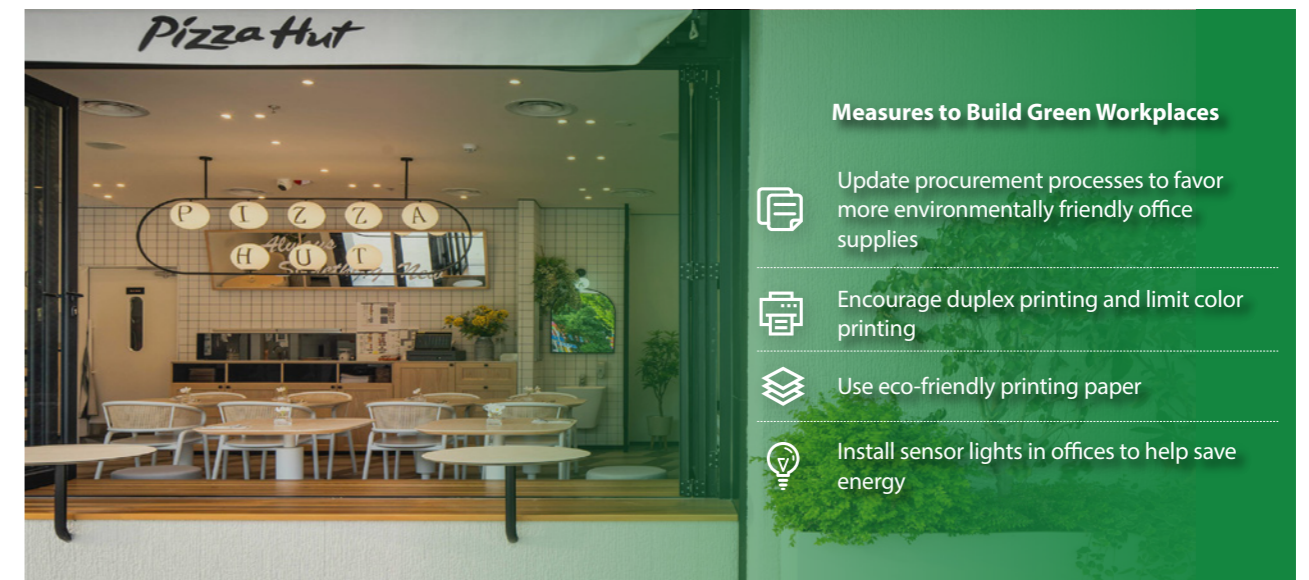


■ Installations ■ Electricity saved (MWh)

Yum China has also been focusing on the GHG emissions from logistics and warehousing. Given this, we have developed the Transportation Management System (TMS) to improve transportation efficiency and to reduce GHG emissions. We have piloted the use of electric vehicle (EV) fleets in Shenzhen, as part of our continued exploration into

new energy vehicles to support our extensive distribution system.

Our efforts to reduce GHG emissions are not just in the restaurants and logistics. We are also actively taking action to reduce GHG emissions from office buildings for greener workplaces.



Water Efficiency

The impact of climate change on water resource will adversely affect social and economic activities. Working with the World Resources Institute (WRI), we assessed water resource risk levels in the areas where our restaurants are

located. Based on the assessment results, we continue to prioritize the upgrading of water-saving equipments in water-stressed or water-scarce areas, such as thawing cabinets and tailor-made dishwashers.

Water Consumption of Yum China (2019-2021)*

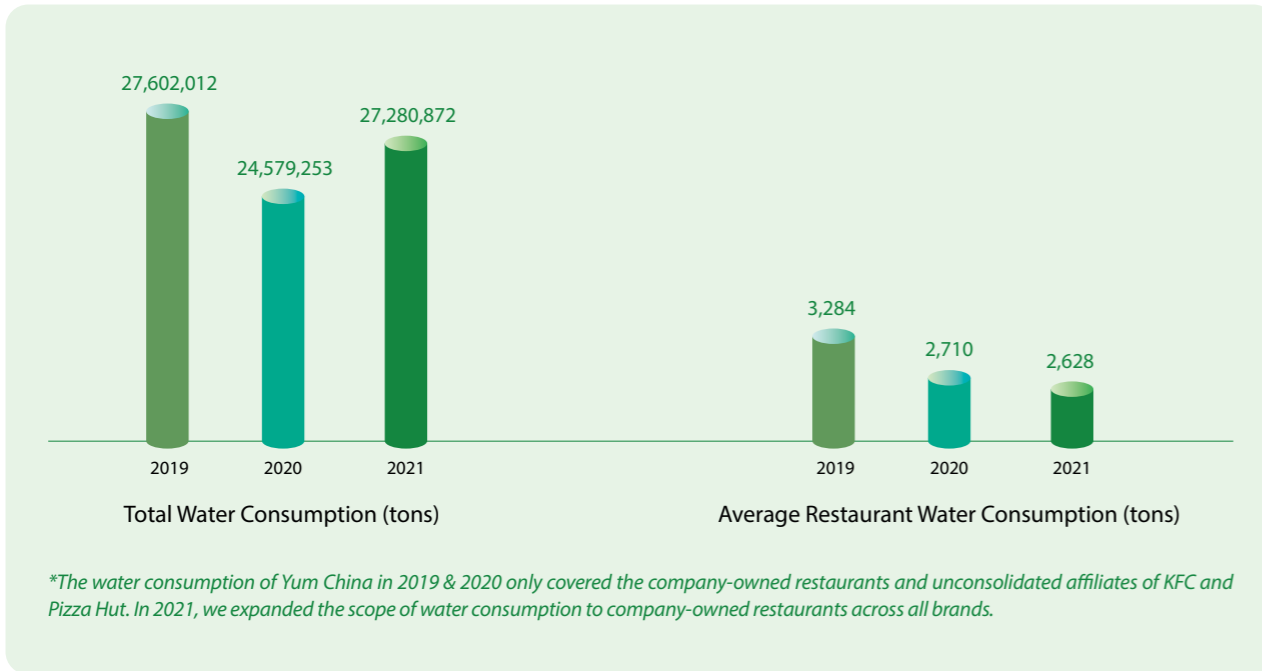


Illustration Thawing Cabinet

We developed a new water-efficient thawing cabinet that uses air circulation instead of running water. The annual water-saving capacity of a single cabinet is 1.2 tons. 10 cabinets were installed by the end of 2021. We will explore to role out in more restaurants.

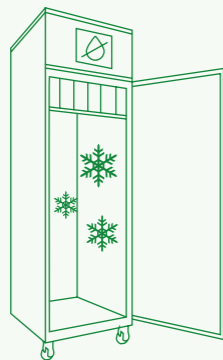
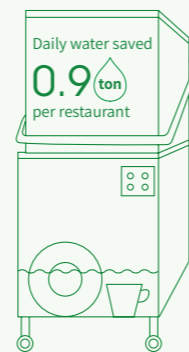


Illustration Tailor-made Dishwasher

We installed dishwashers in KFC restaurant to replace manual washing. Tests showed that our dishwashers save about 0.9 tons of water per restaurant per day. By the end of 2021, we installed over 2,700 dishwashers across the country, resulting in annual water savings of approximately 400,000 tons.



Renewable Energy

Yum China believes that the transition to renewable energy will improve our resilience in addressing the challenges of climate change, and it also plays a vital role in fulfilling the commitment of reaching net-zero value chain GHG emissions by 2050.

In addition to continuous efforts on energy efficiency improvement, renewable energy investment is another vital approach for Yum China to reduce GHG emissions. We are actively exploring affordable, reliable and scalable renewable energy solutions for over 11,000 restaurants, 32 distribution centers and offices nationwide.

Renewable energy investment is a new space for us at Yum China, in fact, can be a kind of industry challenge. We have taken an important step to pilot Distributed Photovoltaics (DPV) installation in the first batch of KFC Green Pioneer Stores in Beijing and Hangzhou in early 2022. The installed rooftop solar panels generate about 10,000 kilowatt-hours of clean electricity a year for the restaurant, and we plan to further improve the restaurant's energy efficiency by incorporating energy storage technology. Compared with the average carbon emissions per KFC restaurant in 2020, the Green Pioneer Stores can reduce GHG emissions by around 15%.

We are committed to driving meaningful change and pioneering in the restaurant industry towards net-zero emissions. Building Green Pioneer Stores is an important part of our journey. We will continue to explore utilization of innovative technologies in restaurant construction and operations to promote sustainable development as well as contribute to the low carbon economy.

—Joey Wat, CEO of Yum China

In the future, based on the technological advancement and pilot experience, we will continue to assess the feasibility of renewable energy utilization in operating sites such as deploying rooftop solar panels for restaurants, logistics centers and office buildings, as appropriate.

In addition, we continue to explore more renewable energy opportunities in the case of specific application for Yum China. In collaboration with various stakeholders, we are actively building know-how and seeking for every opportunity to leverage the green power trading system that China government stated to pilot since September 2021.



> Supply Chain Decarbonization

Over two third of Yum China's value chain GHG emissions come from the purchased goods, and our supply chain is complexly structured with a wide range of categories and our suppliers have different readiness for low-carbon operations. Therefore it is of vital importance to develop a supplier engagement and empowerment program to engage suppliers to collectively drive carbon reduction in our supply chain, so as to drive towards net-zero value chain emissions by 2050.

In 2021, we started to include suppliers' efforts of energy-saving and GHG emissions reduction into the checklist for supplier CSR audit. We encourage suppliers to develop energy management systems to track and monitor energy and resource consumption, and to deploy energy-efficient facilities and technologies to reduce GHG emissions from their operations.

While developing the Scope 3 GHG emissions inventory of suppliers for the first time, we offered training sessions for suppliers to enhance their knowledge and knowhow on Climate Action, and to develop the capability to map out their own value chain GHG emissions.

We are in the process to set Carbon Footprint another KPI in addition to Cost and Quality, into supplier management system. Supplier performance on GHG emissions would form one part of suppliers selection criteria and annual business review.

We work closely with our supply chain partners to create a more sustainable model in each sector, further consolidate achievements made in sustainable development, and build a green and sustainable supply chain ecosystem.

—Howard Huang, Chief Supply Chain Officer of Yum China

Illustration First-ever Supply Chain Sustainability Workshop

As the kick-off of supplier engagement program to drive for Scope 3 GHG emissions reduction, we held the first-ever Yum China Supply Chain Sustainability Workshop in February 2022.

We brought together the leadership team of Top 50 key suppliers in the food and packaging category to participate in the workshop. External consultants were invited to interpret the policies and market trends to call for the urgency of climate action. Yum China's experience and latest progress on climate action, especially SBT target setting were shared. Top performing suppliers in each product categories were invited to share their best practices in carbon emissions reduction. More

importantly, all of the suppliers signed up to the commitment to contributing to Yum China net-zero target.

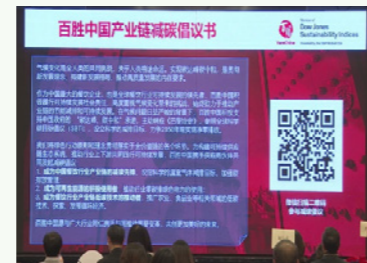
The workshop is a start for Yum China to engage suppliers on supply chain decarbonization. Clear message has been delivered for key suppliers to map out their GHG emissions and set targets for emissions reduction along their own value chain. A pilot program was launched with selected suppliers from the poultry and packaging categories to develop a carbon footprint scorecard and category management playbook in the next several years, and it is planned to replicate to all other categories afterwards.



Yum China Supply Chain Sustainability Workshop



Pilot Suppliers Communication



Commitment of Yum China upon Value Chain GHG Emissions Reduction

> Low-carbon Lifestyle Promotion

In recent years, with the enhancement of environmental consciousness of the public, a low-carbon lifestyle has been favored by an increasing number of customers. In addition to reducing GHG emissions in our own operations and mobilizing suppliers in this regard, customers are also one of the most important stakeholders in Yum China's efforts to address climate change challenges. Leveraging our strong online and offline connections with customers, we strive to increase environmental awareness among the public through a series of green marketing campaigns, encouraging and rewarding more eco-friendly choices, in order to turn sustainability challenges into opportunities.

In the future, we will explore more innovative ways to motivate customers and other stakeholders to join us on our journey to drive meaningful change and contribute to a more sustainable planet.

Illustration KFC's Marketing Campaign to Spark a Sustainable Lifestyle

In December 2021, KFC introduced an interactive section on its Super App to increase public awareness on topics such as 'Exploring Carbon Reduction' and 'The Journey to Carbon Neutrality', aiming to promote carbon reduction actions. KFC has introduced a green rewards program with special coupons that encourages and incentivizes behaviors such as mobile ordering and in-store pickup, opting out of using disposable cutlery, reducing food waste, and waste sorting. The program covered over 7,900 stores nationwide and strived to inspire 320 million KFC members to participate in and contribute to the sustainable development of society and the environment.

In addition, KFC launched an oat drink on its breakfast menu, its first 'carbon zero' product. The whole lifecycle carbon footprint of the oat drink was certified by a third-party institution in accordance with ISO 14067. To offset the GHG emissions of the oat drink, KFC joined hands with the China Green Carbon Foundation to plant trees and launched the KFC Carbon-neutral Forest Program in Baoshan, Yunnan province.



'Carbon Zero' Oat Drink

During the three-week campaign period that ended in December 2021

The number of KFC members across the country actively participated in the campaign was over

28 million

Completing Super App check-ins and carbon reduction actions over

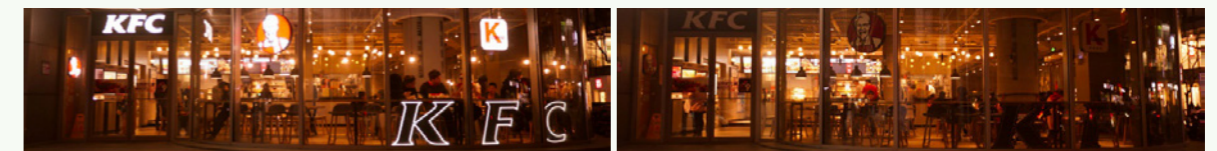
63 million

Leading to a total carbon reduction

145 tCO₂e

Illustration KFC, a Supporter of WWF Earth Hour for 13 Consecutive Years

Since 2009, KFC has been supporting WWF's Earth Hour to inspire individuals and communities to take tangible environmental action. On the last Saturday of March every year, KFC restaurants proactively participate in the Earth Hour activity. During the hour, all exterior lights are switched off. We hope to advocate the public to practice a low-carbon lifestyle and build a green future together.



KFC Participates in Earth Hour Initiative

Circular Economy

The circular economy concept has risen on the global agenda. Guided by 4R Principles, we strive to explore circular solutions to tackle the sustainability challenges of food waste and packaging, while engaging our customers and other stakeholders.

We adopt a holistic approach to manage food loss and waste across our operations, which starts with reducing the food loss and recycling the waste generated at our restaurants. We continue to explore sustainable packaging solutions to minimize the environmental impact. In addition, we collaborate with suppliers to develop eco-friendly packaging materials.

In compliance with the national and local laws and regulations on waste, we have entrusted qualified third

parties to properly collect and dispose of the restaurant wastes. Moreover, our stores are equipped with assorted waste bins following the waste sorting policies in 46 pilot cities.

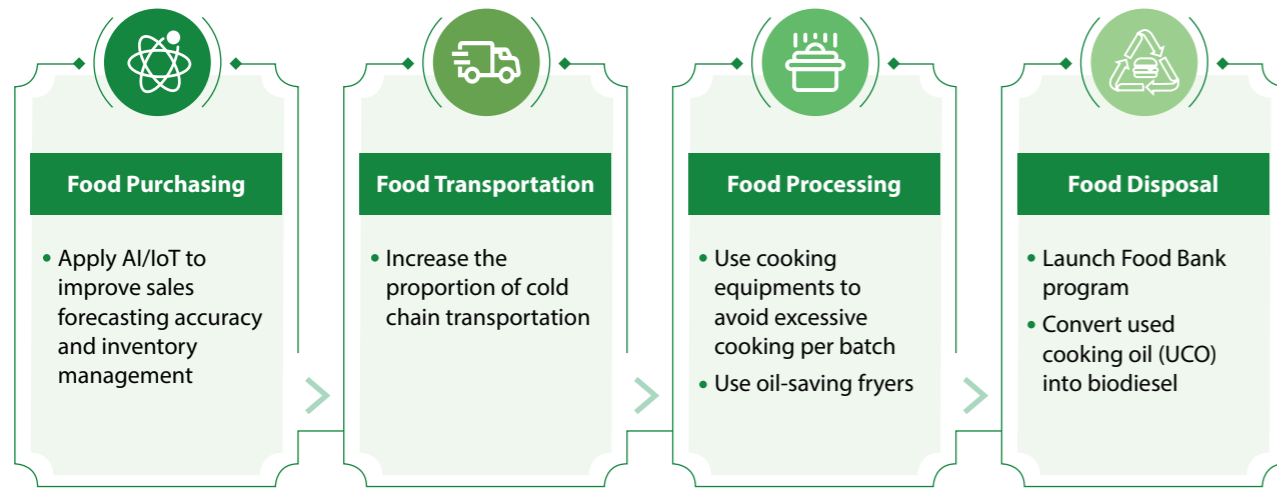
To effectively manage solid waste generated in our restaurants, we started to pilot a hybrid approach to improve the monitoring and measures of the solid wastes. We will continue to improve our approaches to systematically manage the wastes generated in our restaurants*.

We are also in the process exploring every opportunity to recycle waste into resources in collaboration with various stakeholders.

> Food Loss & Waste

The UN FAO estimates that 1.3 billion tons of food world-wide is wasted, resulting in approximately \$750 billion direct economic costs annually. We are working towards the 2030 goal of

reducing per restaurant food waste by 10% as compared to 2020 baseline by exploring innovative initiatives for food loss reduction across different stages of the value chain.



*As a restaurant business, we do not generate hazardous waste.

Illustration

Reducing Food Waste with Food Bank Program

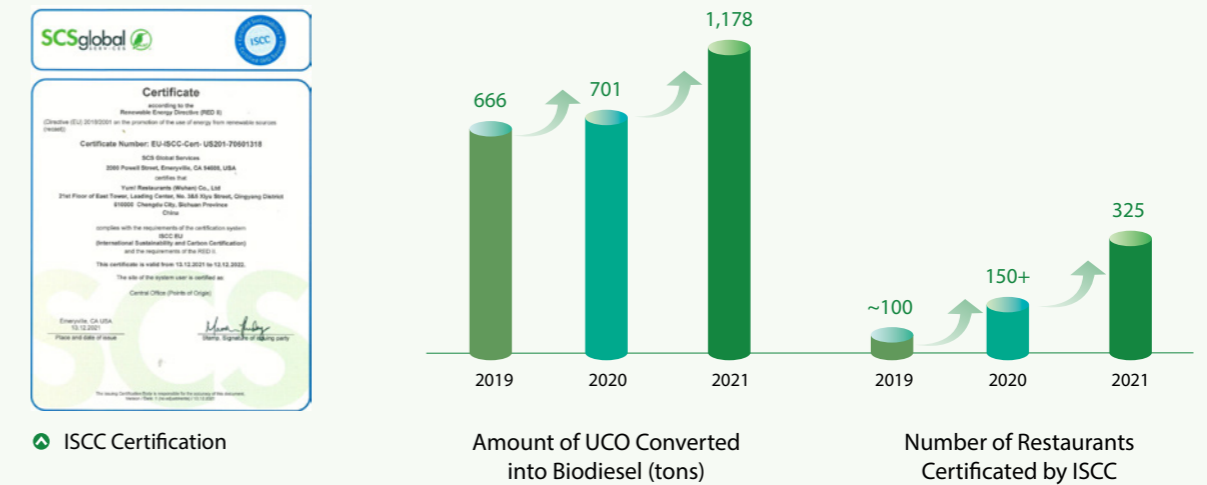
We have launched the Food Bank program since 2020 to support China's national campaign against food waste and to contribute to the United Nations' Sustainable Development Goals (UN SDGs) for zero hunger and responsible consumption and production. The program involves establishing food pick-up stations at chosen restaurants to provide surplus food for free to residents in need. We ensure that unsold food is properly collected, packed, kept and frozen. Information such as the date of deposit and the consumption guidelines are clearly marked on each bag.



Illustration

Converting UCO into Biodiesel

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 International Sustainability and Carbon Certification (ISCC) criteria. In 2021, we continued to expand the pilot project to cover more restaurants. By the end of 2021, 325 restaurants were certified by ISCC, including KFC, Pizza Hut, and Taco Bell restaurants, expanding from the Chengdu market to the whole Sichuan province. From 2019 to 2021, 2,545 tons of UCO have been converted into biodiesel.



> Sustainable Packaging

The use of disposable packaging is a common challenge to the restaurant industry. Yum China strictly complies with the national laws and regulations on the use of packaging. Guided by the 4R Principles, Yum China sets a series of goals and commitments, and officially released the *Yum China Packaging Strategy* in 2021. Through a variety of initiatives, such as design optimization, material replacement and

innovative solutions on multiple-use packaging, a total of 91 packaging items have been optimized. These breakthroughs effectively minimize environmental impacts. Meanwhile it creates opportunities to include our customers to be part of our responsible ecosystem and enables sustainable lifestyle.

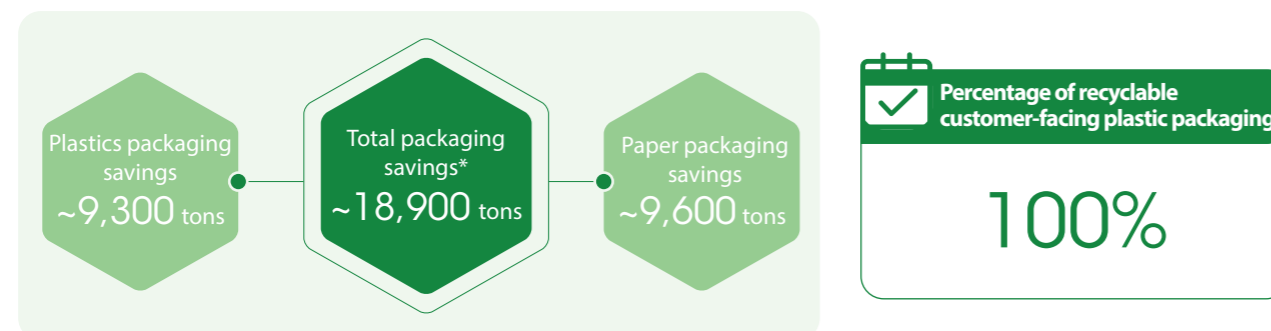
Sustainable Packaging Commitments



2021 Yum China Sustainable Packaging Facilitation Methods

Design Optimization	Material Replacement	Innovative Methods of Application
<ul style="list-style-type: none"> Reduce the use of paper packaging and non-degradable plastic packaging material from the source by application of new packaging solutions, new materials and innovative technologies 	<ul style="list-style-type: none"> Replace disposable non-degradable plastic packaging with more eco-friendly materials 	<ul style="list-style-type: none"> Design recyclable packaging products such as reusable serving basket for resource reusing

Progress of Sustainable Packaging in 2021



*Total packaging savings is the difference in packaging usage from company-owned restaurants across all brands before and after the optimization of packaging items in 2021.

Continuous Reduction of Plastic

Managing and reducing plastic pollution has emerged as a global concern. We have always been committed to reducing single use plastic packaging through innovative design, and actively apply eco-friendly materials to replace plastic, and fulfill Yum China's commitment of sustainable packaging from multiple perspectives to promote green and low-carbon development and circular economy.

- Replaced plastic cutlery.** As of the end of 2021, over 90% of KFC restaurants in mainland China have replaced disposable plastic cutlery with wooden cutlery.
- Removed plastic straws.** As of the end of 2021, all the restaurants under Yum China have eliminated using plastic straws and adopted paper straws.
- Removed non-degradable plastic bags.** As of the end of 2021, approximately 70% of KFC and Pizza Hut restaurants in mainland China have removed non-degradable plastic bags, and adopted paper bags or fully biodegradable plastic bags.

Replaced Materials

Replaced approximately **2,300 tons** of plastic cutleries and plastic straws in 2021

Replaced approximately **5,800 tons** of plastic bags and plastic cups and lids in 2021


Optimized Design

Reduced approximately **1,200 tons** of disposable plastics in 2021

Effective Reduction of Paper

Our approach to sustainable packaging starts from design, where we aim to minimize the use of paper packaging through design. In 2021, we further optimized paper packaging in terms of design simplification, lightweight materials and optimal structure, and launched eco-friendly napkins, paper bags, paper buckets and cartons. Moreover, we continue to promote the Reusable Serving Basket Program across brands through innovative methods of application, which significantly reduce the use of paper packaging while ensuring the dining experience of our customers.

Lightweight Materials Reduced approximately **4,320 tons** of paper in 2021




KFC used full embossed single-layer napkin, **reducing** approximately **3,430 tons** of paper in 2021.



KFC used paper plates and buckets with high-bulk paper in four products, **reducing** approximately **260 tons** of paper in 2021.




KFC used the paper bucket cover with a hollow corrugated cardboard structure, **reducing** approximately **230 tons** of paper in 2021.



KFC used a lightweight egg tart box made from paper, **reducing** approximately **60 tons** of paper in 2021.

Optimized Structure Reduced approximately **3,720 tons** of paper in 2021




KFC stores nationwide started to optimize our Panini and Wrap packaging, **reducing** approximately **410 tons** of paper in 2021.



KFC stores nationwide started to use paper bags with optimized sizes, **reducing** approximately **140 tons** of paper in 2021.

Reusable Serving Basket Program Reduced approximately **1,600 tons** of paper in 2021




Yum China has been promoting the Reusable Serving Basket Program in KFC restaurants since 2019. Reusable serving baskets are used to replace the use of packaging materials such as paper cartons and paper bags, significantly reducing the use of paper packaging materials. The program is an environmental protection measure comprehensively promoted by KFC after several years of development and store trials. In 2021, the Reusable Serving Basket Program covers **7,300** stores from 6,000 stores in 2019, and saving over **5,400 tons** of paper since the inception of the program.

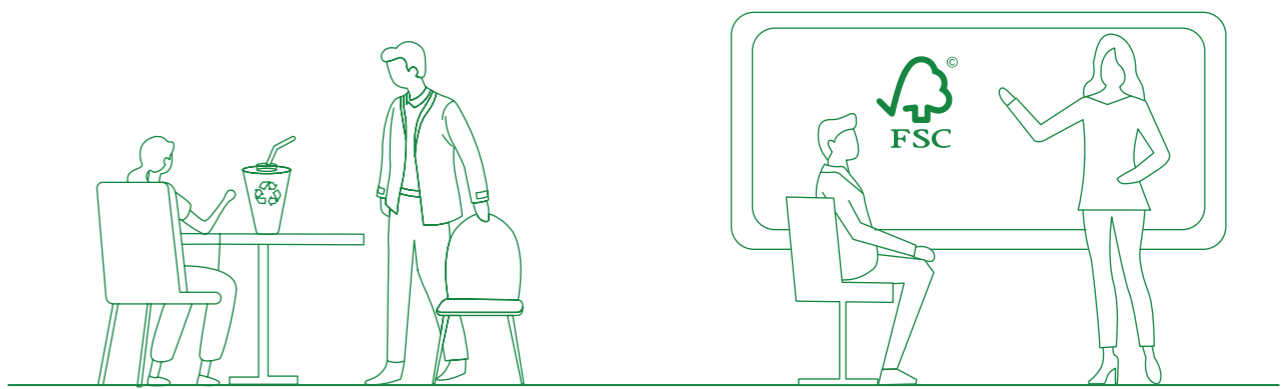
In addition, we have already rolled out the program to all Taco Bell restaurants. We would further expand the program to more brands as appropriate.

Use of FSC-certified Paper

While making ongoing efforts to reduce packaging use and apply more eco-friendly packaging, Yum China also understands the need to reduce the potential impact of paper production on rainforest. We do not accept any paper products from suppliers who may destroy the rainforest. Furthermore, we have set the goal of '100% of FSC-certified paper packaging by 2025', and intend to gradually expand the application of FSC-certificated paper. We started pilot in using FSC-certified paper cola cups in Guangzhou KFC restaurants in 2021 and plan to replace cola cups with FSC-certified paper cups in the national market by 2022. We estimate the successful

implementation of this initiative will achieve 7.1% paper packaging switching to FSC-certified paper. At the same time, our stores nationwide have successively adopted greener bamboo pulp napkins with FSC certification in 2022, so as to completely replace the non-FSC wood pulp napkins.

Looking ahead, we will seek to further enhance the sustainability of our packaging, commit to carrying out sustainability innovation across more applications and across a wider range of packaging, and further fulfill our commitment to sustainable packaging.



Supply Chain Environmental Impact

Forests help to regulate ecosystems and play an integral role in the carbon and water cycles. To do our part in protecting the lungs of our earth, we have set an ambitious goal of achieving a zero-deforestation supply chain in collaboration with our suppliers. We comply with national laws, support global forest protection initiatives, and explore opportunities to eliminate potential deforestation risks across our supply chain.

We are exploring opportunities to enhance upstream traceability, identify major agricultural commodities from high-risk regions, and collaborate with supply chain

partners to create a sustainable ecosystem. By continuously strengthening traceability management in our upstream supply chain, we support sustainable sourcing of commodities, including palm oil, soy, cattle, and timber.

To reduce the impacts of our business on marine ecosystems, we pay increasing attention to the sustainable sourcing of seafood products. In order to promote sustainable fisheries development, 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).

Sustainable Sourcing of Raw Materials in 2021

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 Yum China's key raw materials for cooking. We have been a RSPO member since 2017 and commit to only purchasing palm oil that meets the eight principles and criteria of the RSPO.

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

As of 2021, we have achieved RSPO certification for 100% of the palm oil purchased.



Soy

In Yum China's supply chain, soy is used mainly as chicken feed and in soy-based food.

We are developing soy traceability systems in collaboration with our upstream suppliers and leveraging best practices from external stakeholders. Improving traceability will help identify risks and enhance transparency and disclosure.

All of the soy used in our restaurants' soymilk powder comes from Northeast China. The planting and purchase of soy, managed by local farms, is traceable and environmentally friendly. We also encourage our poultry suppliers to comply with the Amazon Soy Moratorium and other international tropical forest protection conventions and initiatives.



Cattle

We follow relevant laws and regulations related to imported meat products, including the *List of Registered Meat Products Enterprises Exporting to China*.

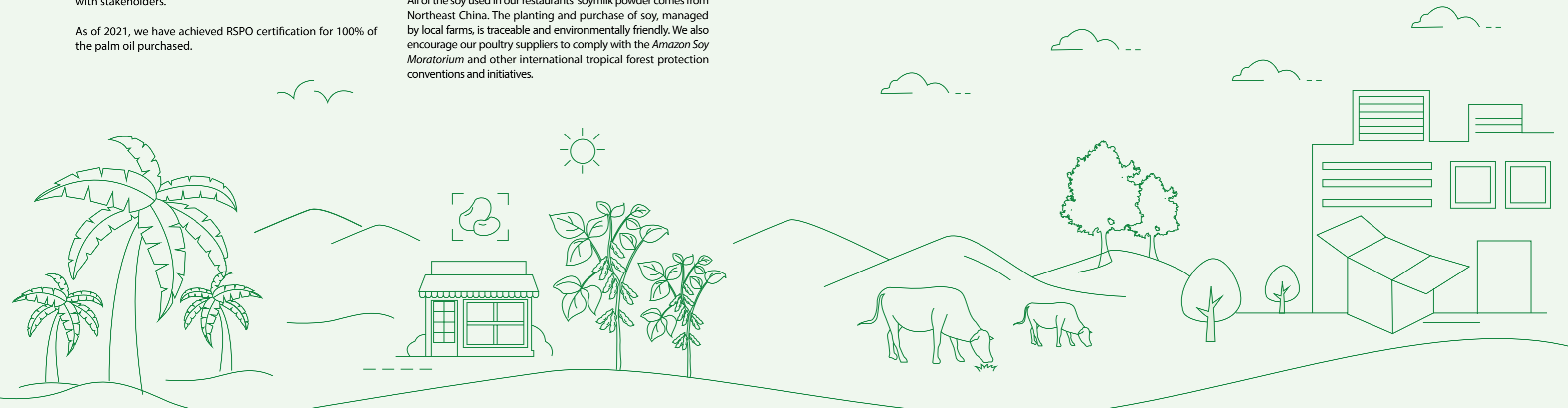
In collaboration with our suppliers, we are analyzing the risks in our cattle supply chain.



Timber

To manage the environmental impact of our paper packaging, we prefer to purchase forest-friendly products and refuse to purchase paper products from suppliers that knowingly cause deforestation.

In 2021, we started to introduce FSC-certified sustainable paper and we aim to use 100% FSC-certified paper packaging by 2025.



People

As the largest restaurant company in China, Yum China has over 450,000 employees across mainland China and serves hundreds of millions of customers each year. Since entering China 35 years ago, Yum China has been investing in developing talent skilled at both innovation and execution. Yum China, with 'People First' as one of our core values, strives to fulfil the needs of the key stakeholders, including employees, customers, suppliers and communities, throughout the value chain. Our workplace is guided by the 'Fair, Care and Pride' principle. We also work hard to live up to one of our core values of 'Customer Mania' and encourage our suppliers to shoulder social responsibility and contribute to the community's sustainable development and growth.

Highly Relevant



Moderately Relevant



Primary Focus



People First



Customer Relationship Management



Supply Chain Social Impact

Opportunities and Challenges

- The 2021 China Chain Restaurant Industry Report highlighted that rapid development and talent shortage had become critical issues in the restaurant industry. Great efforts should be invested in critical human resources practices including compensation strategy, fair labor practices, diversity and inclusion. In 2021, the International Labor Organization (ILO) released a policy brief titled *Building Forward Fairer*, placing gender equality strategies at the core for the labor market to recover from the pandemic and advocating that female employees should be provided with a more supportive working environment
- The China Chain Store & Franchise Association (CCFA) Research Report on Digitalization of Restaurant Industry (2021) noted that the restaurant industry must continuously stay ahead of the curve to the changing customer expectations under the new normal during the pandemic
- Companies should pursue seamless collaboration with their suppliers to achieve sustainable development. Suppliers are expected to not only comply with laws and regulations, but also contribute to the betterment of their employees and customers as well as the environment and the community

Goals and Commitments

- At least 50% of our total workforce is 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 CSR audit

Key Actions

- **Respect and Protect Human Rights:** Adhering to the 'People First' value, we firmly believe that human rights serves as a foundation of a sustainable business. Yum China has released the *Human Rights Policy* reiterating our firm commitment to respect and protect human rights in the workplace and also in the community
- **Foster Diversity, Equity and Inclusion:** We are committed to creating a diverse, inclusive and non-discriminatory working environment for employees. We provide a platform for all employees to realize their full potential through a series of programs such as restaurants for working mothers in rural regions, Winter Olympics Restaurant, and college education scholarship
- **Technology Powering Diversified Recruitment:** We adopt a recruitment strategy to attract talents with diverse background. Every year, Yum China hires more than 10,000 outstanding talents both locally and abroad to bring new blood into the team. We organize campus innovation contests all over China to build a strong employer branding. We also deploy technology as an enabler to improve recruitment efficiency and candidate experiences
- **Unlock Individual Potential and Accelerate Growth:** With our firm belief in 'People Capability First', we actively invest in every step of employees' career progression. We are committed to supporting talent with ambition, capabilities and motivation to achieve their full career potential in Yum China. In 2021, about 42% of restaurant management team received a promotion
- **Reward Performance and Share the Fruit of Success:** To support our Founder's Mentality and to reward employees' contributions, we practice 'Pay For Performance'. Employees will receive not only a competitive compensation, but also different incentive schemes so that they can share the Company's financial success. To incentivize accelerated growth of Lavazza, the latest addition to Yum China's brand portfolio, a long-term employee share ownership scheme (ESOP) has been created for core employees and contributors of the Lavazza Joint Venture to drive its business growth
- **Enhance Employee Care and Benefits:** We upgraded the YUMC Care benefits plan, focusing on personal health, family health, social health, and financial health. In 2021, as there is heightened concern on health and safety due to the pandemic outbreak, Yum China quickly upgraded medical coverage for restaurant general managers up to RMB 1 million
- **Ensure Safety and Health:** Providing a safe and healthy environment for employees, customers and other stakeholders is one of our primary responsibilities. Yum China has released its *Occupational Health and Safety (OH&S) Management System* to ensure our employees, customers and partners fully understand and comply with the relevant regulations, policies and procedures
- **Customer Mania and Improve Experience:** We have officially opened the Yum China Digital R&D Center. Aside from a strict data security management system, digital tools are deployed to improve the Guest Experience Survey system to enhance customer experience
- **Build A Responsible Supply Chain:** We ensure that the online supplier CSR audit training rate reaches 100%. We not only practice responsible procurement, but also work with supplier partners to build a responsible supply chain

Create a Sustainable Workplace that Reinforces 'People First'

Since entering China 35 years ago, Yum China has always firmly believed in 'People First' value. Fulfilling the needs of our key stakeholders, including our employees, customers, suppliers and the community, has always been at the top of the management agenda. We aim to provide our employees with a fair and targeted development platform. We strive to provide our customers with delightful services, in line with our 'Customer Mania' value. We also work with suppliers closely to build a responsible supply chain and to promote development of the industry.

Our board of directors oversees important human capital matters, including diversity and inclusion, management succession planning, and 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.

Illustration

Yum China Certified as a Top Employer in China for the Fourth Consecutive Year

In 2022, the Top Employers Institute certified the Company as a Top Employer in China for the fourth consecutive year, recognizing our human capital practices in people strategy, working environment, talent acquisition, learning, employee well-being, and diversity & inclusion. Yum China is the only restaurant company among the top 20 out of over 120 companies certified in total. Yum China has been upgrading employee benefits and supporting sustainable career development for employees as the challenge of COVID-19 continues.



'Top Employer China'

Our employees collectively are one of Yum China's competitive advantages to achieve our long-term success. Since the outbreak of the pandemic, I am indebted to all our employees for their strong sense of responsibility and resiliency. They are our brand ambassadors to offer warmth and care to our customers and the society under such difficult conditions. As a top employer built on 'Fair, Care and Pride', we are very grateful to our employees for their hard work and contribution. We are committed to building a workplace where employees can thrive. We will protect them as well as continue to support their career development in times of uncertainty.

—Joey Wat, CEO of Yum China

People is one of the three pillars of Yum China's sustainability strategy. The Company is committed to accelerating employee growth guided by our principle of 'Fair, Care and Pride'. This includes building employees' future employability, creating a diverse and inclusive working environment, providing competitive benefits, empowering employees through digitalization and focusing on occupational health and safety. We believe that these practices are critical to the long-term success for Yum China and our employees.

—Aiken Yuen, Chief People Officer of Yum China

> Respect and Protect Human Rights

Human Rights Policy

Adhering to the 'People First' value, Yum China firmly believes that a sustainable business can only be built on the right foundation: respect and protection for human rights. 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 Yum China, we embrace the 'Fair, Care and Pride' principle and are committed to:

Providing a discrimination-free and harassment-free workplace:

We have a strict policy that prohibits discrimination and harassment based on race, religion, color, gender or any other types. Employees can report such situations through our compliance hotline. We will ensure effective protection of genuine whistleblowers against any form of retaliation.

Ensuring fair compensation:

We provide compensation and benefits to our employees above the regulatory minimum wage standards in various regions. We regulate labor practices, commit to equal pay for equal work and ensure full compliance with applicable local laws and industry practices relating to work hours and overtime.

Creating a safe and healthy working environment:

The safety and health of our employees remains as our top priority. In every location we operate, we strictly abide by relevant local laws and regulations. We have established and will continuously improve an occupational health and safety management system following ISO45001, the international standard for occupational health and safety.

Encouraging a diverse and inclusive culture:

We are committed to fostering a diverse, inclusive and non-discriminatory culture for our employees. Every employee, regardless of race, religion, color, age, gender or gender identity, disability, sexual orientation, citizenship, or nationality, will be assured of equal opportunities in all human practices such as recruitment, employment, development, training, compensation and promotion.

Equipping employees with future employability:

As a firm believer of 'People Capability First', we invest in every step of our employees' growth trajectory to unlock their potential. We also offer comprehensive training to equip them with necessary skills to stay competitive and employable in the future workplace.

Prohibiting child labor and forced labor:

We strictly abide by the labor laws and regulations of the countries and regions where we operate. We prohibit the use of child labor, any form of forced labor and human trafficking.

Respecting employees' freedom of association:

Abiding by local laws and regulations and company policies, we respect employees' rights to join and form a labor union. We will conduct regular, open and constructive dialogues with employee representatives of legally recognized unions.

Engaging with the communities and stakeholders:

We are an active advocate of human rights in the community. We provide gainful employment opportunities to socially vulnerable and disadvantaged groups including people with disabilities and migrant workers. We require all suppliers to sign the *Yum China Supplier Code of Conduct*. We will conduct regular independent third-party audit to evaluate suppliers' performance on human rights and track preventive and corrective actions for continuous improvement.

Employees may report suspected violations of the policy 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.

The *Human Rights Policy* complies with Yum China's *Code of Conduct*. We require employees to complete mandatory annual *Code of Conduct* training. The *Human Rights Policy* applies to Yum China Holding, Inc., the business entities that we own, the entities in which we hold a majority interest and the facilities that we manage. We expect our suppliers and partners to uphold these principles and encourage them to formulate similar policies within their companies.

2021

Employee Statistics

450,000

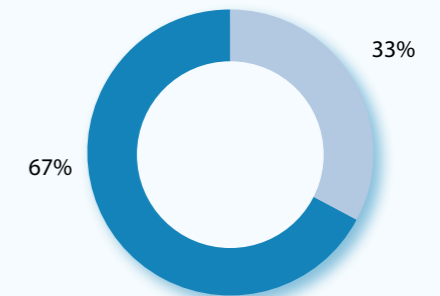
Total number of employees



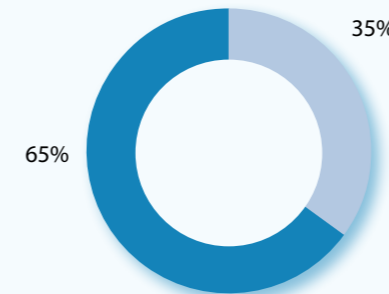
Employee turnover rate

10.6%

Restaurant General Managers (RGMs)

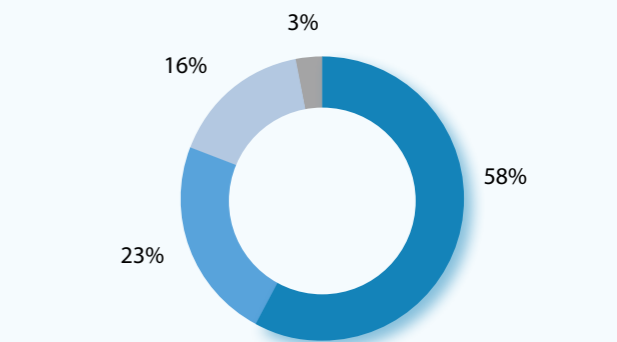


Number of employees by type of employment



Female Male

Number of employees by gender



30 and below 31-40 41-50 Over 50

Number of employees by age group

> Foster Diversity, Equity and Inclusion

Yum China firmly believes that diversity, equity and inclusion are the cornerstones in achieving our vision of becoming 'the world's most innovative pioneer in the restaurant industry'. Our experience shows that employees with diverse background can contribute new perspectives leading to innovative thinking. We are committed to fostering a diverse, inclusive and non-discriminatory working environment for our employees while providing a platform for them to achieve their personal best. In our workplace, differences are understood, appreciated and

encouraged. Every employee, regardless of race, religion, color, age, gender or gender identity, disability, sexual orientation, citizenship, or nationality, are provided with equal opportunities to achieve their personal best. In order to ensure the diversity, equity and inclusion in our workplace, the human resources department takes the lead role in formulating related policies and oversees their implementation. Training and education programs on diversity, equity and inclusion are offered to all employees on a regular basis.

Gender Equality

Gender equality is a key component of diversity, equity and inclusion. Yum China is one of the signatories of the *United Nations Women's Empowerment Principles (WEPs)*, committing to ensuring gender equality in all human resources practices such as recruitment, training, and promotion. By the end of 2021, Yum China employed over 290,000 women, representing 65% of its total workforce. In addition, we continue to make progress in nurturing talented female leaders across all management levels. By the end of 2021, women holding director and above positions represented 53% of our senior management workforce.

We provide regulatory benefits and care during pregnancy and nursing period for female employees. We have updated our maternity leave policy in accordance with national law, providing female employees with a minimum of 98

consecutive days of maternity leave, and extended leave in case of special circumstances such as dystocia and multiple births. Male employees are also entitled to paternity leave during the pregnancy and nursing period of their spouses. We also set up dedicated mother's rooms in our workplace to offer privacy and comfort.

To support employees that need to take care of their aging parents, we have introduced a parent-care leave policy. In addition, we have also introduced a childcare policy for employees to take care of their toddlers.

To ensure that female employees will realize their career potential and aspiration, we offer a series of female leadership training programs in order to improve their confidence and competitiveness in the workplace.



We annually review our compensation and benefits system and continually reduce the gender pay gap based on the principle of equal pay for equal work.

Gender Pay Gap Statistics

0%

Mean and median hourly gender pay gap of Yum China's restaurant service team



Illustration

Yum China Included to Bloomberg Gender-Equality Index for the Fourth Consecutive Year

In January 2022, Yum China was named in the Bloomberg Gender Equality Index (GEI) for the fourth consecutive year and was one of the only three companies from mainland China included in the latest GEI. Yum China continued to improve its performance in the GEI, especially in the areas of female leadership and talent pipeline, equal pay for equal work, and anti-harassment policies, with a score of 78.2 which is higher than the average value of the overall GEI.



In Yum China, we believe that bringing together people with diverse background will create tremendous value in driving innovation. Diversity and inclusiveness is fundamental for the Company to realize our vision to become 'the world's most innovative pioneer in the restaurant industry'. To be included in the Bloomberg Gender Equality Index for the fourth consecutive year is an achievement that we are proud of. This reflects our firm commitment to promoting equal opportunities in the workplace.

—Joey Wat, CEO of Yum China



Illustration

Yum China Ranked among the Top 100 Companies Globally for Gender Equality by Equileap

In March 2022, Equileap released its *2022 Gender Equality Global Report and Ranking*. Yum China was included as one of the Top 100 global companies and the only one from mainland China. We are also one of the 19 companies with no gender pay gap, recognizing our long-term commitment to promoting gender equality.

Illustration

Mom Restaurants for Migratory Children

KFC launched the first 'Mom Restaurants for Migratory Children' in Chongqing in March 2017. The program had been expanded to over 760 KFC restaurants in five provinces by the end of 2021. This initiative provides employment opportunities to working mothers who have previously been away from their children typically to work in the city and now would like to come back to their hometowns. The job offers comprehensive benefit schemes and, most importantly, flexible working schedules that enable the working mothers to strike a balance between work and family obligations. The program won the WEPs Community and Industry Participation award in 2020.



Friendly and Inclusive Workplace for People with Disabilities

Yum China strives to create a barrier-free, friendly, and inclusive workplace for people with disabilities. We offer over 1.5% of our full-time jobs to people with disabilities. As of the end of 2021, we have employed around 2,000 staff with disabilities.

To provide gainful employment opportunities for youths with disabilities nationwide, Yum China launched the first 'Angel Restaurant' in Shenzhen in 2012. With modified equipment and operational processes, and customized training, our 'angel employees' – those with special needs – can perform the full range of job roles. Not only can they learn new skills, they are also able to integrate themselves into society and ultimately achieve self-actualization. By the end of 2021, we have opened 23 'Angel Restaurants' in 22 cities, providing jobs for around 200 people with special needs. In 2022, KFC upgraded the 'Angel Restaurants' across the country upholding the 'Be You' brand positioning. Through an overall enhancement of the restaurant facilities coupled with the optimized operation standards, upgraded visual devices and the customized visual learning materials, we made the work process more conducive to the needs of 'angel employees'. The revamp showcased our care for people with disabilities, as well as exemplified the positive, dynamic and youthful KFC brand positioning. The brand-new 'Angel Restaurants' enable more 'angel employees' to stretch beyond what are possible in their life and career.



Illustration Yum China Employees Participated in the Beijing Winter Olympics

In 2021, Yum China extended invitation to all employees including the 'angel employees' nationwide to work in three KFC and Pizza Hut restaurants located in the Winter Olympic Villages. Through the intensive selection process, a group of high-caliber employees were finally chosen to be part of this once in a lifetime event. Their passion and outstanding service not only showcased the spirits of our brands as well as the Olympics, but also left a lasting impression on the world-class athletes and officials from all over the world.

Eight 'Angel Employees' were selected to serve in restaurants in the Winter Olympic Villages. Their participation demonstrated the core value of diversity, equity and inclusion embedded in the 'People First' value that Yum China has always embraced. We have been providing fair opportunities, creating a diverse,

equal, and inclusive working environment, and supporting employees to pursue their dreams with great courage and determination.



Group photo of Winter Olympic Committee and Yum China management team presenting commemorative employee certificates and customized nameplates to employees working in the Winter Olympic Village restaurants

Illustration Chasing Dreams: Becoming a Torch Bearer of the Winter Paralympic Games

Ying Mao, a young swimmer with disability representing her province, became one of the first 'angel employees' for KFC in 2017. Through years of work, she has gained more self-confidence and social skills.

In 2021, Ying took the initiative to apply through internal channel and succeeded in becoming a torch bearer for the 2022 Beijing Winter Paralympic Games. Her colleagues and friends were all excited and inspired to see that Ying realized her dream.



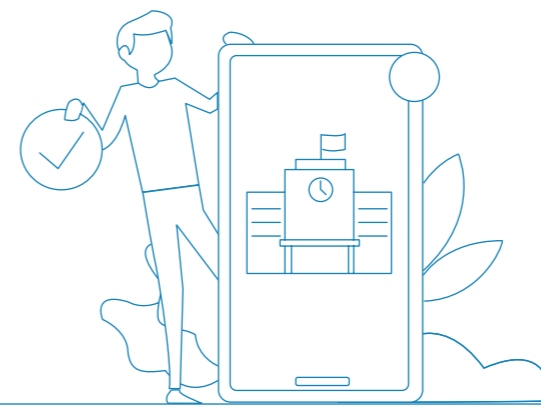
'Angel employee' Ying Mao and Aiken Yuen, Chief People Officer of Yum China, relay the torch of the Winter Paralympic Games

Technology Powering Diversified Recruitment

Yum China is committed to a recruitment strategy to attract talent with diverse background, believing that everyone has tremendous potential. Every year, we attract tens of thousands of high-caliber talent locally and abroad to inject new blood to the team. We organize campus recruitment campaigns and innovation contests all over the country, through which we reinforce a strong employer brand of Yum China as a diverse and innovative company. The use of Artificial Intelligence (AI), Virtual Reality (VR), Location-Based Services (LBS) and other technologies on our recruitment channels highly enhanced our recruitment efficiency and candidate experience.

Campus Recruitment and Innovation Campaign

To support the Company's accelerated store opening, we have launched a three-year national campus recruitment campaign called 'The Yummy Bazaar' targeting hundreds of colleges and universities to attract candidates from all over the country with all walks of life to join as operations management trainees. The campaign involves immersive roadshows, innovation contests called 'The Perfect Restaurant Manager' and live streaming of career talks around the country. The live tour attracted nearly one million viewers and the contests collected thousands of creative ideas for becoming 'The Perfect Restaurant Manager'.



Poster of 'Yummy Bazaar' National Campus Recruitment Campaign

We have launched a series of recruitment programs in line with Yum China's culture and values to attract our targeted candidate groups.



Marketing and Supply Chain Management Trainee Programs

Marketing and supply chain are two of Yum China's core functions delivering our competitive advantage. To attract graduates locally and abroad who are passionate to pursue a career in these disciplines, a 2-to-3-year fast-tracked development program has been designed for their management trainees. Through tailored job rotations, targeted training and stretch assignment, they can quickly gain a holistic understanding of our businesses and build a solid foundation for catapulting themselves to become industry experts.

Fast-Pass to Restaurant Program

The Fast-Pass to Restaurant Program aims at providing outstanding operations interns with opportunities to be offered full-time positions. Through the systematic 'Champion Development Program' and one-on-one mentoring, they can become operations management trainees immediately after graduation. In as short as 18 months, they can be fast tracked to the Restaurant General Manager role. This program enables Yum China to build a deep talent pool to support the accelerated store expansion.

Vitality Program

The Vitality Program aims at encouraging employees to rotate to emerging brands and participate in new business initiatives. It helps accelerate growth of these brands, invigorate the talent pool and boost the organizational vitality. Employees can apply for the positions based on their preference and accept challenging assignment for their personal development.



Yum China Management Trainees



Deepen Cooperation with Universities

Yum China actively supports fresh graduates without any real work experience in their transition into the workplace. We create communication channels to reach out to targeted candidates on campus and prepare them for future careers. In partnership with universities, the Company offers occupational skill training and career counseling to students, achieving a win-win outcome through which the university can fulfil their job placement requirements while the company can attract talented candidates.

Illustration Yum China Launched Corporate-University Cooperation Plans with Two Universities in Beijing

In September 2021, KFC and Pizza Hut kicked off a corporate-university cooperation scheme with Beijing University of Agriculture and Beijing College of Finance and Commerce. It offers the students with the opportunity to access occupational training to expand their employment options. Meanwhile, we can convey our corporate culture and brand concepts during the interaction.



Corporate-University Cooperation



Illustration Yum China Launched Yum Class with Shenzhen Polytechnic



YUMC Cup Award Ceremony

In December 2021, we cooperated with Shenzhen Polytechnic to bring a 16-week business leadership training to students. The program covers four business dimensions with 11 courses to equip students with necessary knowledge to become professional managers in the future.



Innovative Digital Technology

To attract over 10,000 young talent to the operations team every year, we continue to expand recruitment channels, improve recruitment efficiency and optimize the candidate experience. We deploy a number of cutting-edge technologies into the recruitment process, such as artificial intelligence (AI) for resume screening, virtual reality (VR) gamification for selection interviews, and location based services (LBS) technology to achieve seamless integration between people and the machine. In 2021, Yum China won the HR Excellence Center (HREC) Recruiting & Staffing Value Awards for our outstanding practices in innovation for talent selection and recruitment channel.



> Unlock Individual Potential and Accelerate Growth

Yum China always believes in 'People Capability First'. We actively invest in every step in employees' growth, a cornerstone of our sustainable organization development. With our advanced training system, we continue to encourage our employees to realize their potential, ensure their employability and develop innovative talent for the industry. We have established an industry-leading operations

talent development system to ensure nearly 100% of the operations positions are filled by promotion from within. Through a fair and transparent career development path, Yum China provides clear guidance and training for employees to fulfil skill requirements at different stages of their careers.

Innovative and Comprehensive Training System



Yum China Training System

In 2021

Amount spent on training and development



RMB **456,000,000**
Total expense on training and development

RMB **3,000**
The average expense per Full-time Equivalent (FTE) on training and development

Training and development hours



12,000,000 Hours
Total training and development hours

54 Hours
Average hours per Full-time Equivalent (FTE) on training and development

Number of employees trained by type of employment



Full-time **147,000** Persons

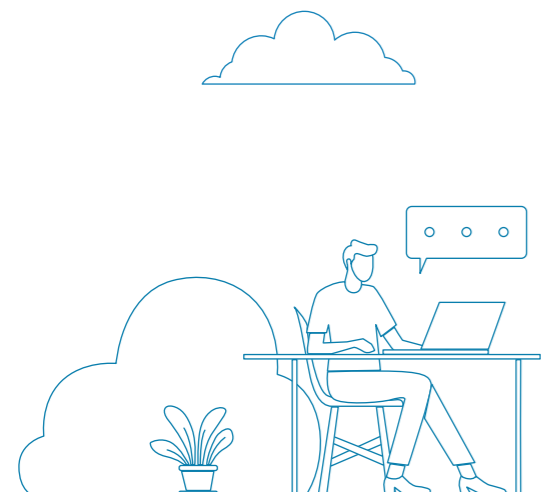
Part-time **303,000** Persons

Employees participating in training by gender



Male **35%**

Female **65%**




◆ Lavazza Employees

KFC Business School and Pizza Hut Management Institute


The KFC Business School and the Pizza Hut Management Institute are two signature programs that provide systematic training and development opportunities to employees in the restaurant operations system, aiming for building up the operational talent pool and laying a solid foundation to support future growth of the brands. A new college graduate can advance from a restaurant

management trainee to a restaurant general manager (RGM) in as short as 18 months by participating in these programs and acquiring the operational, financial and managerial skills required for operating a restaurant. RGMs can also attend further training courses to further their development. Taking the KFC Business School as an example:




KFC Talent Prep-course

The prep-course is tailored for students with modular and targeted training that allows them to accumulate required knowledge and skills at their convenience. After completion of the training, they will be offered a higher starting pay and better promotion prospect.



Restaurant Pioneer Development Program

The program offers a developmental training for operations management trainees to progress into RGMs. With comprehensive training modules powered by a digital platform, employees can acquire critical skills and be fast tracked into the role of RGM and beyond.



Retail Operational Leadership Program

The program aims at developing our operations leaders to acquire cross-functional, cross-brand and cross-industry knowledge and experience in the retail space so that they are equipped with international perspective and eventually become all-rounded leaders in the industry.

KFC Business School Development Program

Digitally Powered Training Platform

Yum China offers a wide range of training courses and learning resources to employees both online and offline. Our training programs have particularly tapped into digitalization trends through our custom-built mobile learning platform to equip employees with the knowledge and skills required in the digital era. In 2021, we launched a series of training courses focusing on extracting insight and know-how from best practices of Yum China so that participants can turn them into teachable knowledge for training other employees within the Company.

Based on the 70-20-10 principle*, the project adopts 'learning-by-doing' approach. Participants will complete stretch assignment with coaching throughout the learning process. The project eventually resulted in 24 high-quality courses, covering a wide range of topics such as operations efficiency, team management, personal efficiency, digitalization and social marketing.

*The 70-20-10 learning model is often used to define the ideal balance for people development: 70% from on-the-job experiences or challenging assignment, 20% from developmental coaching and feedback, and 10% from classroom training.

Continuing Education Program

Yum China encourages employees to further their education and upgrade their professional skills. In cooperation with the Open University of China, the YUMC College program offers sponsorship to employees for their further education, especially in pursuing a qualified college degree.

By the end of 2021, the program had been rolled out to 20 cities and 3,800 employees were granted subsidies and achieved higher education degrees. Scholarships are also available for eligible employees for their postgraduate study.

Illustration Yum China 'Angel College' Program

In December 2021, KFC officially launched the YUMC 'Angel College' Program in Guangzhou and Shenzhen. Supported by the cooperative efforts of institutions that assist people with disabilities, KFC devised innovative models for angel employees (employees with disabilities) to receive continuing education and improve their vocational skills through the Open University of China. They will start their campus life in the fall of 2022 in their pursuit of a college degree. KFC also provides internship and employment opportunities to students with disabilities studying in vocational colleges so that they can develop work-place skills.



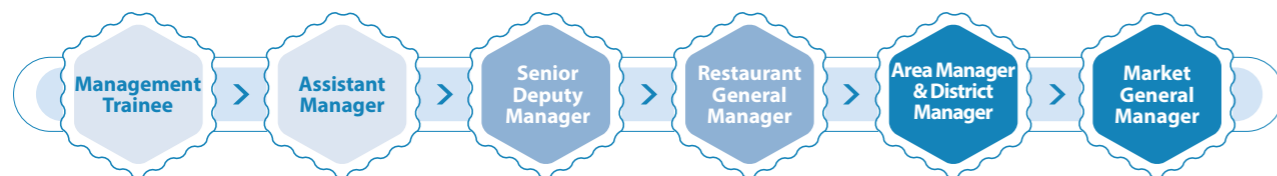
Yum China 'Angel College' Program 'Angel employee' Li Lu Holding the Admission Letter

Development and Promotion

We provide targeted development opportunities for employees to realize their career aspiration because career development is the best way to retain talent. Our career development path, known internally as 'Bench Planning', has enabled Yum China to promote most operational leaders from within.

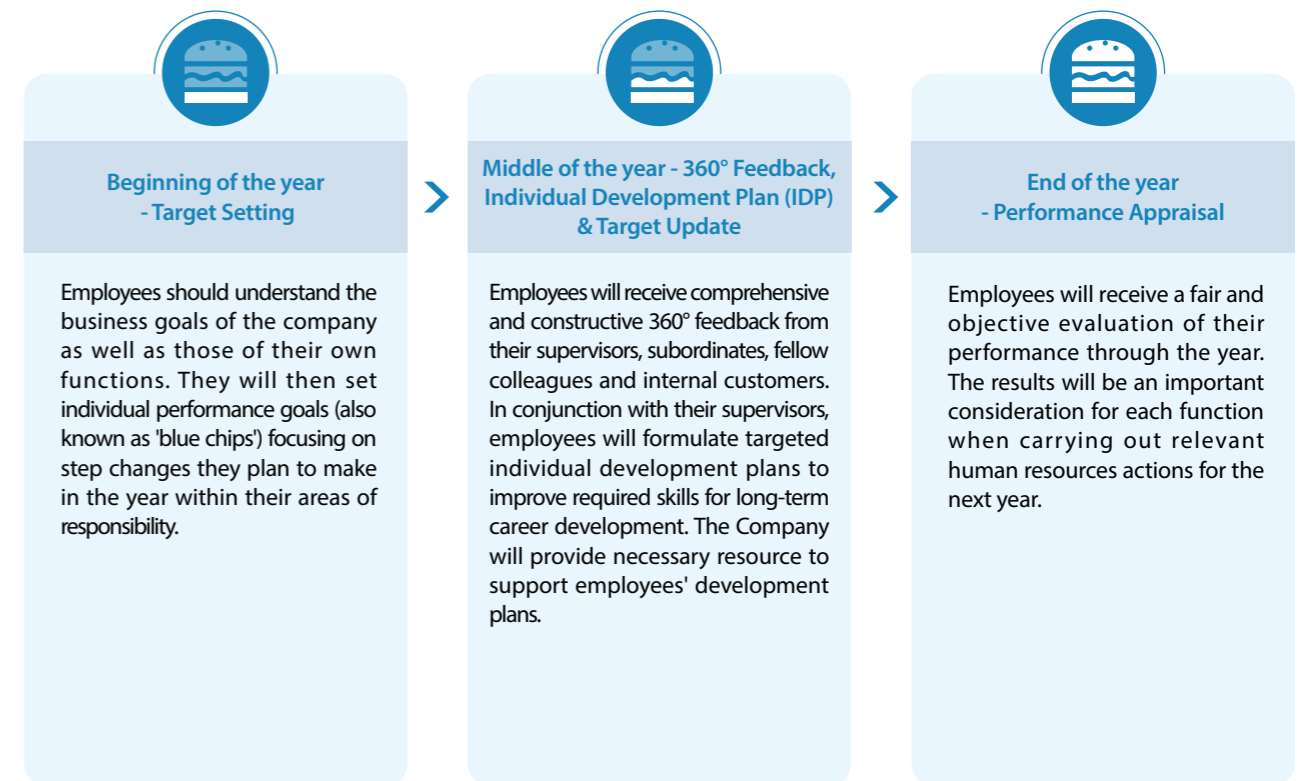
to higher positions such as RGMs and even Market General Managers. Many of the Company's top executives, including General Manager of KFC, Chief Supply Chain Officer, Chief Development Officer and most of the Market General Managers started their career in Yum China from a front-line operations role. We expect that 'Bench Planning' will help build up a talent pool to fulfil our fast-growing demand for talent. In 2021, 42% of our restaurant management team gained a promotion.

90% of Yum China's workforce is from operations. We have designed a fair and transparent career path for them, through which they can progress from operations management trainees



Coach to Succeed, Own Your Development

At Yum China, we advocate the concept that every employee should 'own your development' and every leader should 'coach others to succeed'. It is extremely important for each employee to have a clear career goal and to regularly receive honest feedback on their performance. Yum China has established a performance management system called the People Planning Process (PPP). The PPP guarantees that the core objectives of the Company, functions, teams and individuals are totally aligned. On the other hand, employees will continue to upgrade their skills with stretch assignment and expanded job responsibilities. By reviewing the development goals of employees across different levels, the PPP identifies critical talent, tracks their development and formulates targeted follow-up plans. The PPP consists of three stages:



> Reward Performance and Share the Fruit of Success

Yum China believes in 'Pay for Performance' and is committed to equal pay for equal work. We provide employees with fair and competitive compensation and benefits based on annual market research, recognizing and rewarding their contributions, performance, and efforts.

In 2016, Yum China announced a grant of RSUs valued at \$2,000 to each qualified RGM. As of the end of 2021, this program had allowed more than 10,700 RGMs to become shareholders of Yum China. In addition, the Company granted RSUs valued at \$3,000 to all eligible RGMs starting in February 2021, covering approximately 3,500 RGMs.

To further reinforce Founder's Mentality and share the fruits of business success, we have launched equity incentive schemes such as CEO Awards and RGM Restricted Stock Units (RSUs). The scheme of RGM RSUs is part of Yum China's longstanding commitment to its RGM No. 1 culture. Yum China believes that RGMs are the most important leaders and key contributors to our long-term success.

In order to incentivize the efforts of core employees and contributors of Lavazza joint venture driving the business plan of Lavazza, including a target to open 1,000 Lavazza stores in China by 2025, an ESOP plan has been established.

Enhance Employee Care and Benefits

Since 2020, the pandemic outbreak has been creating huge impact on the restaurant industry and its employees. Despite this challenge, Yum China has continued to make the health and livelihood of our employees a top priority through increasing investments in their welfare. In 2021, Yum China upgraded the YUMC Care benefits plan, focusing on personal health, family health, social health, and financial health. This is one of the most extensive employee benefits plans in the industry in China in terms of the number of people covered by it. The enhanced benefits are expected to cover around 100,000 front-line employees and their family members.

YUMC Care: Committed to providing practical support to our employees.

In line with relevant labor laws and regulations, we provide full-time employees with pension insurance, medical insurance, unemployment insurance, work injury insurance, and maternity insurance, supplemented by additional commercial insurance. Employees are also entitled to paid leave in accordance with labor laws.

YUMC Care offers employees benefits tailored to their life stage and individual needs:

Restaurant General Managers (RGMs)

- RMB 1 Million Medical Insurance Coverage:** offers enhanced medical insurance coverage of up to RMB 1 million covering 50 minor illnesses and 103 critical illnesses to mitigate the financial burden brought about by unfortunate cases of critical illnesses.
- Family Care Program:** provides supplementary insurance for the children, spouse and parents of eligible RGMs, i.e. adding accident insurance for children and spouse and critical illness insurance for their parents to the existing comprehensive family business insurance, with the critical illness coverage further increased to \$200,000.
- Housing Subsidy:** provides eligible RGMs with housing subsidy on home purchase loans and interest-free loans to improve their living conditions.

Restaurant management team (RMT) and restaurant service team

- Family Care Fund:** Yum China as a company is committed to providing support to employees' families in need. The Company sets up 'Family Care Fund' for RMT employees providing additional critical illness coverage for their parents as well as additional accident insurance coverage for their children and spouses. In 2021, Yum China further upgraded the 'Family Care Fund', raising the critical illness insurance coverage for employees and their families to RMB 150,000 and setting up express channels for employees and their families to access medical treatment. Besides, the program coverage was extended to restaurant service team leaders, helping them mitigate the financial burden brought about by critical illnesses.

Office employees

- We expanded our flexible benefits platform in 2021 to cover more than 6,000 employees, allowing employees to select and enjoy benefits, including family medical insurance, medical examination, and recreational activities, based on their individual needs. Office employees are also covered by the housing subsidy scheme.

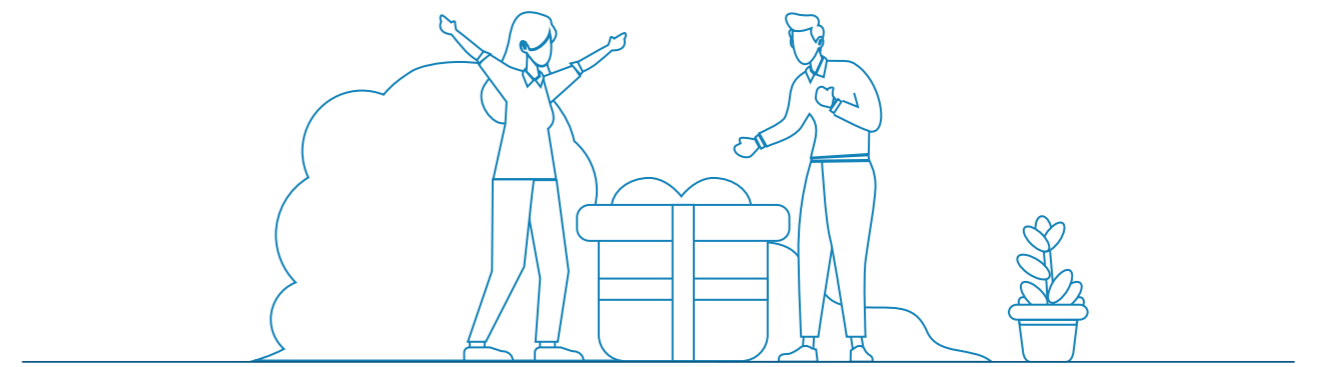
In addition, we also offer a variety of activities for employees, including YUMC Club, National Badminton Competition, Family Day, RGM Convention, Restaurant Management Team's Annual Party, RSC Annual Party, Market Spring Luncheon, YUMC Youth Program (for children's education), 'One Yuan Donation' Program and other charity activities.

To alleviate employees' stress and anxiety during the pandemic, Yum China has launched the Employee Assistance Program (EAP) which provides professional counseling and educational sessions on physical and mental health. The EAP provides stress management tips for employees under quarantine to strengthen their psychological resilience.

In 2022, during the pandemic lockdown in Shanghai, Yum China delivered food package to over 10,000 full-time employees in Shanghai to meet their urgent needs. 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 Yum China 'Fighting Pandemic with Love' Campaign



➤ Ensure Safety and Health First

Occupational Health and Safety Management

Our Vision: We are committed to creating a safe and healthy working environment

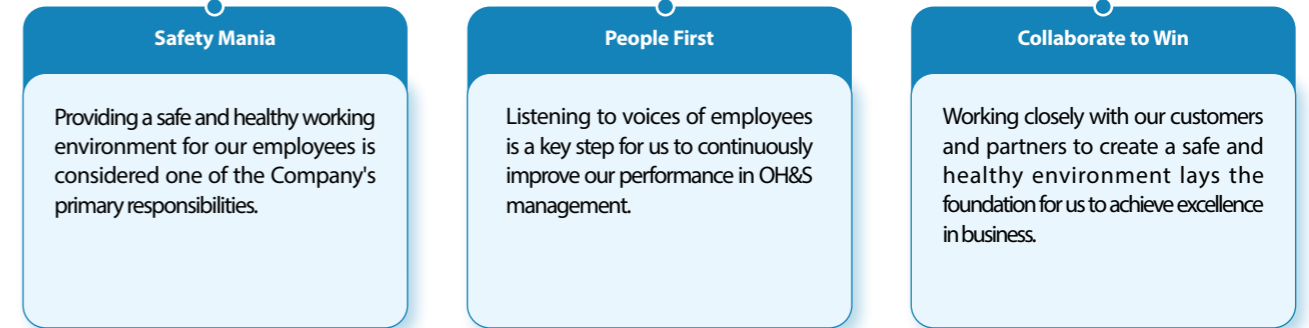
Protecting health and safety of employees is the Company's top priority. We have established the *Yum China Occupational Health and Safety (OH&S) Management System*. It provides the necessary education, training, equipment and resource to ensure that our employees, customers and partners fully understand and abide by our related policies and guidelines. We have also clearly defined the structure and accountabilities for the effective management of OH&S in Yum China.

We have established an OH&S Management Committee, together with representation of management, employees and the project team members. The structure ensures that every member of Yum China will have a sense of ownership to participate in the Company's OH&S management.

The Company actively promotes continuous improvement in OH&S management. We make every effort to provide our employees, customers and partners with a safe and healthy environment while serving safe and delicious food. To this end, we commit to:



Yum China OH&S Principle



The principle applies to all business premises of Yum China. It should be cascaded to other parties such as regulators, employees, customers and partners.

Eliminate Fire Risks to Ensure Workplace Safety

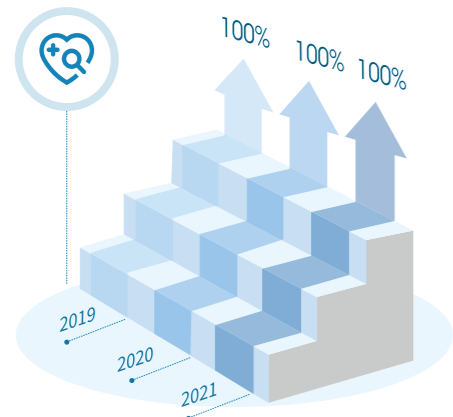
Yum China is fully aware of the importance of fire safety and its responsibility to comply with relevant regulations. Fire risk assessments are conducted for all workplaces operated by Yum China. Risk assessments will be completed by designated personnel or third parties, who will also define fire risk precaution measures to abide by related laws and regulations. In addition, each workplace will provide mandated maintenance of fire-fighting systems to ensure the reliability of all the fire safety equipment. At all premises operated by Yum China, we will provide:

- Appropriate fire detection and alarm systems;
 - Appropriate and adequate fire-fighting equipment;
 - Comprehensive evacuation procedures;
 - Appropriate escape instructions, including clear signage and assembly points;
 - Education and training on fire safety to all employees.
-

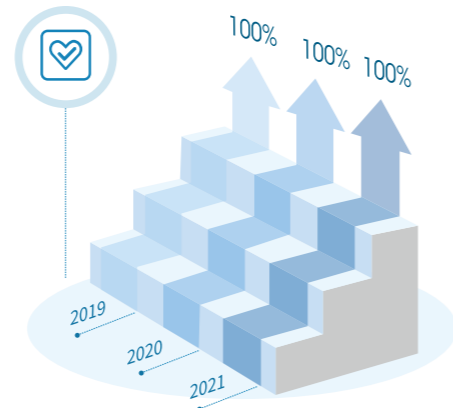
Restaurant Safety

We have strict health and safety measures in place to protect our employees in restaurants, especially those who perform work that poses higher or distinct risks. We regularly inspect and upgrade employees' protective equipment, conduct workplace safety review, and train all employees on operational procedures and safety precautions.

The equipment used in our restaurants satisfies requirements imposed by 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 acceptance standards. Pilot in real restaurant environment is required before full deployment. Meanwhile, our restaurant training such as online videos and Standard Operating Procedure for equipment, help ensure that all employees are skilled at operating and maintaining equipment so as to minimize risks on their health or safety.



Annual physical examination coverage of restaurant management team and office employees



Health Certificate coverage of restaurant employees



From 2018 to 2021, the total number of work-related fatalities for employees of Yum China continued to be

0*



Lost-Time Injury Frequency Rate (LTIFR) per million hours worked in 2021

0.99** (n/million hours worked)

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

Protect Personal Information and Privacy

In recent years, Yum China has made great efforts on fostering agile innovation. With much progress made in the digitalization, it is also our obligation and responsibility to protect employees' personal information and privacy. We have developed the *Data Security Code of Conduct* in accordance with laws and regulations concerning cybersecurity, data privacy and security.

We will not provide sensitive personal information to any third party without the consent of the individual to whom such personal data pertains. We also provide data security and privacy training to employees in order to prevent unintended disclosure at work and in their daily life.

Data Security Day

On July 22, 2021, Yum China held the Data Security 24-Hour Challenge to provide our employees with training on data security. The activities on this Data Security theme day helped employees discover hidden data security risks in different scenarios, heightening their awareness on privacy security risks.



Data Security 24-Hour Challenge

Build an Engaging Team

We believe that 'the more you know, the more you care.' Yum China maintains multiple communication channels, such as RGM Convention and Founders' Day, with employees to deliver corporate messages and collect valuable feedback from them. Employee engagement survey and employee representative forum are also effective ways to have two-way dialogues with our employees. In addition, we share our business strategies and corporate messages leveraging various digital platforms such as corporate WeChat, apps, and intranet portals.

Channels are made available for employees to give feedback and express their opinions. Meanwhile, management also needs to understand employees' concerns and take necessary corrective actions if needed. Employee engagement survey is conducted once every two years, using the Kincentric model* to identify key areas for improvement. Employees are invited to respond to the survey questionnaire anonymously. After the survey, we will organize focus group interviews and drill down on key issues for action planning. In 2021, our employee engagement score was at 70%.

Illustration Pizza Hut Employee Pulse Survey Project

In addition to the once-every-two-year engagement survey, the brands also conduct employee pulse surveys to collect instant feedback from the front-line. Improvement actions will be implemented to address identified issues. For example, Pizza Hut conducts the employee pulse survey every 6 months. Apart from solving relevant problems identified, continuous effort is made to improve the survey in terms of questionnaire design, survey execution, data analysis, and response procedures based on employees' feedback.

*Kincentric model is used around the world to facilitate benchmarking against other companies. Key drivers of employee experience are identified, including organizational agility, leadership, talent focus, infrastructure, and work experience, all of which impact employees' experience and thus the Company's performance.



RGM Convention

Respect Employees' Freedom of Association

To safeguard the interests and rights of employees and accelerate the Company's development, an independent labor union was established with the support of The All-China Federation of Trade Unions in 2010 and as of the end of 2021, over 90% of our employees had joined the union.

For over 12 years, Yum China Labor Union has played an active role in caring for its members, liaison with management on labor relations, and abiding by relevant regulations and procedures. It serves as an important bridge to foster collaborative relationship between the Company and the employees. In the future, Yum China will continue to work closely with Yum China Labor Union to maintain a conducive and harmonious working environment guided by the principle of 'Fair, Care and Pride'.

With the active support of Yum China Labor Union, Yum China has established:

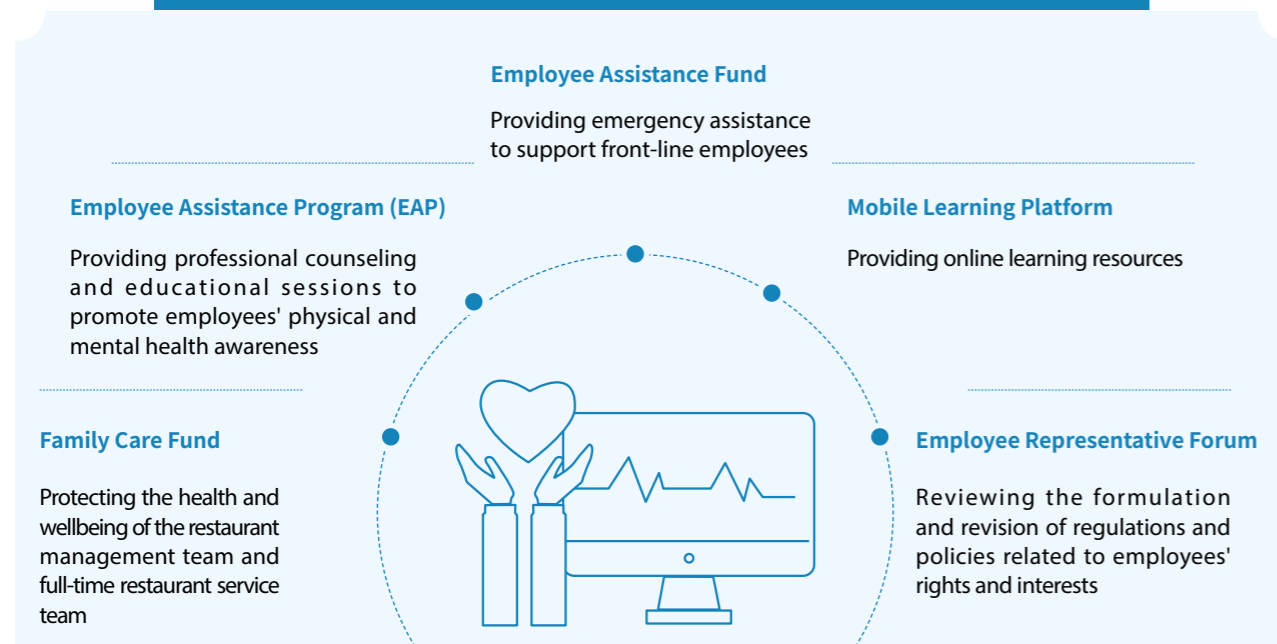


Illustration The Fourth Employee Representative Forum

On November 9, 2021, Yum Restaurants Consulting (Shanghai) Company Ltd. held the Fourth Employee Representative Forum. Employee representatives reviewed and discussed revised policies related to occupational health and safety, personal information security and privacy protection.



Customer Relationship Management

> Improving Customers' Experience

'Customer Mania' is one of key elements of Yum China's culture. We strive to gather customer insights in order to meet their needs and lead the market. We serve every customer with a 'YES' attitude to create delightful experiences. Integrating delicious food, technology, and culture, we constantly strive to improve customer experience with an ongoing pursuit of innovation.

Responsible Marketing

Fully aware that our operations have substantial economic, social and environmental impact, Yum China is always committed to creating a responsible ecosystem. We are dedicated to offering a wide variety of delicious and nutritious food choices to our customers as well as promoting a balanced and healthy diet nationwide. Meanwhile, we regularly collaborate with scientific institutions to support scientific research and promote dietary health.

commitments to sustainable development. Our responsible marketing policy applies to all marketing communication contents published by Yum China and all the brands.

We have also established a Marketing Communication Committee composed of multiple function teams including Food Innovation, Food Safety, Quality & Nutrition, Legal, Procurement Management, Public Affairs, Marketing and Brand Engagement. The assessment and review process of the Committee ensures our marketing communication contents are accurate and legitimate, and compliant with the *Yum China Responsible Marketing Policy*. 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.

To continuously strengthen our responsible business model, we have formulated the *Yum China Responsible Marketing Policy* to ensure the Company's compliance with relevant laws, regulations and business ethics standards in our stakeholder engagement and marketing promotion activities, and to reflect Yum China's

Customer Service

We seek every opportunity to improve customer experience and collect customer feedback via multiple channels, including online surveys, online community panels, focus groups, one-on-one interviews, and offline surveys. We conduct in-depth research to investigate market trends. We have cooperated with several companies and brands to promote co-branded products, which are popular among customers. In order to respond to fast-changing customer demands and keep up with the latest trends, we have catered to local tastes to launch regional menus and themed products, which have been well received by customers.

We also use the Guest Experience Survey (GES) system to collect customers' feedback, which includes the forwarding of detailed feedback to relevant restaurants for further improvement. In 2021, we have upgraded our AI NLP (Natural Language Processing) analysis system, enhancing the accuracy from 400 meanings to over 600 meanings, which significantly enhances systems' capability to capture accurate feedback from customer messages and thus optimize our customer feedback collection process.

Our Customer Service Platform (CSP) will automatically push message to the customer who give low ratings through GES system for further tracking and follow-up. Customers can also file complaints on the CSP either by scanning the QR code provided in restaurants or by logging onto our app. We also formulate standards for handling customer complaints, including clearly designating a responsible person and time to guarantee timely feedback and response. We also provide restaurant employees with training programs on customer complaint management to ensure timely and proper handling of complaints.



Co-branded Products



Regional Menus and Specialty Products

> Intelligent Service

Digitalization has revolutionized the restaurant industry over the past five years. As a pioneer in leading digital transformation, Yum China has firmly seized the opportunities brought by intelligent service. We have invested in digital transformation since 2015 and have built a comprehensive intelligent management system including marketing, supply chain, restaurant operations, and customer service by employing digital technology such as big data and AI. We strive to provide intelligent service to customers, digitally empowering their dining experience.

Since the outbreak of COVID-19 pandemic, brands operated by Yum China have provided contactless delivery, order and takeaway service nationwide, to contribute to the fight against the pandemic through our innovative and intelligent service and safeguard the health and safety of our employees and customers while allowing our customers to continue enjoying our delicious food.

Illustration Yum China Inaugurates Digital R&D Center to Further Implement Digital Strategy

On October 20, 2021, Yum China announced the opening of its Digital R&D Center with three sites in Shanghai, Nanjing, and Xi'an. The inauguration of the Digital R&D Center represents an important milestone for the Company's strategy to build a dynamic digital ecosystem. The Digital R&D Center will bolster Yum China's in-house digital capabilities across various functions that drive end-to-end digitalization.

Customer-facing services and products

To improve Super Apps, mini programs and membership programs to provide higher quality service and customer experience

Store operations

To upgrade systems and tools for more efficient operations and decision making, such as our digital tools for restaurant general managers, 'Pocket Manager' and 'Super Brain.'

Smart delivery

To further optimize delivery order queuing, trade zones, and rider routing

Supply chain management

To enhance food safety and streamline operations from farm to fork

Evolving customer behavior, such as increased off-premise dining, and the Company's accelerated development, place more demand on our R&D capabilities. We believe the establishment of the Digital R&D Center will significantly strengthen Yum China's internal digital capabilities and support sustainable business growth by using advanced technology for real life applications.

—Leila Zhang,
Chief Technology Officer of Yum China



📍 Digital R&D Center

Illustration

Yum China Participated in the 5th World Intelligence Congress

On May 20, 2021, KFC and Pizza Hut became partners of the 5th World Intelligence Congress held in Tianjin, cooperating with other institutions to demonstrate intelligent application scenarios and intelligent mobile

devices such as 5G mobile food trucks and robot waiters, enabling customers to fully experience intelligent service and reflecting the ongoing scientific and technological development within the restaurant industry.



📍 Robot Waiters



📍 5G Food Trucks

> Information Security

We have arrived in the information age where we continue to use digital technologies to improve the customer experience and drive business growth. To this end, protecting information security and managing the data privacy of our customers are top priorities for us.

The Company have established a Data Compliance Committee composed of key representatives from key functions to review our data compliance management program. To support our daily operations involving data security, with our employees and with third-party suppliers, and to mitigate relevant risks, we have developed the *Yum China Security Compliance Guidelines* and the *Data Security Code of Conduct* in accordance with the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China* and other relevant laws and regulations. In 2021, we updated our *Data Security Code of Conduct* and made provisions for employees' conduct involving sensitive data and materials. We are also strengthening information security training and providing online

information security training and corresponding exams for all employees, as well as third-party suppliers. All employees are required to have a sound awareness of data security protection to ensure full compliance, and to prohibit the unauthorized transmission of sensitive data and information to third parties.

Yum China's Zeus Platform is our core platform for information security protection and management. We've also established a corresponding data security operations mechanism to track and handle suspicious behaviors.

Our information security management system was certified by the ISO/IBC 27001:2013 certification in 2021. The KFC app and website passed the Multi-level Protection of Information Security (MLPS) of the Ministry of Public Security. In January 2022, the KFC app also passed the Communication Network Security Protection Management Classification of the Ministry of Industry and Information Technology and was classified as Level-3.

Supply Chain Social Impact

As the largest restaurant company in China, we are aware of the impact of our sourcing decisions on the industry. We are committed to driving responsible sourcing practice and building a responsible supply chain in collaboration with our supplier partners.

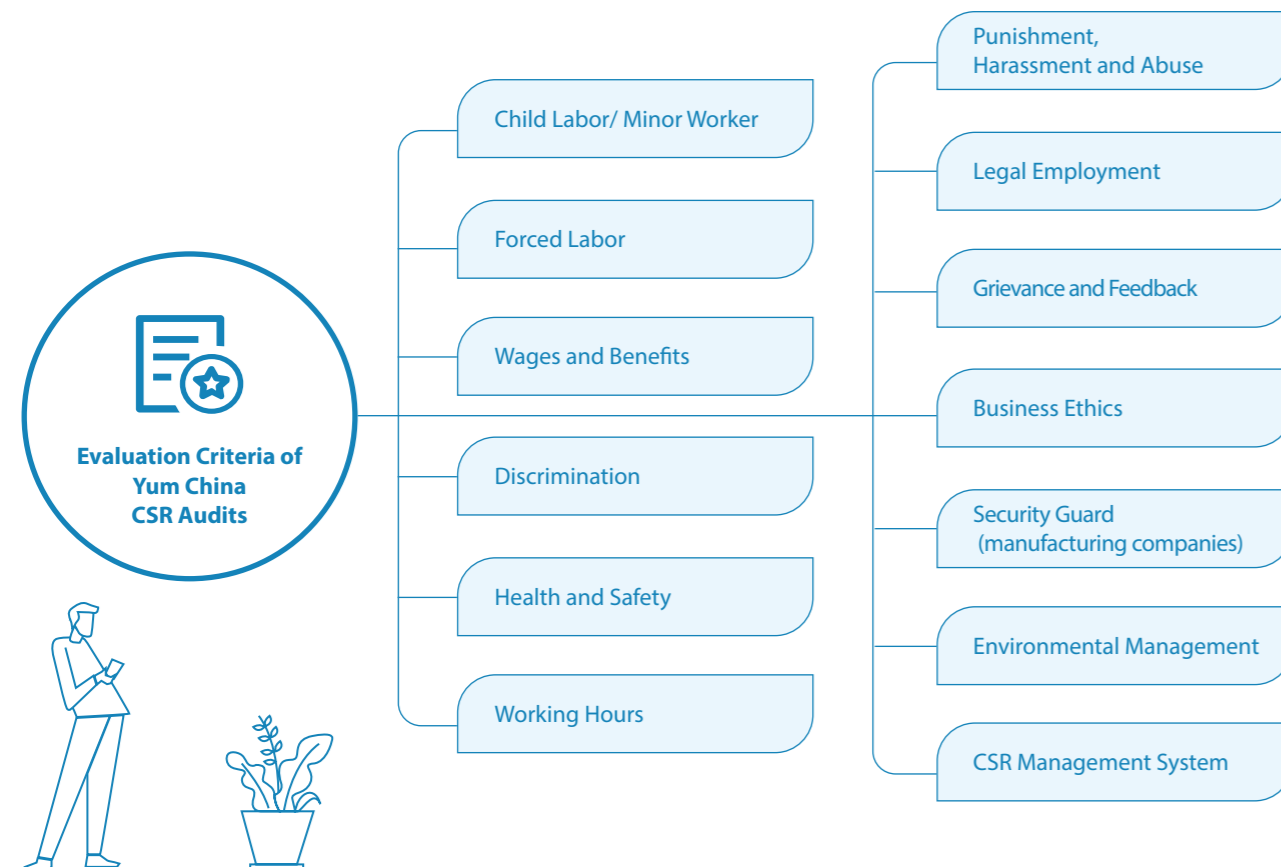
We set expectations of social and environmental compliance for suppliers. Suppliers are required to acknowledge and sign the *Yum China Supplier Code of Conduct (CoC)* before they work with us to ensure that they are legally compliant with all applicable laws and regulations.

> Supplier CSR Audit

In 2017, we initiated supplier Corporate Social Responsibility (CSR) audit to constantly promote social responsibility and to address risks across the supply chain. We engage professional third-party auditing firms to conduct CSR audits annually.

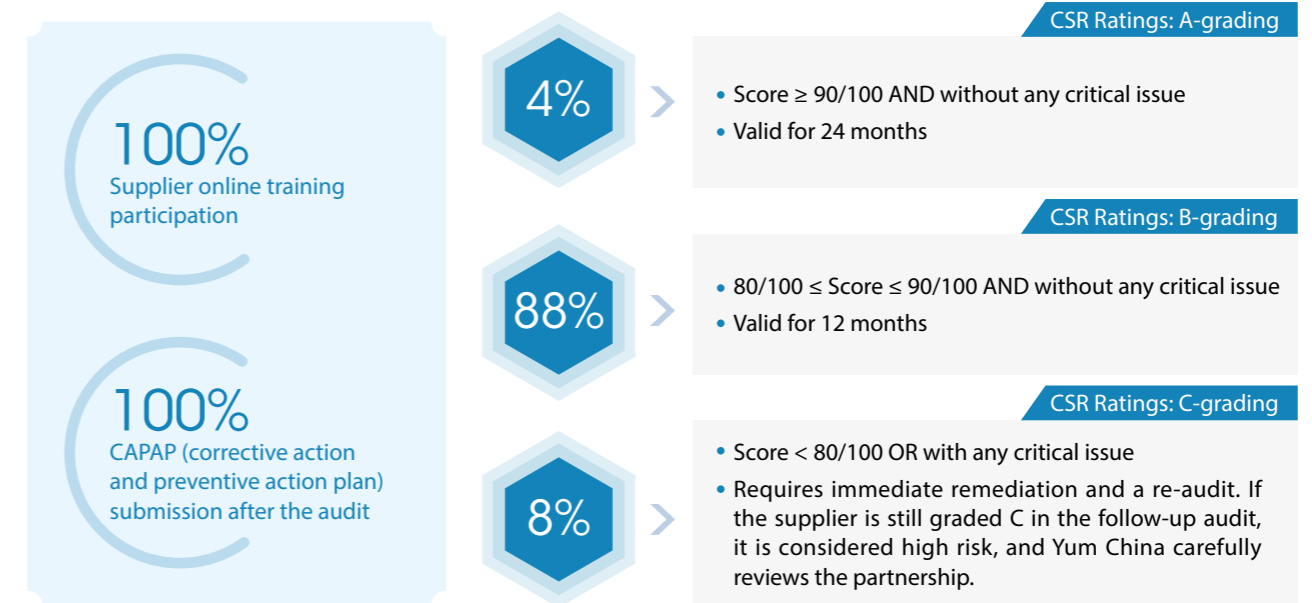
Yum China CSR audit framework and evaluation criteria are developed with reference to applicable national laws and regulations as well as international standards. It covers areas such as child / minor labor, forced labor, working hours, wages and benefits, health and safety, security and environmental management. The framework and evaluation criteria are reviewed and updated regularly as appropriate. In 2021, we started to include suppliers' efforts of energy-saving and GHG emissions reduction into CSR audit.

We provide trainings to suppliers prior to the audit to strengthen their awareness and enhance their capabilities to comply with all applicable laws and regulations. Suppliers would receive a rating based on issues identified during the audit and they are required to submit detailed corrective and preventive action plans (CAPAP) for continuous improvement. In 2021, 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.



In 2021
 CSR audits covered nearly **400** suppliers, including **100%** critical suppliers*.

2021 CSR Audit Result



*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 procurement to build a more stable, efficient, and sustainable supply chain and address risks related to food safety and the environment, as well as to actively shoulder our social responsibilities.

We have been continuously seeking cooperation opportunities with local suppliers for rapid market response. We encourage overseas suppliers to expand operations in China to ensure the consistency of product quality and improve our cost competitiveness in the local market.

As of the end of 2021
 Our local suppliers covered **21** provinces, **4** municipalities and **4** autonomous regions
 About **99.1%** of our suppliers were in China, playing a positive role in boosting local economic development, employment, and taxation.

Community

As an integral part of our society, companies have the responsibility to contribute to sustainable development. Yum China always attaches great importance to corporate social responsibility and strives to give back to local communities and continuously support their development. For 14 years, we have been helping to improve the nutrition of children in remote rural areas, and we have also contributed to rural revitalization by supporting the development of local industries. We endeavor to promote educational equity by providing quality digital education opportunities for young people and offering financial support to college students in need. We care for children in our communities and frontline workers, creating a positive and harmonious community atmosphere. At the same time, we passionately promote local culture and advocate for healthy and active lifestyles. Through our continued efforts, we have helped popularize the concepts of 'Everyone does good' and 'Doing good everywhere'. Yum China will continue to fulfill its social responsibility, vision, and purpose as a leader in the restaurant industry in China, and work with all parts of society to help create a better future.

Highly Relevant



Moderately Relevant



Primary Focus



Common Prosperity



Equal Access to Education



Community Care



Culture and Sports

Opportunities and Challenges

- With China having achieved the ambitious goal of eliminating extreme poverty, rural revitalization has become a new priority. Companies have a vital role to play in helping revitalization of rural development
- For China, education development is one of top strategic priorities, and achieving education equity is a critical aspect of this. Companies can and should play an important role in speeding up the process
- Companies have become one of the most important stakeholders in community governance. Companies can contribute to community development by participating in the governance of urban communities, which in turn also helps enterprises strengthen their social influence
- There is no better way to bond with our customers than by endorsing their traditions and cultural customs. In addition, supporting sports events will continue to be an effective way for companies to contribute to stronger national sports development

Goals and Commitments

- Our employees volunteer no less than 1.5 million hours per year

Key Actions

- We continue to promote the One Yuan Donation program and Grow Local Initiative. By providing nutritious meals and safe and energy-saving modern kitchen equipment, we help improve child nutrition in remote rural areas. We also support local industry development by developing sustainable agriculture programs, contributing to common prosperity and rural revitalization
- We endeavor to empower rural education with digitalization. By setting up digital classrooms for schools in remote rural areas and providing remote training sessions on programming, we enable children in rural areas to get access to digital education and thereby contribute to promoting education equity
- Yum China's store network helps to promote the concept of 'Everyone does good'. We provide support to local communities, whether it is paying tribute to frontline workers including sanitation workers, bus drivers, doctors and nurses as well as police officers, or supporting pandemic control and disaster relief efforts. These activities all demonstrate the 'warmth' of Yum China
- We deliver children's books along with Kid's Meals, leveraging our nationwide restaurant network and digital advantages. This helps to construct a parent-child reading platform, encourage daily reading and build a better reading culture in local communities
- We continue to build restaurants with cultural themes to integrate into local cultures and promote traditional customs, as well as safety-themed restaurants to educate our customers on public safety. We also promote activities to enhance the public's awareness of environmental protection and help create environmentally friendly communities
- We support various sports events and activities in response to the Healthy China national strategy to convey the need of exercising and the spirit of sportsmanship to the public. We also advocate for the health concept of achieving a balance between eating and exercising

Common Prosperity

In response to the common prosperity agenda of the Chinese government, Yum China is committed to proactively promoting sustainable rural development. Through programs like the One Yuan Donation program and the Pizza Hut Grow Local Initiative, we continue our efforts on improving child nutrition in remote rural areas and strive to help develop local industries to contribute to rural revitalization.

> One Yuan Donation

Since launching One Yuan Donation with the China Foundation for Poverty Alleviation (CFPA) in 2008, Yum China has continued to raise donations from the community, leveraging our nationwide restaurants, online ordering system, and newly developed channels to make it easier for customers to donate towards improving child nutrition in remote rural areas. The One Yuan Donation program keeps being a priority in Yum China's philanthropic efforts to support rural development. We believe that fostering healthy growth for children, particularly in remote rural areas, requires sustained efforts and continued dedication by us and the general public, which also aligns with the priorities of the Chinese government's *National Nutrition Plan (2017-2030)*.



One Yuan Donation: Encouraging Public Donations to Improve Child Nutrition

Throughout the 14-year history of the One Yuan Donation program, we have expanded our original channel of making donations at restaurants to multiple interactive channels with our consistent pursuit of innovation. Responding to the pandemic and changes in consumption patterns, we have made this program more accessible to everyone. To make the donation process more engaging and interactive, we have opened internet fundraising channels such as Donate Together program in Tencent Charity and launched Support Monthly and V Gold Donation, which involved millions of members. In 2021, we also launched new models of interactive participation like the Charity E-Shop where customers can donate money to buy nutritious meals for children in remote rural areas and share their stories on social media. Brands operated by Yum China including KFC, Pizza Hut, Taco Bell, and COFFii & JOY launched an exclusive special set meal for One Yuan Donation to build awareness of the program. Every time our customer bought a special set meal, the Company donated RMB 1 to support the One Yuan Donation program to provide more nutritious meals for children in remote rural areas.



Children Enjoying Nutritious Meals After Classes



Charity E-Shop



New and Clean Modern Kitchen Equipment

With 14 years of dedication, our One Yuan Donation program has successfully promoted the concept of 'Everyone does good.' We believe that making a great impact on society is not just about grand gestures, but also depends on small acts of kindness by ordinary people.

—Joey Wat, CEO of Yum China

All donations have gone towards supporting child nutrition in developing regions. Around RMB 3 can buy a nutritious meal for a child in a remote rural area, and every RMB 50,000-60,000 can provide a sustainable and fully-equipped modern kitchen for a rural school.



As of the end of 2021

The One Yuan Donation program had covered	The program had raised over	Yum China's employees had donated over	
14 provinces/ autonomous regions	RMB 230 million	RMB 62 million	
The program had involved more than	We had provided nearly	Modern kitchen equipment to more than	
130 million customers	53 million nutritious meals	1,260 schools	

Illustration Collaborating with Olympic Champions

On August 7, 2021, the One Yuan Donation program ran for its fourteenth time in Yum China's restaurants. On launch day, Tong Wen, who won several world championships and was the 78 kg women's judo champion at the 2008 Beijing Olympics, introduced the program to customers in KFC and Pizza Hut restaurants in Lebin Department Store in Tianjin, encouraging citizens to support children in remote rural areas.

◆ Tong Wen, the Charity Promoter of One Yuan Donation and an Olympic Champion



◆ Various Activities of One Yuan Donation across the Country

One Yuan Donation Won an Internet Charity Award

In December 2021, Yum China's short video, *A Whisper to You*, and the corresponding series of One Yuan Donation program graphics won the Annual Most Attractive Public Welfare Work Award, the most popular and important award in the Tencent Creativity For Good Year-end Ceremony.

The short video named *A Whisper to You* tells the story of children in a primary school in the mountains of Yunnan, hidden in the clouds at an altitude of 2,000 meters. These children were supported by the One Yuan Donation program, receiving nutritious meals and a well-equipped modern kitchen. In the video, they express their gratitude to all who helped them. After the video and the stories were shared on major platforms, they received widespread praise for their warm and inspirational style.



◆ The Annual Most Attractive Public Welfare Work Award

> Grow Local

Yum China has been intentionally integrating our business growth with social development, for example, by using our strengths to support regional growth by locally procuring high-quality products such as coffee beans and vegetables in Yunnan province and the charity sale of potatoes, which benefits local industry and supports rural development.

To promote local products and develop more agriculture opportunities, Pizza Hut launched the Grow Local Initiative in 2018. We are committed to developing this into a sustainable agriculture program by capitalizing on our 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.

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Grow Local Cooperatives

Pizza Hut Grow Local Initiative

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 have also delivered training programs for local farmers to innovatively improve planting efficiency to increase their profits, which effectively promote sustainable regional economic development with a focus on public welfare.

Illustration

Grow Local Cooperatives

In 2021, the Grow Local Initiative established Grow Local Cooperatives in our bases located in Shibing and Zhenfeng in Guizhou. Through the cooperatives, we have formulated a standardized teaching material compilation and training group with farmers in need as the main force. In the meanwhile, we also invited well-known domestic dragon fruit planting experts to be stationed there to establish a 24-hour agricultural technical service response mechanism. The establishment of Grow Local Cooperatives focuses on solving the problem of lacking skills and management in the development of agricultural industry, and through making breakthroughs in agricultural technical services, we have helped local farmers improve the level of land plot management and provided technical support for local farmers to increase agricultural production and their income.

Relying on the Grow Local Cooperatives, we have carried out a series of centralized trainings, including instructing the farmers at the base to carry out spring planting. In addition to providing technical guidance on the standardization of dragon fruit planting to improve working efficiency, we are also passionate about enhancing farmers' enthusiasm for planting. We have also developed an agritourism base to create more employment opportunities, promote rural revitalization and contribute to common prosperity.



Grow Local Cooperatives



Training on Dragon Fruit Planting in Shibing

In 2021, the Grow Local Initiative has been expanded to Shaanxi Province and started to support the apple industry in Loess Plateau in Tongchuan.



In 2021

Pizza Hut Grow Local Initiative carried out **22** offline training sessions

with more than **1,600** participants



Equal Access to Education

Yum China strives to promote equal and high-quality access to education for young people. We aim to create a platform to enable fair access and high-quality education for all students through providing financial support and volunteer activities, such as providing programming classes to teachers and children in remote rural areas to provide more digital learning opportunities for those teenagers.

> Digital Classroom

To be prepared for the future, children need a range of digital skills, including computer programming. In China, many rural primary schools in remote areas not only lack teachers with programming teaching experience, but also face a severe shortage of modern computers and equipment, making it difficult to provide computer programming education. To address this gap, Yum China started its cooperation with CFPA and Leap Learner in 2019 to explore a new 'Internet+AI Education Popularization' charity model, aimed at increasing digital learning opportunities for children in remote rural areas.

Based on the successful pilot program, Yum China donated RMB 5 million to fund the Digital Classroom Initiative, providing children in remote rural areas with access to digital learning opportunities. On June 1, 2021, Yum China officially launched the Digital Classroom program in Xinhua County, Hunan Province. We aim to support rural teachers' programming skills development by combining computer donations and programming training so that children can have access to programming education and guidance.

As of the end of 2021, our Digital Classroom program had covered 240 schools in 5 provinces and provided programming training to more than 330 teachers in rural areas.



Through the Digital Classroom program, we hope to bring digital skills to more children in remote rural areas, stimulate the spirit of innovation and enable them to have a more innovative and competitive future.

—Joey Wat, CEO of Yum Chia



> KFC First Light Fund

For twenty years since its establishment in 2002, the KFC First Light Fund has been providing financial support for college education to talented students from underprivileged families.

The program created an integrated 'Receive Help – Help Yourself – Help Others' model, providing scholarships for students, arranging for students to participate in KFC restaurant internships, and public welfare activities to help students achieve transformation from being assisted to self-help and to helping others, as well as promoting their independence and personal growth. As of the end of 2021, we had invested approximately RMB 120 million in the fund and assisted 20,000 college students in 68 universities across 30 cities.



Community Care

Yum China aims to help build friendly and caring communities. We have launched a series of initiatives to support migrant children, their parents and frontline workers, as well as providing delicious meals to support vulnerable communities affected by natural disasters. We also actively promote lively and green communities through a range of environmental initiatives.

Giving back to the community is central to our culture. With our stores all over the country and deep connection with our customers, we are committed to offering a variety of programs that inspire our employees and customers to help people in need and support the community as a whole in every possible way.

—Alice Wang, Chief Public Affairs Officer of Yum China

> Caring for Children

Children have a special place in the hearts of Yum China's management and staff. At the core of our programs, we seek to promote healthy and happy childhoods as well as to enhance children's potential. This is especially important for underprivileged children in remote areas who are the focus of the funds and programs we have set up.

KFC Little Migratory Birds Fund

Targeting left-behind and migrant children, KFC set up the KFC Little Migratory Birds Fund together with China Children and Teenagers' Fund (CCTF) in 2016. The fund supports a series of reading, sports and arts activities all over the country to support and promote the physical and mental growth of these children. To complement the program, KFC also set up 'Mom Restaurants for Little Migratory Birds' to provide employment opportunities for working parents of left-behind children so that they can work near their hometown and spend more time with their children.

As of the end of 2021, the KFC Little Migratory Birds Fund had donated over RMB 24 million, benefiting 4 million left-behind and migrant children. The fund had also established 2,000 book corners, donated 700,000 high-quality books, and held more than 30,000 reading sessions for children, covering schools and communities in 29 provinces. We had organized over 800 story-telling sessions and other theme activities and contributed over 40,000 hours of

volunteer time to provide companionship and care. The 'Mom Restaurants for Little Migratory Birds' model had also covered more than 760 KFC restaurants in various provinces for long-term migrant parents, bringing family companionship to more left-behind and migrant children.



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The KFC Little Migratory Birds Fund had donated over

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Covering schools and communities in

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provinces

We had organized over

800

story-telling sessions

The 'Mom Restaurants for Little Migratory Birds' model had also covered more than

760

KFC restaurants

We had contributed volunteer time over

40,000

hours



Illustration

The 5th Anniversary of the KFC Little Migratory Birds Fund

With the 5th anniversary of the KFC Little Migratory Birds Fund, KFC restaurants across the country organized activities year-round to inspire these children to grow up confidently.



- 1 Summer Camp Activities
- 2 Children's Day Activities
- 3 Winter Camp Activities with a 'Meeting in Winter, Seeking Dreams for the Future' Theme



> Caring for City Guardians

Yum China has extended its community care to all the frontline workers, including ordinary workers who have frontline roles. For example, we have launched the Dream Come True Early campaign, providing breakfast for frontline workers. In addition, brands operated by Yum China also consistently care for those frontline volunteers who contribute to pandemic prevention and control by providing nutritious and tasty meals.

Caring for Frontline Workers

KFC and Pizza Hut have launched a series of activities to show our gratitude to early-morning and other frontline workers, including sanitation workers, bus drivers, nurses and police officers for their dedicated work. During cold winter days, hot summer days and special holidays, the brands deliver hot meals to frontline workers who work tirelessly, expressing our appreciation and calling on the public to pay tribute to the 'unknown workers' by regular supporting charitable activities.

Illustration

KFC - Using an Unmanned Dining Car to Deliver Care

In addition to providing a heartwarming breakfast for early-morning workers in Guangzhou, KFC also combined emerging technologies with public welfare activities to express our sincere appreciation to frontline workers.



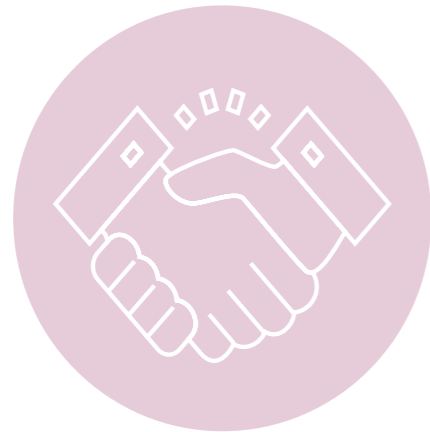
Unmanned Dining Car

Caring for Pandemic Prevention Volunteers

The Company continues to proudly contribute to pandemic prevention and control. We have taken on social responsibility without hesitation and strengthened our actions to work hand in hand with local communities where we operate in to support each other. In 2021, KFC and Pizza Hut brands delivered more than 70,000 meals to pandemic-fighting frontline workers. While cheering for the pandemic-fighting frontline medical workers, we also hope to express our gratitude and appreciation to support local communities to overcome the difficulties together.



Yum China Delivering Hot Meals to Pandemic-fighting Frontline Workers



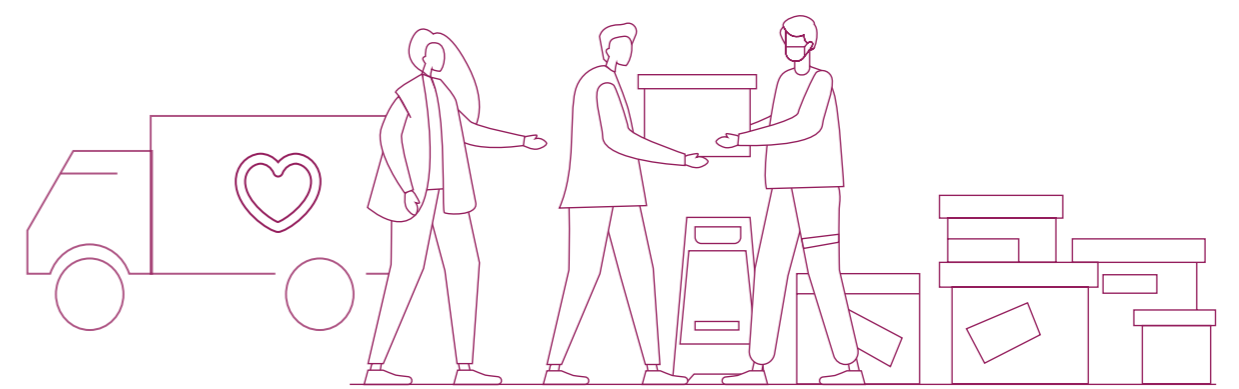
> Caring for Disaster Victims

When natural disasters strike, Yum China actively helps the disaster-affected areas with its own resources, giving back to the community and striving to bring comfort to disaster victims and frontline rescue staff.

In July 2021, Henan province was hit by a rare bout of extremely heavy rainfall. The Company, together with its KFC, Pizza Hut, and Little Sheep brands, delivered more than 47,000 meals to disaster-stricken areas. Restaurants in those areas also extended their working hours to provide resting space and food. In October, there were heavy rainfalls in Shanxi province. KFC and Pizza Hut brands immediately offered their help and delivered meals to frontline flood-relief workers and evacuated residents to contribute to resolving food supply issues. Many employees selflessly participated in volunteer work to actively provide service to the local communities.



Yum China and its brands actively offered their help to disaster-stricken areas in Zhengzhou.



> Caring for the Environment

The Company recognizes the importance of protecting our environment. By launching themed activities, we hope to enhance the community's awareness of caring for the environment, joining hands to build a sustainable and environmentally friendly community.

Illustration

Eco-environmental Initiative for National Parks

On April 22, 2021, KFC China and the China Green Foundation jointly launched a non-profit environmental initiative to help protect the ecological environment at Xishuangbanna National Nature Reserve and Kekexili National Reserve of Qinghai in the Three-River-Source National Park.

As part of its commitment to environmental protection, KFC also organized a series of public online and offline educational events to raise awareness of environmental issues and sustainability. KFC China will remain committed to its 'Be Natural, Be You' sustainability philosophy as it contributes to environmental protection and helps to shape a future where more people embrace nature.



Offline Educational Event



Culture and Sports

As the largest restaurant company in China, Yum China has launched various programs, set up theme restaurants and supported relevant sports events to promote a strong cultural atmosphere and advocate a healthy and balanced lifestyle.

> Building Community Reading Culture

Yum China has consistently encouraged daily reading to the public through multiple channels, building online reading platforms and offline reading spaces. We hope to make full use of our nationwide restaurants and our unique digital advantage to build a greater reading culture in the community.

KFC 'Book Kingdom'

As one of the most popular restaurants for children, KFC has launched the Distribute Selected Children's Books along with Kids' Meals activity since 2015, striving to open a new reading window for parent-child family customers. In 2017, KFC officially launched the 'Book Kingdom' campaign to pair books with Kids' Meals, encouraging children to read good books and broaden their horizons while eating great food. Leveraging its nation-wide restaurant network, KFC regularly organizes free in-restaurant storytelling sessions. We have also recorded high-quality audiobooks and launched them on KFC's mobile app and official WeChat and Weibo accounts to promote parent-child reading.

As of the end of 2021, over 100 million books had been distributed through this initiative, with over 760,000 storytelling sessions held.

As of the end of 2021

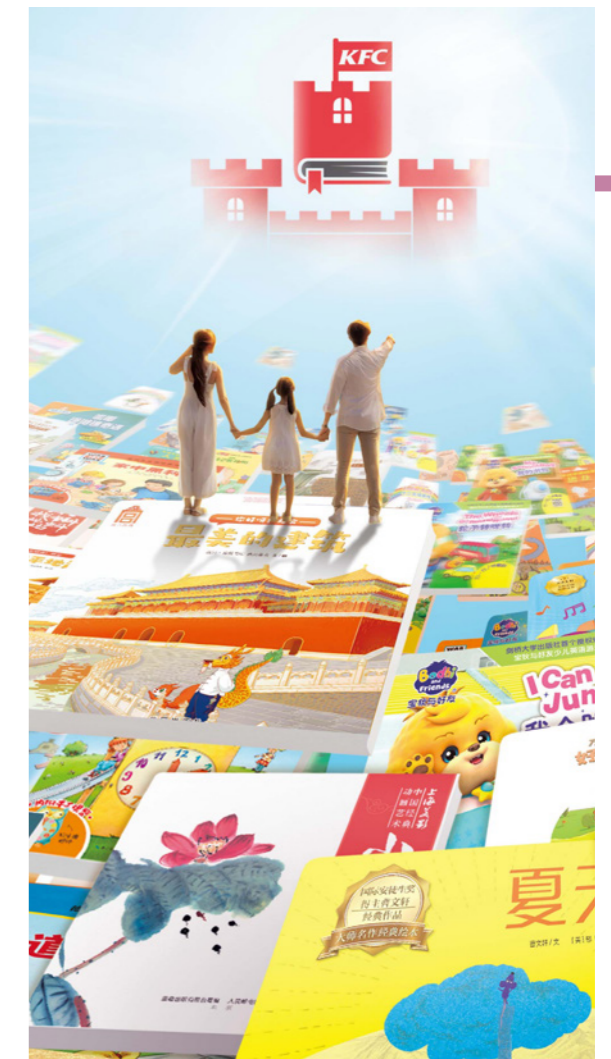
Through this initiative, KFC had distributed over

100 million books



With over

760,000 storytelling sessions



Pizza Hut Public Reading Program

In 2018, Pizza Hut launched its Public Reading Program nationwide. Pizza Hut has continued to promote reading in line with the National Reading Campaign advocated by the Chinese government, providing public reading platforms in collaboration with local governments and media resources, enabling customers to socialize and read while enjoying their meals.

In 2021, Pizza Hut introduced the 'Parent-Child Reading Salon' in reading-themed restaurants to promote parent-child reading and strengthen family bonds by providing a platform for communication between parents and children. We also established a special 'Female Reading Salon' for female customers, inviting them to enrich their minds with books while enjoying afternoon tea. Since its inception four years ago, the program has expanded to around 70 Pizza Hut restaurants in 19 cities. There are more than 55,000 books stored in Pizza Hut restaurants.

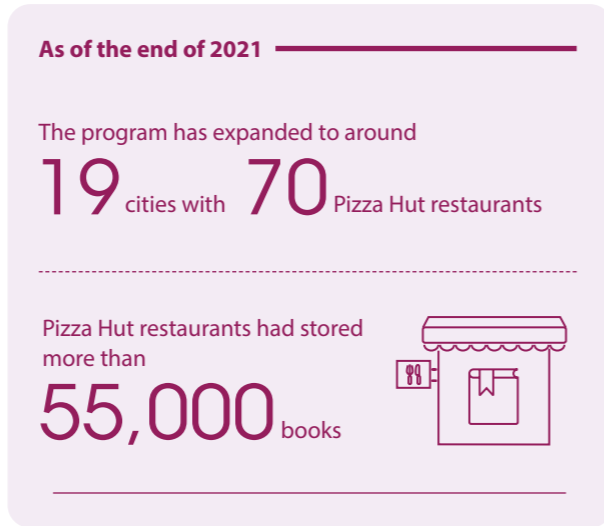


Illustration Reading-themed Restaurant – Promoting Reading Nationwide

In 2021, Pizza Hut public reading-themed restaurants across the country held events to help foster a reading culture in the community, extending the city's cultural space and demonstrating the brand's innovative and caring spirit.



Customers Enjoying the Audio Library through QR Code in Reading-themed Restaurants in Chengdu



Parent-child Reading in Qingdao



The Reading-themed Restaurant in Shenyang



The Featured Book Bar in Tianjin

Promoting Chinese Traditional Culture

Yum China has always been committed to promoting traditional Chinese culture through our restaurant network and unique products.

KFC: Facilitating the Inheritance of Traditional Culture

As a leading restaurant brand in China, KFC has been integrated into local cultures, and consumers' daily lives. KFC has continuously made great efforts to facilitate the inheritance of traditional culture. In recent years, KFC has cooperated with the Palace Museum and the National Museum of China through cross-border cultural Intellectual Property (IP) and other forms to promote traditional cultural elements such as our national artifacts, treasures and intangible cultural heritage, enabling our long-lasting cultural accumulation to show its charm. We hope to showcase the

historical and cultural heritage of China with the combination of fun and fashion. Building on the successful campaign of the 'National Treasure Shining in China' with the National Museum of China over the past two years, KFC continued to cooperate with the Palace Museum in 2020. KFC has launched a series of activities and created diverse consumption scenarios including traditional culture for customers, not only enriching customer experience, but also injecting new energy into our Chinese traditional culture.

Illustration Celebrating Chinese New Year by Launching Palace Lantern-themed Activities

As one of the treasures of Chinese traditional culture for thousands of years, traditional festivals embody the emotions of the Chinese people, as well as carrying expectations for a happy life. In the Chinese New Year of 2021, KFC collaborated with palace lanterns of the Palace Museum again to launch special themed activities with traditional cultural elements in various cities, celebrating traditional festivals with customers, and letting more people get experienced with Chinese traditional culture in a subtle way. In Guangzhou, KFC also invited representatives of the intangible cultural heritage of Cantonese-style redwood palace lanterns to explain the origin story and cultural customs of palace lanterns, bringing a traditional culture lesson to the invited families of 'little migratory birds'.



Chinese New Year Activities in Guangzhou



Palace Lanterns and the Chinese New Year Bucket promoted by KFC

Illustration Integrating Local Culture

KFC has launched restaurants in various different cities with local cultural themes, including special local menus, helping to build local cultural pride.



- 1 Canal-themed Restaurant in Suzhou
- 2 Chu culture-themed Restaurant in Hubei
- 3 Culture-themed Restaurant in Shandong

Icon Pizza Hut: Inheriting Cultural Heritage

Pizza Hut launched the 'Little Heirs' family public welfare project to continue our support for families. We invited representatives of the younger generation of cultural heritage heirs to perform and invited children and their families who were interested in these cultures. We aim to help these 'Little Heirs' to learn the stories behind intangible cultural heritage, enhancing their understanding and love of Chinese traditional culture.

Illustration Cultural Heritage-themed Restaurants

During the 2021 Chinese New Year holiday, Pizza Hut constructed several theme restaurants, bringing together 11 major cultural heritage themes. We held activities in various cities to enhance customers' awareness and understanding of local folk culture.



◀ Lion Dance Activities in Guangdong ▶



◀ Paper Cutting Activities in the Cultural Heritage-themed Restaurant in Shenyang ▶

> Promoting Public Safety Education in Restaurants

In 2021, Yum China continued its activities in theme restaurants, conducting education on various safety topics, including cyber security and fire rescue. By combining theme education and restaurant activities, we strive to promote safety awareness and positive energy in daily life.

In cooperation with local governments, we set up several cyber security-themed restaurants in 2021, holding public activities to improve customers' internet privacy protection awareness. As of the end of 2021, we had launched cyber security-themed restaurants in several regions, including Shanghai, Guangdong, Jiangsu, Hunan and Heilongjiang.

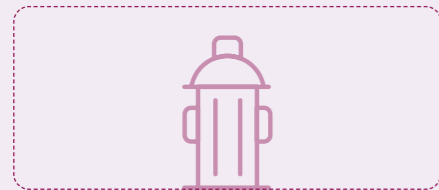
We continue to support emergency response education activities to enhance public awareness and improve general fire safety. As of the end of 2021, we had constructed over 30 fire rescue-themed restaurants in 12 cities across the country and held more than 450 educational activities.

As of the end of 2021

We had constructed over **30** fire rescue-themed restaurants

In **12** cities

Held more than **450** educational activities



Education Activities in Inner Mongolia



Fire security-themed Restaurant in Guizhou

> Activities to Support Sports and Promote an Active Lifestyle

Yum China recognizes the power and potential to use sports to make a positive impact on society. Sports have the power to inspire. They have created countless moments of excitement that live on in people's hearts. We continue to promote sports and support athletes as they push their limits. More importantly, Yum China has always supported sports, teams and athletes, including local events such as the 3x3 Basketball Championship, city marathons, as well as large international events like the Winter Olympic Games and the Asia Games.



Supporting Winter Sports with the Spirit of the Winter Olympics

As an official sponsor of the 24th Beijing Winter Olympics and Paralympics in 2022, in addition to serving championship meals to athletes from all over the world in the Olympic Village, Yum China also launched a Winter Olympics-themed campaign in restaurants in cities including Beijing, Tianjin and Zhangjiakou. We also organized mass winter sports events to raise the profile of the Winter Olympics, inspire the community's love for winter sports, and contribute to the promotion of Olympic sports.



KFC in Tianjin held the Winter Carnival, inviting customers to have fun together



About this Report

This report is our 5th annual Sustainability Report (the 'Report') covering the period from January 1, 2021 to December 31, 2021, though some facts and figures may fall outside of the period if necessary.

The Report is prepared in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards)* issued by the Global Sustainability Standard Board (GSSB). It

also refers to the rating requirements of the Dow Jones Sustainability Indices (DJSI), ESG Rating requirements of MSCI and Sustainalytics, *GB/T 36000-2015 Guidance on Social Responsibility*, the *UN 2030 Agenda for Sustainable Development*, relevant regulatory requirements and other relevant international and Chinese standards and guidelines for sustainable development.

Reporting Scope

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

Reference

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

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

Report Access and Feedback

The Report is available in Chinese and English, in print and electronic formats. If you have any suggestions, please contact us 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 2021 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.

Appendix

> Key Performance Indicators

Indicators	Unit	2021	2020	2019
FOOD				
Food Safety and Quality Audits on Suppliers	times	400+	600+	590+
Key Raw Materials Sampling Tests in Restaurants	pieces	300+	300+	680+
Restaurant Food Safety and Quality Audits (i.e. Operational Excellence Compliance Audit)	times	19,400+	16,200+	17,000+
Product Checks on Key Menu Items in Restaurants	times	~4,500	3,690+	3,400+
Microbiological Testing in Restaurants	pieces	111,000+	71,000+	83,000+
ENVIRONMENT				
Direct (Scope 1) GHG Emissions	tCO ₂ e	158,887	135,615	114,720
Energy Indirect (Scope 2) GHG Emissions	tCO ₂ e	2,158,856	1,873,757	1,956,072
Average Restaurant Energy Indirect GHG Emissions	tCO ₂ e	205	207	233
Other Indirect (Scope 3) GHG Emissions	tCO ₂ e	8,446,963	7,079,379	/
Total Electricity Consumption	MWh	3,165,227	2,760,611	2,870,997
Average Restaurant Electricity Consumption	MWh	303	304	342
Total Water Consumption	tons	27,280,872	24,579,253	27,602,012
Average Restaurant Water Consumption	tons	2,628	2,710	3,284
Total Amount of Packaging Usage* (Plastic Packaging & Paper Packaging)	tons	111,360	/	/
Total Amount of Plastic Packaging Usage	tons	22,027	/	/
Total Amount of Paper Packaging Usage	tons	89,333	/	/
Packaging Usage per Sales (in million yuan)	tons	2.0	/	/
Total Packaging Savings (Plastic Packaging & Paper Packaging)	tons	~18,900	9,200+	9,000+
Percentage of RSPO-Certified Palm Oil	%	100	100	100
PEOPLE				
Total Number of Employees	person	450,000+	400,000+	/
Number of Full-time Employees	%	33	34	/
Number of Part-time Employees	%	67	66	/
Number of Male Employees	%	35	36	/
Number of Female Employees	%	65	64	/
Number of Employees at 30 and below	%	58	60	/
Number of Employees 31~40	%	23	23	/
Number of Employees 41~50	%	16	15	/
Number of Employees over 50	%	3	2	/
Employee Turnover Rate of Restaurant General Managers (RGMs)	%	10.6	9.2	/

*Total amount of packaging usage covered the usage from restaurants across all brands.

Indicators	Unit	2021	2020	2019
PEOPLE				
Share of Women in All Management Positions	%	61	60	/
Share of Women in Junior Management Positions	%	61	61	/
Share of Women in Top Management Positions	%	53	54	/
Share of Women in Management Positions in Revenue-Generating Functions	%	62	61	/
Share of Women in STEM-related Positions	%	22	15	/
Share of Female Employees in New Hire Employees	%	66	59	/
Share of Female Employees in Promotion Employees	%	68	62	/
Share of Female Employees in Turnover Employees	%	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	/	22	23	/
Number of Angel Restaurants	/	23	24	/
Number of People with Disabilities Employed in Angel Restaurants	person	~200	200+	/
Number of People with Disabilities Gained Employment Support	person	~2,000	2,100+	/
Total Amount Spent on Training and Development	RMB	456,000,000	266,000,000	/
Average Amount Spent per FTE on Training and Development	RMB	3,000	1,308	/
Training and Development Hours in Total	hours	12,000,000	8,600,000	/
Average Hours per FTE of Training and Development	hours	54	42	/
Number of Full-time Employees Trained	person	147,000	136,000	/
Number of Part-time Employees Trained	person	303,000	270,000	/
Share of Male Employees in Training Programs	%	35	36	/
Share of Female Employees in Training Programs	%	65	64	/
Promotion Rate across the Restaurant Management Team	%	42	36	/
Promotion Rate among Office Employees	%	14	8	/
Annual Physical Examination Coverage of Restaurant Management Team and Office Employees	%	100	100	/
Health Certificate Coverage of Restaurant Employees	%	100	100	/
Lost-time Injury Frequency Rate for Employees	n/million hours worked	0.99	1.34	1.08
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	%	99.1	99.1	98.7
COMMUNITY				
Employee Volunteer Time	hours	1,800,000+	1,500,000+	1,500,000+

> Contribution to United Nation Sustainable Development Goals

UN SDGs

Our Impact



SDG 2

Zero Hunger

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

- In response to the common prosperity agenda of the Chinese government, Yum China is committed to proactively promoting sustainable rural development. Through programs like the One Yuan Donation program and the Pizza Hut Grow Local Initiative, we continue our efforts on improving child nutrition in remote rural areas and strive to help develop local industries to contribute to rural revitalization. As of the end of 2021, the One Yuan Donation program had covered 14 provinces/autonomous regions. The program had raised over RMB 230 million and Yum China's employees had donated over RMB 62 million. The program had involved more than 130 million customers. We had provided nearly 53 million nutritious meals for children, and modern kitchen equipment to more than 1,260 schools. In 2021, Pizza Hut Grow Local Initiative carried out 22 offline training sessions with more than 1,600 participants.
- We have launched the Food Bank program since 2020 to support China's national campaign against food waste and to contribute to the United Nations' Sustainable Development Goals (UN SDGs) for zero hunger and responsible consumption and production. The program involves establishing food pick-up stations at chosen restaurants to provide surplus food for free to residents in need. We ensure that unsold food is properly collected, packed, kept and frozen. Information such as the date of deposit and the consumption guidelines are clearly marked on each bag. By the end of 2021, KFC expanded its Food Bank program to cover over 120 KFC restaurants in 27 cities.



SDG 3

Good Health and Well-being

Ensure healthy lives and promote well-being for all at all ages

- We are committed to offering delicious and nutritious food choices to our customers as well as promoting a balanced and healthy diet. We keep updating our menus to provide a great variety of delicious and nutritious food. We continually innovate in recipe optimization, abundant ingredients and multiple cooking methods while maintaining the quality and taste our customers expect. In terms of child nutrition, we pay particular attention to enhancing the nutritional value of our kids meals.
- Yum China has launched various programs, set up theme restaurants and supported relevant sports events to promote a strong cultural atmosphere and advocate a healthy and balanced lifestyle. We continue to promote sports and support athletes as they push their limits. More importantly, Yum China has always supported sports, teams and athletes, including local events such as the 3x3 Basketball Championship, city marathons, as well as large international events like the Winter Olympic Games and the Asia Games. As an official sponsor of the 24th Beijing Winter Olympics and Paralympics in 2022, in addition to serving championship meals to athletes from all over the world in the Olympic Village, Yum China also launched a Winter Olympics-themed campaign in restaurants in cities including Beijing, Tianjin and Zhangjiakou. We also organized mass winter sports events to raise the profile of the Winter Olympics, inspire the community's love for winter sports, and contribute to the promotion of Olympic sports.

UN SDGs

Our Impact



SDG 4

Quality Education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

- Yum China strives to promote equal and high-quality access to education for young people. We aim to create a platform to enable fair access and high-quality education for all students through providing financial support and volunteer activities, such as providing programming classes to teachers and children in remote rural areas to provide more digital learning opportunities for those teenagers. As of the end of 2021, our Digital Classroom program had covered 240 schools in 5 provinces and provided programming training to more than 330 teachers in rural areas. For twenty years since its establishment in 2002, the KFC First Light Fund has been providing financial support for college education to talented students from underprivileged families. As of the end of 2021, we had invested approximately RMB 120 million in the fund and assisted 20,000 college students in 68 universities across 30 cities.
- Yum China encourages employees to further their education and upgrade their professional skills. In cooperation with the Open University of China, the YUMC College program offers sponsorship to employees for their further education, especially in pursuing a qualified college degree. By the end of 2021, the program had been rolled out to 20 cities and 3,800 employees were granted subsidies and achieved higher education degrees. Scholarships are also available for eligible employees for their postgraduate study. In December 2021, KFC officially launched the YUMC 'Angel College' Program in Guangzhou and Shenzhen. Supported by the cooperative efforts of institutions that assist people with disabilities, KFC devised innovative models for angel employees (employees with disabilities) to receive continuing education and improve their vocational skills through the Open University of China. They will start their campus life in the fall of 2022 in their pursuit of a college degree. KFC also provides internship and employment opportunities to students with disabilities studying in vocational colleges so that they can develop work-place skills.



SDG 5

Gender Equality

Achieve gender equality and empower all women and girls

- Yum China is one of the signatories of the *United Nations Women's Empowerment Principles (WEPs)*, committing to ensuring gender equality in all human resources practices such as recruitment, training, and promotion. By the end of 2021, Yum China employed over 290,000 women, representing 65% of its total workforce. In addition, we continue to make progress in nurturing talented female leaders across all management levels. By the end of 2021, women holding director and above positions represented 53% of our senior management workforce.
- We provide regulatory benefits and care during pregnancy and nursing period for female employees. We have updated our maternity leave policy in accordance with national law, providing female employees with a minimum of 98 consecutive days of maternity leave, and extended leave in case of special circumstances such as dystocia and multiple births. Male employees are also entitled to paternity leave during the pregnancy and nursing period of their spouses. We also set up dedicated mother's rooms in our workplace to offer privacy and comfort. To ensure that female employees will realize their career potential and aspiration, we offer a series of female leadership training programs in order to improve their confidence and competitiveness in the workplace.
- KFC launched the first 'Mom Restaurants for Migratory Children' in Chongqing in March 2017. The program had been expanded to over 760 KFC restaurants in five provinces by the end of 2021. The job offers comprehensive benefit schemes and, most importantly, flexible working schedules that enable the working mothers to strike a balance between work and family obligations. The program won the WEPs Community and Industry Participation award in 2020.
- In January 2022, Yum China was named in the Bloomberg Gender Equality Index (GEI) for the fourth consecutive year and was one of only three companies from mainland China included in the latest GEI, with a score of 78.2 which is higher than the average value of the overall GEI. In March 2022, Equileap released its *2022 Gender Equality Global Report and Ranking*. Yum China was included as one of the Top 100 global companies and the only one from mainland China.

UN SDGs

Our Impact



SDG 7

Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable and modern energy for all

- We have piloted the use of electric vehicle (EV) fleets in Shenzhen, as part of our continued exploration into new energy vehicles to support our extensive distribution system.
- Yum China believes that the transition to renewable energy will improve our resilience in addressing the challenges of climate change, and it also plays a vital role in fulfilling the commitment of reaching net-zero value chain GHG emissions by 2050.
- Renewable energy investment is a new space for us at Yum China, in fact, can be a kind of industry challenge. We have taken an important step to pilot Distributed Photovoltaics (DPV) installation in the first batch of KFC Green Pioneer Stores in Beijing and Hangzhou in early 2022. The installed rooftop solar panels generate about 10,000 kilowatt-hours of clean electricity a year for the restaurant, and we plan to further improve the restaurant's energy efficiency by incorporating energy storage technology. Compared with the average carbon emissions per KFC restaurant in 2020, the Green Pioneer Stores can reduce GHG emissions by around 15%.
- In the future, based on the technological advancement and pilot experience, we will continue to assess the feasibility of renewable energy utilization in operating sites such as deploying rooftop solar panels for restaurants, logistics centers and office buildings, as appropriate. In addition, we continue to explore more renewable energy opportunities in the case of specific application for Yum China. In collaboration with various stakeholders, we are actively building know-how and seeking for every opportunity to leverage the green power trading system that China government stated to pilot since September 2021.
- 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 International Sustainability and Carbon Certification (ISCC) criteria. In 2021, we continued to expand the pilot project to cover more restaurants. By the end of 2021, 325 restaurants were certified by ISCC, including KFC, Pizza Hut, and Taco Bell restaurants, expanding from the Chengdu market to the whole Sichuan province. From 2019 to 2021, 2,545 tons of UCO have been converted into biodiesel.



SDG 8

Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Adhering to the 'People First' value, we firmly believe that human rights serves as a foundation of a sustainable business. Yum China has released the *Human Rights Policy* reiterating our firm commitment to respect and protect human rights in the workplace and also in the community. 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.
- We are committed to creating a diverse, inclusive and non-discriminatory working environment for employees. We provide a platform for all employees to realize their full potential through a series of programs such as restaurants for working mothers in rural regions, Winter Olympics Restaurant, and college education scholarship. We offer over 1.5% of our full-time jobs to people with disabilities. As of the end of 2021, we had employed around 2,000 staff with disabilities. To provide gainful employment opportunities for youths with disabilities nationwide, Yum China launched the first 'Angel Restaurant' in Shenzhen in 2012. With modified equipment and operational processes, and customized training, our 'angel employees' – those with special needs – can perform the full range of job roles. Not only can they learn new skills, they are also able to integrate themselves into society and ultimately achieve self-actualization. By the end of 2021, we have opened 23 'Angel Restaurants' in 22 cities, providing jobs for around 200 people with special needs. Eight 'Angel Employees' were selected to serve in restaurants in the Winter Olympic Villages.
- We released the *Occupational Health and Safety (OH&S) Management System* to ensure our employees, customers and partners fully understand and comply with the relevant regulations, policies and procedures. From 2018 to 2021, the total number of work-related fatalities for employees of Yum China continued to be 0, and the Lost-Time Injury Frequency Rate (LTIFR) per million hours worked in 2021 was 0.99n/million hours worked.

UN SDGs

Our Impact



SDG 9

Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



SDG 12

Responsible Consumption and Production

Ensure sustainable consumption and production patterns



SDG 13

Climate Action

Take urgent action to combat climate change and its impacts



SDG 15

Life on Land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

- 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. By the end of 2021, we utilized 32 logistics centers to distribute supplies to company-owned and franchised stores, as well as to third-party customers. Our supply chain strategy of working with multiple suppliers, as well as building a vast logistics network, allows for continuous supply of products in the event that supply from an individual supplier or logistics center becomes unfeasible.
- Each of our logistics centers has a full-time quality assurance specialist responsible for inspecting storage facilities and the receipt, distribution, and unloading of goods. We also conduct regular audits and routine inspections of our logistics service providers (including warehouse and transportation) to verify that their food safety and quality management systems meet our requirements. In 2021, we conducted about 191 food safety and quality audits and over 2,300 routine inspections for warehouse and transportation service providers.
- Our vision is to become the world's most innovative pioneer in the restaurant industry. In addition to our holistic food safety management system, we have upgraded food safety management through innovative technology, and built an industry-leading intelligent and digitalized supply chain management system. The cutting-edge technologies, enabled us to combine tradition control measures with real-time data collection and analysis, key process visibility and deviation rectification to improve efficiencies and timeliness of Yum China's food safety management.
- In recent years, with the enhancement of environmental consciousness of the public, a low-carbon lifestyle has been favored by an increasing number of customers. In addition to reducing GHG emissions in our own operations and mobilizing suppliers in this regard, customers are also one of the most important stakeholders in Yum China's efforts to address climate change challenges. Leveraging our strong online and offline connections with customers, we strive to increase environmental awareness among the public through a series of green marketing campaigns, encouraging and rewarding more eco-friendly choices, in order to turn sustainability challenges into opportunities. In December 2021, KFC introduced an interactive section on its Super App to increase public awareness on topics such as 'Exploring Carbon Reduction' and 'The Journey to Carbon Neutrality', aiming to promote carbon reduction actions. KFC has introduced a green rewards program with special coupons that encourages and incentivizes behaviors such as mobile ordering and in-store pickup, opting out of using disposable cutlery, reducing food waste, and waste sorting. The program covered over 7,900 stores nationwide and strived to inspire 320 million KFC members to participate in and contribute to the sustainable development of society and the environment.
- Together with our employees, customers, supply chain partners, and communities, we strive to take active climate action to transit to a low-carbon economy. We are fully committed to driving GHG emissions reduction across our value chain, and at the same time proactively review our business resilience against the climate risks and opportunities with reference to the TCFD, both in the near and long term.
- As Yum China builds long-term climate change resilience capacity and drives transition towards a low-carbon economy, we recognize the need to consider the potential impacts of climate-related risks and opportunities in our strategy to ensure business continuity and sustainability. Therefore, we commit to fully adopting the TCFD recommendations. We identified and assessed climate-related risks and opportunities that have significant impact on our business in different scenarios and outlined the approach to addressing them.
- As the largest restaurant company in China, we see the needs to be part of the global climate action to meet the long-term targets of the *Paris Agreement*, to limit global temperature rise to 1.5°C above pre-industrial levels, and China's commitment to peak carbon emissions by 2030 and achieve carbon neutrality by 2060. We officially announced the signing and submission of the *Business Ambition for 1.5 °C Commitment Letter* to SBTi on June 8, 2021, demonstrating our commitment to science-based targets to reduce GHG emissions and the ambition to reach net-zero value chain emissions by 2050.
- Forests help to regulate ecosystems and play an integral role in the carbon and water cycles. To do our part in protecting the lungs of our earth, we have set an ambitious goal of achieving a zero-deforestation supply chain in collaboration with our suppliers. We comply with national laws, support global forest protection initiatives, and explore opportunities to eliminate potential deforestation risks across our supply chain.
- We are exploring opportunities to enhance upstream traceability, identify major agricultural commodities from high-risk regions, and collaborate with supply chain partners to create a sustainable ecosystem. By continuously strengthening traceability management in our upstream supply chain, we support sustainable sourcing of commodities, including palm oil, soy, cattle, and timber.

> GRI Index

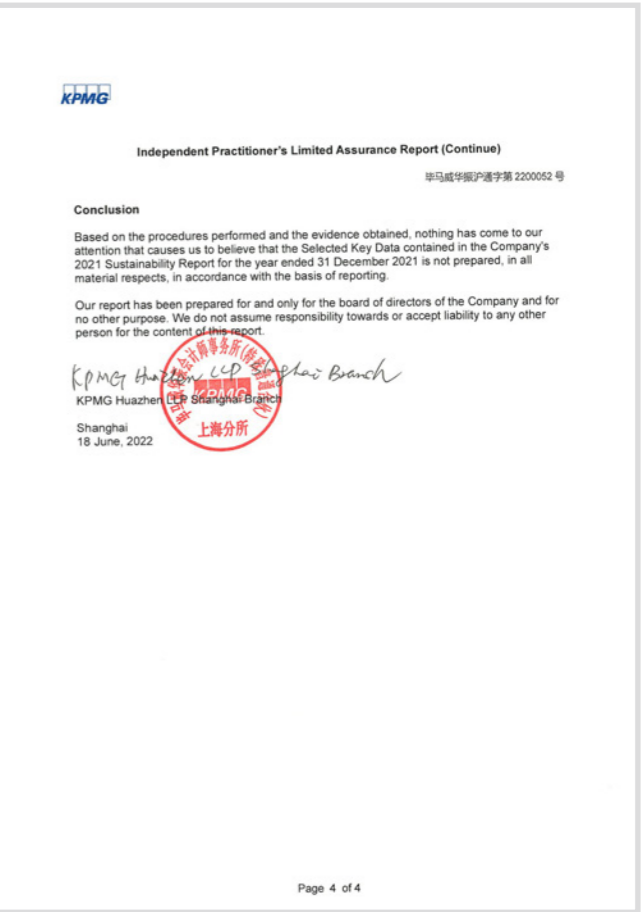
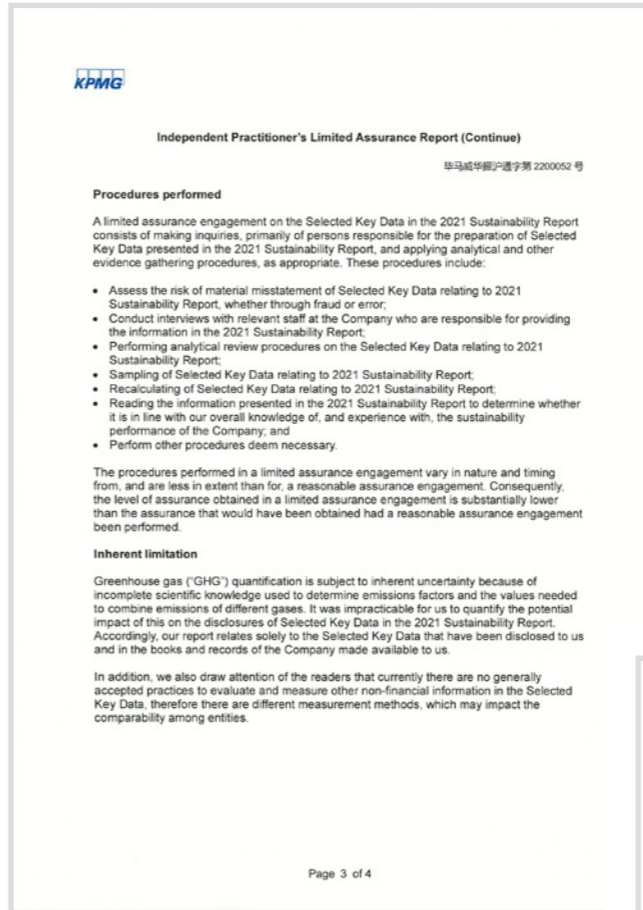
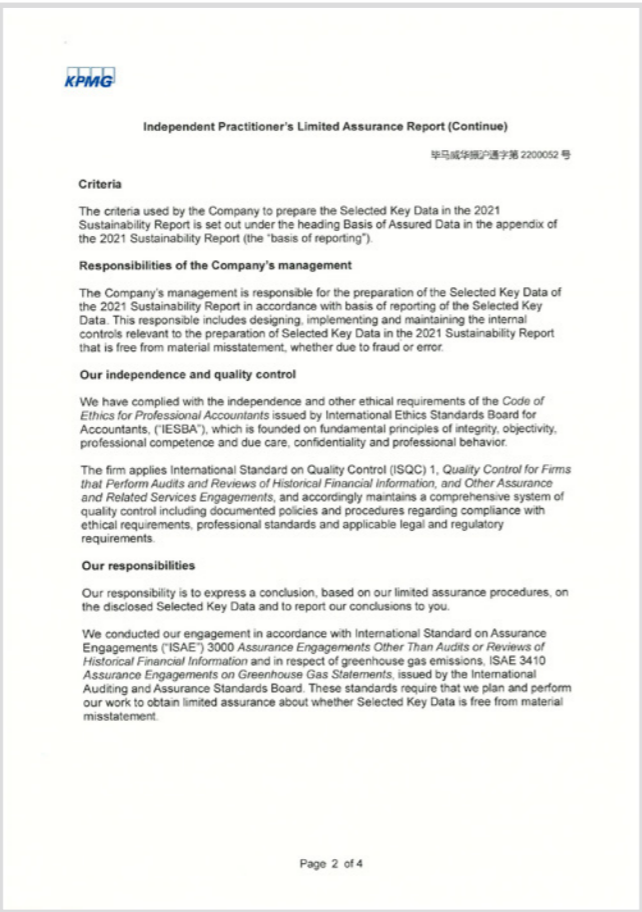
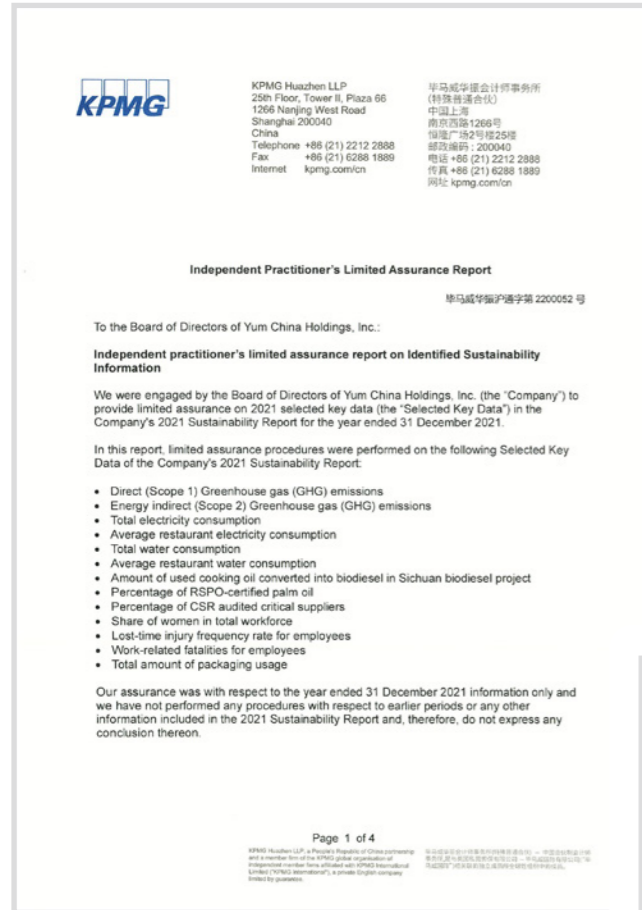
GRI Standards Disclosure Title	Chapter	Page	Notes
Organizational Profile			
102-1 Name of the organization	About Us	P06	
102-2 Activities, brands, products, and services	About Us	P06	
102-3 Location of headquarters	/		Headquartered in Shanghai, China
102-4 Location of operations	About Us	P06	
102-5 Ownership and legal form	About Us	P06	
102-6 Markets served	About Us	P06	
102-7 Scale of the organization	About Us	P06	
102-8 Information on employees and other workers	About Us	P06	
102-9 Supply chain	Supply Chain Social Impact	P84	
102-10 Significant changes to the organization and its supply chain	/		No significant changes
102-11 Precautionary Principle or approach	Corporate Governance	P08	
102-12 External initiatives	Contribution to United Nation Sustainable Development Goals	P114	
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205-2 Communication and training about anti-corruption policies and procedures	Corporate Governance	P08	
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GRI 301 Materials			
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GRI 306 Effluents and Waste			
306-1 Waste generation and significant waste-related impacts	Circular Economy	P48	
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306-4 Waste diverted from disposal	Circular Economy	P48	
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GRI 307 Environmental Compliance			
307-1 Non-compliance with environmental laws and regulations	/		No major violations of environmental laws and regulations
GRI 308 Supplier Environmental Assessment			
308-2 Negative environmental impacts in the supply chain and action taken	Climate Action	P38	
GRI 401 Employment			
401-1 New employee hires and employee turnover	Create a Sustainable Workplace that Reinforces 'People First'	P59	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Create a Sustainable Workplace that Reinforces 'People First'	P59	
401-3 Parental leave	Create a Sustainable Workplace that Reinforces 'People First'	P59	
GRI 403 Occupational Health and Safety			
403-1 Occupational health and safety management system	Create a Sustainable Workplace that Reinforces 'People First'	P59	
403-2 Hazard identification, risk assessment, and incident investigation	Create a Sustainable Workplace that Reinforces 'People First'	P59	
403-3 Occupational health services	Create a Sustainable Workplace that Reinforces 'People First'	P59	
403-4 Worker participation, consultation, and communication on occupational health and safety	Create a Sustainable Workplace that Reinforces 'People First'	P59	
403-5 Worker training on occupational health and safety	Create a Sustainable Workplace that Reinforces 'People First'	P59	
403-6 Promotion of worker health	Create a Sustainable Workplace that Reinforces 'People First'	P59	
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Create a Sustainable Workplace that Reinforces 'People First'	P59	

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403-8 Workers covered by an occupational health and safety management system	Create a Sustainable Workplace that Reinforces 'People First'	P59	
403-9 Work-related injuries	Create a Sustainable Workplace that Reinforces 'People First'	P59	
403-10 Work-related ill health	Create a Sustainable Workplace that Reinforces 'People First'	P59	
GRI 404 Training and Education			
404-1 Average hours of training per year per employee	Create a Sustainable Workplace that Reinforces 'People First'	P59	
404-2 Programs for upgrading employee skills and transition assistance programs	Create a Sustainable Workplace that Reinforces 'People First'	P59	
404-3 Percentage of employees receiving regular performance and career development reviews	Create a Sustainable Workplace that Reinforces 'People First'	P59	
GRI 405 Diversity and Equal Opportunity			
405-1 Diversity of governance bodies and employees	Create a Sustainable Workplace that Reinforces 'People First'	P59	
405-2 Ratio of basic salary and remuneration of women to men	Create a Sustainable Workplace that Reinforces 'People First'	P59	
GRI 406 Non-discrimination			
406-1 Incidents of discrimination and corrective actions taken	Create a Sustainable Workplace that Reinforces 'People First'	P59	
GRI 412 Human Rights Assessment			
412-2 Employee training on human rights policies or procedures	Create a Sustainable Workplace that Reinforces 'People First'	P59	
GRI 413 Local Communities			
413-1 Operations with local community engagement, impact assessments, and development programs	Community Care	P96	
413-2 Operations with significant actual and potential negative impacts on local communities	/		No evidence of potential impacts on local community
GRI 414 Supplier Social Assessment			
414-1 New suppliers that were screened using social criteria	Supply Chain Social Impact	P84	
414-2 Negative social impacts in the supply chain and actions taken	Supply Chain Social Impact	P84	
GRI 416 Customer Health and Safety			
416-1 Assessment of the health and safety impacts of product and service categories	Build a Value Chain that Protects Food Safety	P17	
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	/		No related incidents occur
GRI 417 Marketing and Labeling			
417-1 Requirements for product and service information and labeling	Customer Relationship Management	P81	
417-2 Incidents of non-compliance concerning product and service information and labeling	/		No related incidents occur
417-3 Incidents of non-compliance concerning marketing communications	/		No related incidents occur
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 of laws and regulations in the social and economic area

> Assurance Report



> Basis of Assured Data

No.	Data	Basis
1	Direct (Scope 1) GHG Emissions	Direct (Scope 1) GHG Emissions of Yum China in 2021 were the direct (Scope 1) GHG emissions generated by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, East Dawning, COFFii & JOY and Lavazza restaurants, and Yum China own-operated logistics centers in 2021. 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 GHG Emission Accounting Method and Reporting Guide for Food, Tobacco, Alcohol, Beverage and Refined Tea Enterprises (Trial) 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 2021 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, East Dawning, COFFii & JOY and Lavazza restaurants, and Yum China offices and own-operated logistics centers in 2021. 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 carbon dioxide emission factors of regional power grid. The average carbon dioxide emission factors of regional power grid refer to the emission factor of 2012 in the 'Average Carbon Dioxide Emission Factors of China's Regional Power Grids in 2011 and 2012' issued by the National Development and Reform Commission. 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 2021 was the electricity consumed by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, East Dawning, COFFii & JOY and Lavazza restaurants, and Yum China offices and own-operated logistics centers in 2021. Electricity consumption refers to the data on electricity bills from restaurants, offices and own-operated logistics centers.
4	Average Restaurant Electricity Consumption	Average restaurant electricity consumption of Yum China in 2021 was the average electricity consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, East Dawning, COFFii & JOY and Lavazza restaurants in 2021. The total electricity consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, East Dawning, 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 2021 was the water consumed by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, East Dawning, COFFii & JOY and Lavazza restaurants in 2021. 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 2021 was the average water consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang, East Dawning, COFFii & JOY and Lavazza restaurants in 2021.

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 2021 was the amount of UCO converted into biodiesel in the biodiesel project, which was carried out in Yum China's KFC, Pizza Hut and Taco Bell restaurants in Sichuan in 2021. 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 2021 was the percentage of RSPO certified palm oil in all the purchased palm oil products of Yum China in 2021.
9	Percentage of CSR Audited Critical Suppliers	Percentage of CSR audited critical suppliers of Yum China in 2021 was the percentage of CSR audited critical suppliers in all the critical suppliers of Yum China in 2021. Yum China's critical suppliers include Innovative Suppliers and Key Suppliers (excluding service suppliers, overseas suppliers, small procurement suppliers with annual procurement less than RMB 2 million yuan, IT service suppliers and headquarter suppliers).
10	Share of Women in Total Workforce	Share of women in total workforce of Yum China in 2021 was the percentage of female employees out of all employees of Yum China at the end of 2021. 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 2021, 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 2021, 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 2021 was the number of lost-time injuries per one million hours worked for employees of Yum China in 2021. The working hours are the total working hours of full-time and part-time employees directly hired by Yum China in 2021, 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 2021, 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 2021 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 2021, 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 2021. 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 2021 was the total amount of Plastic and Paper packaging usage in 2021. 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 2021.

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