2020 Sustainability Report

Creating A Responsible Ecosystem
## Remarks by Yum China CEO

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Remarks by Yum China CEO

We strive to establish a responsible ecosystem by building sustainable restaurants, creating a sustainable supply chain with partners, and building sustainable communities with all stakeholders. Easy to say, but making real-world progress involves dealing with highly complex interactions.

Joey Wat
Chief Executive Officer
Yum China Holdings, Inc.
About this Report

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

Reporting Period

The reporting period covers January 1 to December 31, 2020, though some facts and figures may fall outside of the period if necessary.

Reporting Cycle

The Report is published annually.

Reporting Scope

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

Basis of Preparation

The Report is prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards) issued by the Global Sustainability Standard Board (GSSB). It also refers to the rating requirements of the Dow Jones Sustainability Indices (DJSI), rating requirements of MSCI, 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.

Preparation Process

1. Kick-off
2. Materiality identification and update
3. Data collection
4. Opinion solicitation and review
5. Report design and translation
6. Data assurance by 3rd party
7. Report release

Data Source

Relevant information, data and cases are collected from Yum China. The Sustainability Committee has reviewed and approved the Report.

Reference

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

"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

The data on greenhouse gas (GHG) emissions (page 46), energy consumption (page 47), water consumption (page 51), and green building standards (page 53) in the Report includes data from all company-owned and unconsolidated affiliate restaurants of the KFC and Pizza Hut brands, accounting for about 84% of the total number of Yum China’s restaurants as of December 31, 2020. Other data and targets in this Report cover all business operations of Yum China.

Data and figures are shown in RMB unless otherwise stated.

In this report, description of "Yum China is the largest restaurant company in China" is based on the 2020 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 (the “Exchange Act”). 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.
Our Vision:
To Be the World’s Most Innovative Pioneer in the Restaurant Industry

Yum China is the largest restaurant company in China in terms of 2020 system sales. Our growing restaurant network consists of flagship KFC and Pizza Hut brands, as well as emerging brands such as Little Sheep, Huang Ji Huang, COFFii & JOY, East Dawning, Taco Bell and Lavazza. At the end of December 2020, Yum China had 10,506 restaurants in over 1,500 cities with over 400,000 employees.

Over the past three decades, we have built a significant lead not just in scale, but also in brand loyalty, development capabilities, innovative product offerings, industry-leading digital and delivery capabilities, a robust supply chain management system, a strong financial profile, a highly-talented workforce and a seasoned and passionate management team.

Yum China became an independent publicly traded company on November 1, 2016 on the NYSE, and was secondary-listed on the HKEX on September 10, 2020.

* As of December 31, 2020

Growth Powered by Innovation

Yum China’s vision is to become the world’s most innovative pioneer in the restaurant industry. We are dedicated to adopting innovations in our business model and restaurant operations in the areas of menu innovation, digitalization and delivery:

- introducing new menu items that meet evolving consumer preferences and local tastes;
- seeking to apply tech-enabled enhancements to provide guests with a personalized and enriched dining experience and to increase our operational efficiency across the board; and
- continuing to optimize our delivery services by creating synergies between brick-and-mortar restaurant units and delivery services, taking advantage of our extensive pioneer network in China to improve efficiency and increase margins.

We believe we are a pioneer and first-mover among restaurant brands in China in utilizing and investing in emerging digital technologies to modernize our business operations and accelerate our growth, which is critical to empower and maintain our competitive advantage in China. In recent years, we have stepped up our investment in digitalization, embarking on end-to-end digitalization of our business operations. We will continue investment in digital, technology and supply chain to fortify our competitive advantages.
### Sustainability Highlights

We prioritize and track sustainability goals and commitments in three strategic areas: Environment, Food, and People.

#### Material Topic | Goals and Commitments | Progress in 2020
--- | --- | ---
Climate Action | • Commit to setting science-based emissions reduction targets, in line with SBTi criteria | • Achieved the 10% GHG emissions reduction goal as compare to 2017 baseline ahead of schedule
| | • Reach net-zero value chain GHGs emissions by 2050 | • The total amount of GHG emissions in 2020 was 2,009,372 tons of CO₂ equivalent

Water | • Reduce average restaurant water consumption by an additional 10% by 2025, as compared to the 2017 baseline | • Reduced average restaurant water consumption by 2,710 tons, representing a 22% reduction from 2017

Packaging | • Reduce non-degradable plastic consumption by 30% by 2025, as compared to the 2019 baseline | • Used recyclable plastic materials for all newly developed plastic packaging items
| | • All customer-facing and plastic packaging is recyclable | • Saved 1,200 tons of plastic packaging by the end of 2020

Green Building | • All newly-built restaurants fully comply with the Yum China Green Building Standards | • 100% complete

Supply Chain | | • Yum China CSR audit covers all critical suppliers
| Social Impact | | • 100% complete

Supply Chain Environmental Impact | • Purchase RSPO*-certified palm oil only | • 100% of palm oil was RSPO-certified
| | • 100% of FSC**-certified paper packaging by 2025 | 
| | • Build a zero-deforestation supply chain | 

Food Safety and Quality | • Food safety and quality audits cover 100% of restaurants and logistics centers | • 100% complete
| | • Food safety and quality training and assessments cover 100% of employees in restaurants and logistics centers | 

Diversity and Equal Opportunity | • At least 50% of our employees are female. | • 64% of total workforce
| | • At least 50% of all employees who are hired, trained, promoted and retained are female. | • 59% of employees hired
| | • Over 75% of full-time jobs is offered to people with disabilities. | • 64% of employees trained
| | • 62% of employees promoted | 

Community Care | • Our employees volunteer no less than 1.5 million hours per year | • 100% complete

### External Recognition

Our ESG efforts are highly recognized.

- **Yum China** was named the *Industry Leader for the Restaurant & Leisure Facilities Industry in the 2020 Dow Jones Sustainability Indices*.
- **Yum China** was certified as a *Top Employer China for the third consecutive year by the Top Employers Institute in 2021*.
- **Yum China** was named to the *Bloomberg Gender-Equality Index (GEI)* for the third consecutive year and was the only company in mainland China included in 2021 GEI.
- **Yum China** was awarded the *Harvard Business Review Ram Charan Management Practice Award and Fighting against COVID-19 Action Award*.
- **Yum China** was selected as one of the *Top 10 Innovators on Fast Company’s Annual List for 2020*.
- **Yum China** was awarded the *Annual Responsible Exemplary Enterprise Award and Special Contribution to Poverty Alleviation Award in the 2020 Responsible Practice List*.
- **KFC China’s** “Mom Restaurants for Little Migratory Birds” program was recognized at the inaugural *UN Women China WEP (Women’s Empowerment Principles) Awards in 2020*.
- **Pizza Hut Public Reading Program** won the *2020 China CSR Excellence Award at the China Corporate Social Responsibility Summit Forum*.
- **Yum China** was awarded the *Omni-Experience Innovator and Digital Trailblazer in the Retail Industry and 2020 IDC China Digital Transformation Award*.
- **Yum China’s IoT cold chain logistics monitoring platform** won the *Smart Logistics Technological Innovation Award at the Smart Logistics Equipment Upgrade Seminar in 2020*.

* Roundtable on Sustainable Palm Oil (RSPO)
** Forest Stewardship Council (FSC)
Corporate Governance

The business and affairs of the Company are managed under the direction of the Board of Directors (the “Board”). 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 adopted Corporate Governance Principles, which are intended to embody the governance principles and procedures by which the Board functions. The Board has standing Audit Committee, Compensation Committee, Nominating and Governance Committee and Food Safety and Sustainability Committee. The committees operate pursuant to their respective written charters. Corporate Governance Principles and committee charters are available on the Company’s Investor Relations website at ir.yumchina.com.

Business Ethics

Yum China Holdings, Inc. Code of Conduct (“Code of Conduct”) was adopted to emphasize the Company’s commitment to the highest standards of business conduct. The Code of Conduct also sets forth information and procedures for employees to report ethical or accounting concerns, misconduct or violations of the Code of Conduct in a confidential manner. 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. Yum China also requires each supplier to sign the Supplier Code of Conduct to ensure that their businesses comply with all legal norms and business ethics.

We conduct conflict-of-interest checks every 6-12 months to identify and avoid misconduct that would conflict with the Company’s interests, such as related party transactions. Our internal audit function reviews and handles business ethics issues at all levels and investigate reports and complaints from all parties. We encourage our employees and suppliers to participate in building our business ethics and compliance culture. We provide employees and suppliers with various complaint and reporting channels to identify non-compliant behaviors promptly. Material business ethics incidents will be reported to the Company’s senior management and the Board.

Yum China Complaint and Reporting Channels for Non-compliance

- **Telephone Hotline**
  - China: 400-8-801-346
  - US: 1-800-241-5689

- **Web Platform**
  - Employee Complaint and Integrity Compliance Reporting System
    - www.yumchina.com/compliance
  - Whistleblowing Supplier Reporting Platform
    - www.yumchina.com/chuishaoren

- **Mail**
  - Submit directly to the relevant department or person in charge

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*Corporate Governance Policies and Practices of Yum China*

*For more information about corporate governance, please refer to the Investor Relations website of Yum China and the Yum China 2021 Proxy Statement.*
**Sustainability Management**

As China’s largest restaurant company, Yum China’s business operations have a significant economic, social, and environmental impact. The communities in which we operate increasingly expect us to integrate sustainability into business growth. We are also aware of the profound responsibilities and opportunities brought by global challenges including climate change and plastic pollution. We are committed to providing safe and nutritious food for customers and contributing to social and environmental sustainability. We spare no effort to improve the food we eat, the water we drink, and the air we breathe. Making sustainable development an integral part of our corporate strategy helps us identify sustainable development opportunities and promote product and business innovation. It also helps us to build mutually beneficial relationships with stakeholders, thereby enhancing the Company’s long-term value.

**Sustainability Strategies**

Our sustainability strategy is effectively integrated with the company’s long-term business growth strategy: “Sustainable Platform for Growth.” We focus on innovative initiatives that are scalable, sustainable and mutually beneficial for Yum China and society at large. In 2020, we revisited the material topics based upon emerging industry challenges and linked our strategic action and priorities to the UN Sustainable Development Goals (SDGs).

We strive to establish a responsible ecosystem and advance sustainability issues from our three strategic pillars: Environment, Food, and People. We drive relevant strategies, goals, and initiatives by building sustainable restaurants, creating a sustainable supply chain with partners, and building sustainable communities with all stakeholders.

In the Environmental pillar, we focus on environmental protection and our responsibilities. We devote ourselves to reducing our environmental impacts through 4R (Reduce, Reuse, Recycle, and Replace) Principles.

In the Food pillar, we are committed to providing safe, healthy, and delicious food for every customer.

In the People pillar, we focus on all stakeholders in the value chain, including our employees, customers, and the communities where our restaurants are located. We share our culture of “Fair, Care, Pride,” endeavoring to provide support and care and create a positive social impact for partners and communities in the value chain.

We are well-positioned to address emerging challenges, capture potential opportunities, and set long-term goals that are consistent with the domestic and international landscape as well as the UN SDGs.

**Sustainable Platform for GROWTH**

We CARE about our environment and minimizing our footprint

- Packaging
- Water
- Food Loss & Waste
- Climate Action
- Green Building

We CARE about our customers with safe & nutritious foods

- Restaurant Food Safety & Quality
- Nutrition & Health

We CARE about our people with “Fair, Care, and Pride”

- Occupational Health & Safety
- Human Rights & Labor Practice
- Information Security & Data Privacy
- Employee Training & Development
- Diversity & Equal Opportunity

**Corporate Governance and Culture**

- Business Ethics
- Customer Relationship Management

**Sustainable Restaurants**

- Supply Chain Environmental Impact
- Supply Chain Food Safety & Quality
- Animal Welfare
- Genetically Modified Organisms
- Supply Chain Social Impact

**Sustainable Supply Chain**

- Community Care
- Poverty Alleviation
- Public Awareness & Education
- Care For Special Groups

**Sustainable Community**

- Business Ethics
- Customer Relationship Management
Since its listing on the NYSE in 2016, Yum China has established sustainability management mechanisms all the way from the Board to the frontline restaurant teams. We have appointed a sustainability officer and established a professional sustainability team.

At the Board level, the Food Safety and Sustainability Committee assists the Board in its oversight of the Company’s practices, policies, procedures, strategies and initiatives relating to sustainability, including environmental, supply chain and food nutrition and health. The Food Safety and Sustainability Committee monitors trends, issues and concerns affecting the Company’s sustainability practices, policies, procedures, strategies and initiatives. The Food Safety and Sustainability Committee obtains reports from management as the Committee deems necessary or desirable.

Yum China 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. Working with other functions and external resources, our Sustainability Task Force will assess internal and external challenges to understand stakeholders’ concerns, develop Yum China’s sustainability action plans and promote the implementation of key projects in line with the SDGs.

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

In 2020, Yum China analyzed the correlation between our material topics and the SDGs from the strategic standpoint of our Environment, Food, and People pillars to identify how we could contribute to the SDGs on which we have the most significant impact. As a responsible company, Yum China will continue to work towards developing our targets and actions designed to support the UN 2030 Agenda.

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Materiality Assessment

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

Methodology - Materiality Assessment

In 2020, referencing to the SDGs, the GRI Standard issued by the Global Sustainability Standard Board, the three ESG ratings, DJSI, MSCI, ISS, and relevant regulatory requirements, we reviewed and analyzed the material topics identified in the previous evaluation in combination with peer best practices. We sent on-line questionnaires to stakeholders including Franchisors, shareholders and investors, the Board of Directors, management members, employees, customers, supply chain partners, franchisees, associations and NGOs with 4,400 valid responses. We concluded the final material topics after analyzing, prioritizing and verifying the results of the questionnaires.

Stakeholder Engagement

Identifying and engaging stakeholders is fundamental to Yum China’s sustainability development. We incorporate stakeholders’ expectations and focal areas into our sustainability development planning for performance improvement. Yum China uses a variety of engagement practices for eight key stakeholder groups:

<table>
<thead>
<tr>
<th>Stakeholder Groups</th>
<th>Engagement Approaches</th>
<th>Expectations and Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchisors, Shareholders, and Investors</td>
<td>Annual Shareholder Meetings, Annual and Quarterly Reports, Press Releases, Investor Conferences, Emails and Telephone Communications, Investor Survey</td>
<td>Returns on Investment, Information Disclosure, ESG Management and Performance</td>
</tr>
<tr>
<td>Governments and Regulators</td>
<td>Regular Conferences, Seminars, Written Replies to Public Inquiries</td>
<td>Food Safety and Quality, Environmental Compliance, Contribution to the Development of Healthy China, Poverty Alleviation, Industrial Development, Support Vulnerable Groups</td>
</tr>
<tr>
<td>Customers</td>
<td>Direct Communications in Restaurants, Customer Satisfaction Surveys and Feedback, Customer Service Centers, Social Media, Online Service</td>
<td>Safe, Reliable, and Delicious Food, Good Dining Experience and Food Service</td>
</tr>
<tr>
<td>Supply Chain Partners</td>
<td>Business Review Meetings, Management Team Dialogues, Employee Engagement Surveys, Supplier Visits, Supply Chain Partners Conventions</td>
<td>Business Development, Management Capability Building, Fostering Development of the Industry</td>
</tr>
<tr>
<td>Franchises</td>
<td>Business Review Meetings, Annual Franchise Conventions</td>
<td>Capability Building and Development Support, Brand Development</td>
</tr>
<tr>
<td>Associations and NGOs</td>
<td>Working Committees, Groups, and Meetings, Seminars and Lectures, Duties in Associations</td>
<td>Fostering Industry Development</td>
</tr>
<tr>
<td>Communities</td>
<td>Community Visits, Regular Dialogues, Volunteer Activities</td>
<td>Contribution to Communities Employee Volunteers</td>
</tr>
</tbody>
</table>

Yum China’s Stakeholder Engagement System
Results - Materiality Assessment

Through preliminary analysis, prioritization and verification, we have confirmed 23 key material topics in the areas of Environment, Food, and People, and defined the content and boundary of each material topic. Compared with the last materiality assessment results, we adjusted the importance of the following five issues, namely Supply Chain Environmental Impact, Climate Action, Human Rights and Employee Management, Occupational Health and Safety, Diversity and Equal Opportunity, and added two new issues, Customer Relationship Management, and Information Security and Data Privacy Protection.
Serving great tasting food is the cornerstone of Yum China’s success in China. As China’s largest restaurant company, we have made food safety a top priority since the first KFC store opened in China over 30 years ago and are committed to providing our customers with safe, nutritious, and healthy food of the highest quality. With food safety weaving through the entire value chain, we constantly adapt our management processes and use technologies to manage risks from suppliers and logistics centers to restaurants and delivery. We advocate a balanced diet and healthy eating habits, and we lead by example to contribute to nutrition and health in China through product innovation and other relevant measures. We foster healthy industry development by collaborating with various stakeholders, promoting mutually beneficial cooperation, and participating in social governance in food safety, nutrition and health.

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, Chinese Dietary Guideline (2016) and other policies and guidelines advocate balanced and nutritious diets and healthy lifestyles.

Investors have higher expectations of disclosures and information transparency for food quality, safety, and nutrition.

Customers have a growing demand for safe, healthy food, and balanced diet.

Key Material Topics Across the Value Chain

Our Goals and Commitments

Food Safety and Quality

- Food safety and quality audit covers 100% of restaurants and logistics centers
- Food safety and quality training covers 100% of employees in restaurants and logistics centers
Our Management Approaches

Building a Value Chain that Protects Food Safety

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

Our Roadmap

Management Across the Entire Value Chain: We embed food safety and quality management from upstream suppliers, suppliers through logistics centers to restaurants and delivery, paying special attention to key trending issues.

Preventing and Mitigating Risks: We have established a risk monitoring and advance alert mechanism on regulation and policy changes and industry risks, and to mitigate risks through preventive actions.

Technology Enabled Food Safety Management

IFS: Intelligent food safety risk detection and control using Knowledge Graph of Artificial Intelligence (AI) technology.

eQA: Online food safety management system from farm to fork.

IQA: End-to-end quality management processes digitalization, real-time data connectivity, risk detection and rectification.

IoT: Cold Chain Monitoring: Cold chain logistics real-time monitoring to protect last-mile food safety.

Multi-dimensional Product Innovation

Product Innovation: Customer needs drive our food innovation effort to continuous create and to increase choices of products, flavors, and categories. Build new brands and channels.

Upgrading Recipe: We follow the ‘three reductions’ principle to optimize products formulation critical to a healthy diet.

Cooking Methods: We use multiple cooking methods to ensure premium flavor and consistent quality, and to provide wider food choices for our customers.

Abundant Ingredients: We aim for a balanced meal option with increased use of ingredients such as cereals, fruits, and vegetables.

Kids Meals: We offer nutritionally balanced meals through the combination of different ingredients.

Active Promote Industry Development

Contributing to the Industry: We promote industry development by taking up key roles in industry associations, participating in conferences and sharing our expertise.

Regulatory and Standard Recommendations: We provide professional opinions on food-related laws and regulations, participate in the development of relevant industry group standards.

Partnering with Institutions: We collaborate with scientific institutions such as China Nutrition Society (CNS), to set up Dietary Health Foundation, support scientific researches, and promote dietary health.

Material Topics

Our Directions

Progress in 2020

Restaurant Food Safety & Quality

Implement standardized food safety system at every restaurant

Conducted over 16,200 Operations Excellence Compliance (DEC) on restaurants throughout China

Conducted 3,690 product checks on key menu items in restaurants

Microbiological testing of nearly 71,000 samples in restaurants

Supply Chain Food Safety & Quality

Ensure suppliers and upstream suppliers comply with relevant laws, regulations and Yum China food safety standards

Conducted over 400 food safety and quality audits, and over 200 unannounced inspections on suppliers

Conducted food safety sampling tests on over 300 key raw materials, involving 144 suppliers

Nutrition and Health

Diversify menus with more choices of delicious and nutritious food

We purchased over 55,000 tons of fruits and vegetables in 2020, up 5.8% from 2019

KFC, Pizza Hut and Taco Bell introduced plant-based protein products

In 2020, we launched about 500 new or upgraded products

Animal Welfare

Continuous improvement of animal welfare in our supply chain and in the industry

Established a series of Yum China Animal Welfare Policies and implemented animal welfare audits for broiler breeding and slaughtering

Genetically Modified Organism

Ensure regulatory compliance

Closely monitor China GMO-related policies and regulations, and require suppliers to comply

Public Awareness and Education

Promote food safety management, support education and research in the restaurant industry, and build public awareness of food safety, nutrition, and healthy diet

In 2020, Yum China participated in and contributed to 23 food safety related regulations and standards

The China Nutrition Society (CNS) /Yum China Dietary Health Foundation supported 7 projects
Building a Value Chain that Protects Food Safety

As the largest restaurant company in China, Yum China is committed to food safety assurance, covering suppliers, logistics, restaurants, and delivery. We have developed a comprehensive food safety management system and work with upstream and downstream business partners to build a multi-tier food safety culture in our endeavor to provide consumers with food they can trust.

Yum China adopts a management mechanism ranging from the Board of Directors/Food Safety and Sustainability Committee to functional management teams. This mechanism supervises the development and effective implementation of food safety management processes and standards.

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 consumers with safe food. We take on additional social responsibilities; to play a leading and exemplary role in the industry.

Holistic Governance and Oversight

Yum China’s corporate culture places a high emphasis on food safety. Internally, we build and improve employee and franchisee food safety awareness through food safety training, assessment, as well as reward and penalty mechanisms. Externally, we champion a food safety culture among our suppliers and guide them to integrate food safety philosophy into their employees’ conduct, laying a solid foundation for food safety management.

Yum China Food Safety Culture

We see to it that every employee identifies with the value of food safety and takes concrete actions to uphold that value. We require new employees to read and sign Yum China Code of Conduct Confirmation Letter (applicable to restaurant employees), and Employee Manual Confirmation Letter (applicable to restaurant employees), to take online courses on food safety, and to understand food safety laws and regulations and food safety policies and requirements of Yum China.

As restaurants operation play a key role in protecting food safety and implementing safety requirements, we require new restaurant employees to watch the video on employee compliance, to take online courses on food safety, to undergo stringent on-job training and to follow Yum China’s food safety operation standards. Existing restaurant employees are required to take online food safety assessments every year.

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 2020, the supply chain had more than 1,300 professionals.

Yum! Brands / Yum China Audit Teams

- Food safety/quality audit
- Restaurant duty manager inspections
- District manager patrol inspections
- Food safety quality audit

Yum China Food Safety Advisory Committee

Experts from various fields are invited to share best practices to drive continuous improvement of Yum China’s food safety management processes.

Board of Directors / Food Safety and Sustainability Committee

- The Board of Directors oversees the Company’s risk management framework
- Food Safety and Sustainability Committee under the Board of Directors
- Established in 2017 and currently comprising four directors assisting the Board of Directors in its oversight of the Company’s food safety and sustainability related practices, programs, processes, and initiatives

Compliance Oversight Committee

- The committee comprises leaders from multiple functions, such as Legal, Supply Chain Management, Public Affairs, Information Technology, Finance, and Human Resources
- The committee meets regularly to assess risks, monitor internal controls and determine strategy/approach to promote compliance

Supply Chain Management Team

- Supply Chain Risk Assessment Meeting: Comprising members from Quality Assurance, Food Safety, Procurement Management, and when necessary, involve other functions
- Assess risk in areas such as suppliers, logistics, restaurants and formulate preventive measures

Quality Assurance Team

- Conduct food safety audits on suppliers, logistics centers and restaurants

Brand Restaurant Operation Teams

- Restaurant duty manager inspections
- District manager patrol inspections

Yum! China Sustainability Report 2020
In 2020, Yum China established the Quality Assurance Management Institute, which is a comprehensive and systematic food safety and quality training platform to develop our talent pipeline and foster professional quality management skills among our supply chain team members. We provide technical and professional consultation for suppliers and industry peers upon request to improve their management expertise and leadership.

**Supplier Food Safety Culture**

Yum China incorporates food safety culture into the Yum China Food Safety and Quality Audit and the Yum China Supplier Manual, requiring suppliers to establish food safety culture programs and commit to implementing and maintaining food safety culture at all levels. In 2020, we conducted over 20 quality management seminars to drive food safety and quality philosophy, to interpret regulations and standards, and to share best practices. The seminars also covered trending issues such as intelligent quality control, processes innovation, and effective crisis management protocol, to improve suppliers’ management capabilities and raise productivity.

**Management Across the Entire Value Chain**

Yum China focuses on the protection of food safety across the entire value chain. We apply advanced management concepts and technologies from suppliers and logistics centers to restaurants and delivery to build trust in every bite.

**Supplier Management**

We require our suppliers to follow relevant national laws, regulations, and standards to ensure product compliance and food safety, and to meet product specifications and management requirements as agreed in the contract with Yum China. Working together with suppliers, we strive to fulfill our food safety commitment from ‘farm-to-fork’.

Franchises are Yum China’s critical business partners. In light of this relationship, we request and guide them to develop food safety culture in their organizations. Upon joining Yum China, franchises must sign the Franchise Policy Manual and commit to comply with the Operations Manual, Yum China’s Code of Conduct and safety and health standards. We conduct food safety training for each franchise on food safety laws and regulations, Yum China’s food safety policies, raw material standards, and restaurant food safety management.

In 2020, Yum China conducted over 20 quality management seminars.

- **Food Safety Live-streaming Classes**
  
  In 2020, the Quality Assurance function launched live-streaming classes, with over 200 live broadcasts on 12 major topics throughout the year, covering more than 25,000 employees. The company also conducts online food safety assessments twice a year, with participants exceeding 600,000 restaurant employees count. By linking the OEC to the performance of the restaurant management team, we reinforced the implementation of food safety responsibilities among restaurant operation team members.

- **Supplier Assessments**
  - Yum China adopts rigorous vetting processes for new suppliers by conducting risk assessments, qualifications checks, and factory approval audits. We conduct regular reviews to verify whether the suppliers’ food safety and quality management systems meet our requirements. In 2020, we conducted about 400 food safety and quality audits and over 200 unannounced supplier inspections.
  - In 2020, we updated Yum China’s Supplier Tracking Assessment and Recognition (STAR) audit standard 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. The updated quality audit standard will be fully implemented in 2021.

- **Supplier Performance Evaluation**
  - Yum China has developed a comprehensive management system to regularly assess suppliers’ performance in food safety and quality. Based on the assessment results, we grade suppliers as T1, T2, T3, and T4, with T1 being the best tier. We reward T1 suppliers with incentives and provide coaching and support to T2 and T3 suppliers to improve their management capabilities. We suspend supplies or terminate contract with T4 suppliers, and these suppliers will only be allowed entry after vetting processes similar to new suppliers. For suppliers of raw materials with lower food safety risks (such as some ambient products and seasonings), we require them to obtain GFSI certification and/or assessment for food safety and regulatory compliance. We conduct quarterly reviews of supplier performance, formulate measures for suppliers to drive continuous improvement.

- **Supplier Capability Building**
  - Yum China is committed to transferring advanced food safety and quality management practices and expertise to suppliers. For over 10 years, we have offered STAR and other technical training to our suppliers to help improve their technical and management skills in areas such as food safety, farming techniques, animal welfare, production quality management, processes control, and regulatory compliance.

- **Food Safety Sampling and Inspection**
  - In addition to suppliers’ self-testing, Yum China develops annual raw material sampling plan and conducts random tests to ensure compliance with relevant standards. In 2020, our sampling tests covered 106 food categories from over 144 suppliers, including over 300 main raw materials such as vegetables, fruits, meat products, aquatic products, and food packaging products.

- **Upstream Supplier Control**
  - Yum China requires its suppliers to establish effective processes for upstream suppliers’ approval and control, to comprehensively identify and effectively control the risks associated with food safety of their raw materials.
  - Poultry is an important raw material category for Yum China. We invested enormous effort in building a holistic control system for the broiler industry, from breeding to slaughtering and meat processing. We grade upstream suppliers’ performance through unannounced farm inspections and raw material food safety monitoring tests. We have developed an electronic farm information system to register and monitor veterinary drugs and Yum China approved poultry farm information.
  - For fruit and vegetable materials, we are working with our suppliers to build a sustainable agricultural eco-system and to drive improvements of farm management system. We require farmers and producers to implement systematic control measures, to effectively prevent potential food safety issues starting from the selection of planting locations, safety of soil and water, planting techniques, pesticide management, and prudent and responsible use of fertilizer.
  - In 2018, we took the lead to promote the implementation of Yum China GAP (Good Agricultural Practice) in our vegetable bases, and had 100% coverage in our butterhead lettuce bases by the end of 2020. We are rolling-out GAP to other vegetable bases.

- **Sampling and Assessments**
  - In 2020, Yum China conducted over 200 unannounced supplier qualifications checks, and factory approval audits. We conduct regular reviews to verify whether the suppliers’ food safety and quality management systems meet our requirements. In 2020, we conducted about 400 food safety and quality audits and over 200 unannounced supplier inspections.
  - In 2020, we updated Yum China’s Supplier Tracking Assessment and Recognition (STAR) audit standard 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. The updated quality audit standard will be fully implemented in 2021.

- **Management Across the Entire Value Chain**
  - In 2020, Yum China established the Quality Assurance Management Institute, which is a comprehensive and systematic food safety and quality training platform to develop our talent pipeline and foster professional quality management skills among our supply chain team members. We provide technical and professional consultation for suppliers and industry peers upon request to improve their management expertise and leadership.
Logistics Management

With an advanced logistics system, enterprise management team and comprehensive distribution network, Yum China has the expertise to provide world-class logistics services for restaurants to protect food safety. By the end of 2020, we operated 25 logistics centers and 7 consolidation centers, forming a multi-temperature distribution network combining trunk and city distribution with product batch traceability from suppliers, logistics centers and restaurants. Yum China conducts regular audits and daily inspections of logistics service providers (including warehousing and transportation) to verify that their food safety and quality management systems meet our requirements. In 2020, we conducted about 180 food safety and quality audits and over 1,700 daily inspections for warehousing and transportation service providers.

Restaurant / Delivery Management

Yum China has established industry-leading processes to ensure that each restaurant implements consistent standards for food safety, quality, and taste. These processes cover raw material receiving, food and ingredient storage, shelf-life management, raw material thawing, cooking, personal hygiene, utensil and equipment cleaning and disinfection. During business hours, the restaurant duty manager and the area manager check the execution of food safety related standard and measures.

Yum China conducts risk assessments at its restaurants every year to identify potential food safety and quality risks, and takes effective measures to mitigate risks and eliminate hazards. We conduct risk assessments for new products, new restaurants layouts, equipment, and store operation to ensure compliance with food safety and quality requirements.

Delivery orders are placed through our own platforms and third-party aggregators. We use our own dedicated riders to deliver orders exclusively for KFC or Pizza Hut stores. We have a comprehensive delivery management system covering product preparation processes, delivery time limits, food protection during delivery, and equipment cleaning and maintenance. We also require third party service providers to protect food safety by signing the Commitment on the Food Safety and Quality Practice of Delivery Food, which provides clear requirements for areas including regulatory compliance, personnel management, food preparation requirements, and delivery facilities and equipment.

Restaurant Risk Control

Delivery Operation Management

The Quality Assurance function conducts regular unannounced OEC 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 2020, the Quality Assurance function performed over 16,200 OEC, approximately 3,690 quality assessments on key products, and microbiological tests on nearly 71,000 samples.
Industry Trending Issues

Yum China’s social responsibility includes providing animals with the necessary welfare ensuring their healthy growth, promoting sustainable development in the agriculture sector, and providing consumers with high-quality animal protein products. We have built a collaborative platform comprising industry experts, associations, farming and food manufacturers, and subject matter experts from upstream and downstream industries to exchange ideas and share best practices on animal welfare improvement and management. Based on internationally recognized animal welfare principles, the “Five Freedoms”, and in compliance with Chinese laws and regulations, we have compiled and established a series of Yum China Animal Welfare Policies, incorporating national conditions and industry characteristics, and implemented animal welfare audits for broiler farming and slaughtering.

“Five Freedoms” for Animal Welfare
1. Freedom from hunger, thirst and malnutrition;
2. Freedom from fear and distress;
3. Freedom from physical and thermal discomfort;
4. Freedom from pain, injury and disease; and
5. Freedom to express normal patterns of behavior.

Starting in 2016, Yum China studied antimicrobial drug use trend 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 to withdraw all forms of growth-promoting drug additives in feed (except traditional Chinese medicine as growth-promoting agents in broiler feed), we worked with our domestic broiler suppliers to be in full compliance ahead of the required deadline.

Since 2018, Yum China has developed a control program for domestic broiler suppliers to gradually reduce the use of other antimicrobial drugs by promoting scientific breeding, judicious use of veterinary drugs, and observing optimal intervals between doses.

Prevention of foodborne illnesses has always been an essential concern for the industry. With the release of the Environmental Pathogen Monitoring Standard, we guided our suppliers to establish preventive food safety programs, implement environmental pathogenic bacteria surveillance plans, verify factories’ hygiene operation procedures and effectiveness of preventive controls, and shift the focus of hazard analysis from finished product tests to proactive environmental monitoring.

The management of food additives used by suppliers is also critical to Yum China. Relevant measures include:
- Suppliers must provide documentary evidences that the food additives in their products comply with national standards
- Reminding suppliers of new food laws, regulations, and standards to drive full and timely compliance
- Conducting sampling tests on relevant food materials to monitor compliance in the use of food additives

Yum China pledges to promote industry development and to constantly explore advanced agriculture management techniques with suppliers. We drive the implementation of Yum China GAP (Good Agricultural Practice) in upstream vegetable farms, develop a strict pesticide residue monitoring system and conduct regular pesticide residue tests on raw materials to ensure compliance with relevant national laws and regulations.

Yum China respects and supports Chinese agricultural development policies and complies with the relevant regulations issued by the Chinese government on the safety evaluation, approval, and management of genetically modified agricultural products. We will continue to follow new developments in international research on genetically modified organisms and foods, along with relevant regulations and standards. We require our suppliers to provide raw materials in compliance with all national regulations.

Preventing and Mitigating Risks

As a result of continuous efforts from the government, industry and society, the overall environment for food safety in China has improved considerably in recent years. That being said, the large and complex food supply chain means that potential risks remain.

Yum China has developed a unique and advanced food safety risk management principle that combines our years of management experience with use of technology. We define control points spanning suppliers, including upstream suppliers, logistics centers, restaurants, government inspection and consumers. We take preventive measures through information monitoring, risk identification, risk classification and risk assessment.

By continuously monitoring industry emerging issues, Yum China remains vigilant on key challenges, creates supply chain management strategies, and identifies opportunities for improvement.

We actively follow national and local food related laws and regulations, as well as governing authorities’ actions. After due analysis, we develop guidelines for implementation of new and updated regulatory requirements within the company. In 2020, the Food Safety Office followed up regulatory moves with over 60 internal notifications, a best practice critical to ensure regulatory compliance.

Yum China Sustainability Report 2020
We have made significant investment towards building an industry leading intelligent and digitalized supply chain. The use of cutting-edge technologies has allowed us to combine traditional control measures such as sampling audit, post audit rectification, performance assessments with technology enable real-time data collection and analysis, key processes visibility and deviation rectification to improve efficiencies and timeliness of Yum China’s food safety management.

## Technology Enabled Food Safety Management

In 2020, we codified Yum China’s more than 30 years of food safety and quality management experience, and integrated internal and external food safety big data to create the iFS. iFS is a scientific and machine learning based artificial intelligent tool that can significantly improve our ability to identify and classify potential risks. This system uses technologies and algorithms including Knowledge Graph, natural language processing, and named entity recognition. The system includes 8 functional modules, with unique capabilities in risk alert and assessments. As an illustration, 2 of the key functional modules are:

### Risk Alert:
This module monitors data including government tests, administrative penalties, media exposure, animal pandemics, and changes of laws and regulations on a daily basis. It then classifies relevant data by category, level of impact, and cross-reference to our supply chain data to identify potential risk.

### Risk assessments:
This module is used in four areas, namely: new suppliers, new products, new / existing suppliers with new products, and existing suppliers with existing products. It evaluates risks holistically and generates risk assessment reports within seconds with visualizations of risk and related information.

Yum China’s eQA enables online management of the entire process from farm to fork, which covers management of food safety and quality for upstream suppliers, suppliers, logistics centers, and restaurants on an integrated system. eQA is also capable of automatic verification of regulatory compliance for food additives used in raw materials for new products. As a data integration platform for food safety and quality management, it significantly improves our ability and efficiency to manage suppliers and their products.

### End-to-end digitalized quality management system linking key production data

iQA is a key element of Yum China’s vision of building an intelligent end-to-end supply chain that links key production data from suppliers’ plant to Yum China’s system. It divides the production process into seven data modules, defines control points within each module, and key data are transmitted to the system in real time during production cycle. In doing so, we realize our goal of data interconnectivity and visibility, intelligent real-time data collection, timely deviation rectification and efficient traceability of raw material in the value chain.

### IoT cold chain monitoring with complete network coverage

Real-time product temperature monitoring in the logistics cold chain is crucial to guarantee cold chain integrity and to reduce energy consumption, which has been a persistent challenge for the industry.

Yum China logistics has built a complete cold chain temperature monitoring system, relying on IoT, big data, cloud computing, and other cutting-edge technologies. From real-time temperature monitoring in warehouses and compressors to real-time temperature monitoring of products in transit and vehicle conditions, our 7x24hr round the clock digitalized cold chain management system is actively using technology to safeguard food safety.
Balanced nutrition is becoming an important consideration for food consumption. We are committed to offering delicious and nutritious food choices to our customers as well as to promote a balanced and healthy diet. In this endeavor, we are constantly researching into food innovation, upgrading our products offerings with recipe changes, using ingredients combination and multiple cooking methods and enhancing kids meal nutrition, all while maintaining the quality and taste our customers expect.

Based on market feedback, we develop products for different meal categories to enrich our menu choices and to constantly update our product offering. From breakfast, lunch, and dinner, to afternoon tea and take-out, from main dishes, drinks, and desserts, to snacks and salads, we cover a variety of dining scenarios to meet customers’ needs.

We launch limited-time new products throughout the year according to seasons and festivals. We improve restaurant operation efficiencies with unmanned food carts and intelligent pick-up cabinets, combining technological innovation with daily operation. We continue to invest for growth by introducing new brands and building new sales channels, and to respond to customers’ evolving preferences. We opened the first Lavazza coffee store in China, as well as welcoming Huang Ji Huang (a leading simmer-pot restaurant brand) into the Yum China family. We also launched new categories including K-Coffee retail (e.g. concentrated coffee, instant coffee and coffee-tea beverage) and Pizza Hut retail (e.g. frozen ready to cook steak).
Upgrading Recipe

While satisfying customers’ desire for great taste and flavor, we proactively explore ways to improve the nutritional value of our products. We adhere to “three reductions” principle by reducing the use of salt, sugar, and oil in new products where possible. We also conduct repeated sensory tests for salinity, sweetness, and texture to ensure the products’ taste.

Three Reductions

Reduce Salt
Reduce Sugar
Reduce Oil

For regular products, we conduct sensory tests and adjust the ratio of salt, sugar, and oil in our formulas where possible. In 2020, Pizza Hut reduced the sugar content of some products. For example, removed sugar from Premium Silky Milk Tea. KFC eliminated about 118 tons of salt from 2018 to the end of 2020 by optimizing ingredient usage in products such as bread. KFC also offers non-sweetened milk, sugar-free and fibre-rich Pepsi, as well as hot coffee beverages with sugar packs provided upon request.

Cooking Methods

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

Abundant Ingredients

High-quality food can only be made with high quality ingredients. We increase the use of grains, fruits and vegetables, beans, and nuts to create balanced food choices through ingredients mix and match.

In 2020, Yum China added fruit and vegetable ingredients such as strawberry, pineapple, enoki mushroom and green soybean, with annual fruit and vegetable purchases exceeding 55,000 tons, an increase of 5.8% from 2019.

We are witnessing an emerging trend on plant-based products and are responding to customers need in that category. In 2020, China KFC, Pizza Hut and Taco Bell launched various plant-based products, e.g. plant-based beef burgers and chicken nuggets for KFC, plant-based beef burger for Pizza Hut and plant-based beef and pork tacos for Taco Bell.

Kids Meals

Children’s food nutrition is one of key focuses of the society. In 2017, the Chinese Nutrition Society released the Nutrition Guidelines for Meals Offered by the Restaurant Industry to School-Age Children (the “Guidelines”). The Guidelines specify that children eating out will consume more energy, fat, added sugar and sodium but less dietary fiber, vitamins, and minerals. To address this issue, the kids meals in KFC follow the Guidelines and use a variety of ingredients such as eggs, tomatoes, corn sticks, and milk to offer balanced diet.
Actively Promote Industry Development

As a responsible company, Yum China partners with suppliers and relevant stakeholders to promote social governance. Yum China follows government’s lead to foster social progress by supporting public education of food safety and nutrition.

Yum China is involved in the sustainable development of the food industry through active participation in industry associations, bringing our expertise to industry conferences and seminars, and sharing our technical and management know-how.

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. We collaborate with these associations to promote food safety and develop standards.

In 2020, we shared our experiences and practices in food safety and supply chain risk management adapting to the new norm at industry conferences such as the National Animal Health and Food Safety Innovation Alliance, China International Food Safety and Quality Control Conference, and Consumer Goods Forum China Day.

Yum China also participated in special topic research related to food safety, including Food Safety Traceability Regulations/Standards Collection and Analysis Report by GFSI, and Research Report on the Application of Laws to Implement the Main Responsibility of Food Production and Business Operators - Research on the Application of Article 136 of the «Food Safety Law» by China Chain Store & Franchise Association.

Contributing to the Industry

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. This includes supporting the China Animal Agriculture Association to draft and develop animal welfare standards for broilers and egg chickens.

Regulatory and Standard Recommendations

In 2020, Yum China participated in providing feedback on 15 laws, regulations, and national standards. These included food safety-related standards, quality and safety supervision-related regulations, and packaging-related specifications. We also contributed to eight industry and group standards covering areas including green catering, delivery and supply chain management.

Partnering with Institutions

The China Nutrition Society (CNS)-Yum China Dietary Health Foundation is a joint project established by the CNS and Yum China. It supports scientific research projects in restaurant nutrition and health, focusing mainly on dining out and urban resident health. By 2020, the Foundation has funded over RMB 19 million for over 80 scientific research projects.

Based on rigorous assessment and evaluation, the Foundation shortlisted seven projects among 50 applications in 2020, including research projects on menu portions and low-sodium processing technologies, to promote health and nutrition innovation in the catering industry.
Environmental issues such as climate change, deforestation, and pollution are growing challenges associated with societal development. As the largest restaurant company in China, environmental protection is a duty to be resolutely undertaken by Yum China. We strive to reduce the environmental impact of our business activities and incorporate sustainability into the daily operations of our restaurants, focusing our effort on climate action, water conservation, green building, use of sustainable packaging, waste management etc. We collaborate with supply chain partners to pursue a more sustainable business model and eventually fulfill our sustainability commitments to the global ecosystem. We take sustainable actions to address the challenges of climate change and make every effort to reduce our supply chain environmental impact. We are embarking on an ambitious journey to reach net-zero value chain GHGs emissions by 2050 and to drive towards zero-deforestation supply chain to contribute to environmental protection and make Yum China more sustainable.

**Key Material Topics Across the Value Chain**

**Sustainable Supply Chain**
- Upstream Suppliers
  - Supply Chain Environmental Impact
  - Climate Action
- Suppliers
  - Supply Chain Environmental Impact
  - Climate Action
- Logistics
  - Climate Action
- Restaurants
  - Climate Action
  - Packaging
  - Food Loss & Waste
  - Water
  - Green Building

**Our Goals and Commitments**

**Climate Action**
- Commit to setting science-based emissions reduction targets, in line with SBTi criteria
- Reach net-zero value chain GHGs emissions by 2050

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

**Packaging**
- 30% reduction on non-degradable plastic packaging weight by 2025 as compared to the 2019 baseline
- All customer-facing plastic packaging is recyclable

**Green Building**
- All newly built restaurants comply with the Yum China Green Building Standards

**Supply Chain Environmental Impact**
- Only purchase RSPO-certified palm oil
- 100% of FSC-certified paper packaging by 2025
- Drive towards zero-deforestation supply chain
Our Roadmap

**Our Management Approaches**

**Honoring Environmental Commitments and Promoting Climate Action**

**Environmental Management Principles:** Developed the Yum China Environmental Management System and determined the 4R Principles – Reduce, Reuse, Recycle, and Replace.

**Climate Action:** Climate action tops the Sustainability Committee’s agenda for active identification, analysis, and control of climate-related risks. We are committed to setting science-based emissions reduction targets in accordance with the Paris Agreement*.

**Practicing Green Operations to Build Green Restaurants**

**Energy Efficiency Management:** Set energy-saving goals and performance KPIs. Use energy-saving technology and lean management processes to improve energy efficiency in restaurants, logistics, and warehouses.

**Water Management:** Analyze the water risks across our operational locations with World Resources Institute (WRI) tools. Promote the use of updated and upgraded water-saving equipment in our restaurants.

**Waste Management:** Explore innovative waste reduction methods at the point of use. Ensure proper waste disposal and identify recycling opportunities.

**Green Building:** Develop the Yum China Green Building Standards; integrate green concepts into restaurant design and minimize the environmental impact of restaurant construction.

**Partnering with Suppliers to Build a Sustainable Upstream Ecosystem**

**Sustainable Agricultural Commodities:** Drive towards zero-deforestation supply chain and continue to drive sustainable sourcing of commodities including palm oil, soy, cattle and timber.

**Packaging Management:** Formulate Yum China Packaging Strategies and adhere to our 4R principles during packaging design, use, and disposal.

**Plastic Reduction:** Respond to the national plastic ban by reducing the use of non-degradable plastic products, and replacing environmentally unfriendly plastic products with degradable ones.

**Promoting Sustainable Packaging with Innovative Green Design**

**Material Topics**

**Our Directions**

**Progress in 2020**

- **Climate Action**
  - Set science-based emissions reduction targets, analyze and assess climate change risks, develop clear energy efficiency management systems, establish specific performance indicators, and track carbon footprints.
  - Preparing for setting science-based GHG emissions reduction targets.
  - Fulfilled our goal of reducing average restaurant GHG emissions by an additional 10% by 2025 as compared to the 2017 baseline ahead of time.
  - Saved approximately 20,400 MWh electricity through the use of innovative equipment and energy management system.

- **Water**
  - Analyze regional water resource risks, promote the application of water-saving technologies and equipment, and strengthen water management.
  - Use WRI tools to analyze water risks.
  - Installed over 700 dishwashers across the country, saving 0.9 ton of water per restaurant per day.

- **Food Loss & Waste**
  - Reduce food waste and used cooking oil and other waste at the point of use, classify waste generated during restaurant operations and seek waste recycling opportunities.
  - Installed assorted waste bins in restaurants in 46 key pilot cities.
  - Piloted Food Bank project in 5 cities.
  - Promoted used cooking oil recycling. Converted 701 tons of used cooking oil into biodiesel in Chengdu restaurants.

- **Green Building**
  - Practice the principle of sustainable raw material procurement, set a zero-deforestation target, analyze and identify potential environmental risks such as deforestation in the supply chain, and strengthen the management of traceability in the upstream supply chain.
  - 100% of palm oil purchased certified by RSPO.
  - Improve soy raw material traceability.
  - Set a goal of 100% of FSC certified paper packaging by 2025.

- **Supply Chain Environmental Impact**
  - Drive for reduction of disposable packaging, and promote the use of reusable and eco-friendly packaging materials.
  - Reduced the weight of 59 disposable packaging items, saving over 8,000 tons of paper and 1,200 tons of plastic.
  - Stopped using non-degradable plastic straws in all Yum China restaurants in mainland China.
  - Used paper bags or biodegradable plastic bags in restaurants in 36 cities.
  - 100% of new plastic packaging items used recyclable materials.

*The Paris Agreement is committed to limiting global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.
Honoring Environmental Commitments and Promoting Climate Action

Environmental responsibility is deeply integrated into Yum China’s value chain. We drive for a balance between economic and ecological benefits and take every effort to minimize environmental impact. In compliance with the Environmental Protection Law of the People’s Republic of China, the Opinions on Further Strengthening the Management of Plastic Pollution, and other relevant national laws and regulations, we continuously develop relevant internal policies such as the Yum China Environmental Management System. We proactively incorporate 4R Principles and green philosophy into our value chain to address global environmental challenges such as climate change.

Sustainability 4R Principles

We are committed to using less energy and natural resources to minimize our environmental footprint. As part of our sustainability strategy, we develop and implement the 4R Principles (Reduce, Reuse, Recycle, and Replace) to guide initiatives across our value chain including raw material sourcing, logistics and warehousing, restaurant operations, and delivery services.

Promoting Climate Action

As the largest restaurant company in China, we promote energy saving and GHG emissions reduction in our operations, and respond to China’s commitment to peaking carbon dioxide emissions and achieving carbon neutrality. We are committed to supporting the Paris Agreement by setting science-based emissions reduction targets and driving for a net-zero value chain GHGs emissions target by 2050.

As the largest restaurant company in China, we promote energy saving and GHG emissions reduction in our operations, and respond to China’s commitment to peaking carbon dioxide emissions and achieving carbon neutrality. We are committed to supporting the Paris Agreement by setting science-based emissions reduction targets and driving for a net-zero value chain GHGs emissions target by 2050.

Climate action is a material topic for Yum China. It is regularly reviewed by the Sustainability Committee and reported to the Food Safety and Sustainability Committee of the Board. We also include climate-related KPIs in performance evaluations of leadership team members.

In line with the Sustainability Strategy and the 4R Principles, we identify potential climate risks and opportunities covering both low-carbon transition risks and physical risks, with reference to the climate risk framework provided by the Task Force on Climate-related Financial Disclosures (TCFD). We established a management system with specific performance indicators to achieve energy-saving and emissions reduction targets and we track progress regularly. We also conduct extensive communication, sharing, and cooperation with supply chain partners to promote climate action. We include suppliers’ energy saving and emissions reduction performance in our supplier Corporate Social Responsibility (CSR) audit assessment criteria. We also encourage suppliers to build energy efficiency management systems to track and record their energy and resource consumption, and to apply energy-saving and emissions reduction technologies and facilities.

On June 8, 2021, we officially announced that we have signed and submitted the Business Ambition for 1.5°C Commitment Letter to the Science Based Target initiative (SBTi). We are committed to setting science-based emissions reduction targets, demonstrating our commitment to climate action and support of the Paris Agreement goal to limit global temperature rise to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

We are in the process of tracking and surveying GHG emissions for our entire value chain covering our own operations, upstream, and downstream, to establish a GHG emissions inventory in preparation for setting emissions reduction targets in line with SBTi criteria. We are striving to achieve the 2050 net-zero value chain GHGs emissions commitment through technology innovation and management reinforcement.
Note: We calculated direct (Scope 1) GHG emissions based on the usage of refrigerant in restaurants according to ASHRAE 2017 Fundamentals Handbook and IPCC AR5 (2013). We calculated energy indirect (Scope 2) emissions based on electricity consumption according to Baseline Emission Factors for Regional Power Grids in China 2017.

We are proud to share that we completed our goal of “additional 10% reduction in average restaurant GHG emissions by 2025 as compared to the 2017 baseline” ahead of time. In the near future, we will follow SBTi criteria to set more aggressive science-based emissions reduction targets. While driving for energy saving and emissions reduction in our own restaurants, we will start with data tracking and management of the GHG emissions in our supply chain to establish a complete management system for the entire value chain. We are in the process of developing a roadmap for GHG emissions reduction to achieve the science-based targets.

### Table: GHG Emissions of Yum China (2018-2020)

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct (Scope 1) GHG Emissions</th>
<th>Energy Indirect (Scope 2) GHG Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>135,615</td>
<td>1,937,797</td>
</tr>
<tr>
<td>2019</td>
<td>114,220</td>
<td>1,966,072</td>
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<tr>
<td>2018</td>
<td>106,793</td>
<td>1,923,391</td>
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</table>

### Table: Energy Consumption of Yum China (2018-2020)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Electricity Consumption</th>
<th>Average Restaurant Electricity Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2,760,671</td>
<td>304</td>
</tr>
<tr>
<td>2019</td>
<td>2,701,997</td>
<td>312</td>
</tr>
<tr>
<td>2018</td>
<td>2,814,731</td>
<td>315</td>
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</table>

### Practicing Green Operations to Build Green Restaurants

Sustainable development is deeply ingrained in our business operations. We explore energy-saving and environmental protection solutions in all aspects of restaurant design, construction, operations, logistics, and delivery services. Guided by our 4R Principles, we drive to reduce our environmental impact and natural resource consumption.

#### Energy Efficiency Management

Our strong equipment innovation capability and effective management practices help us to reduce energy consumption and GHG emissions in daily operation. This is a company-wide endeavor to achieve our energy-saving targets. We assess management team members and Restaurant General Managers on their performance against relevant KPIs.

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We are in the process of developing a roadmap for GHG emissions reduction to achieve the science-based targets.
**Energy Efficiency - Restaurant Operations**

We continuously upgrade equipment and facilities in our restaurants with advanced technologies for energy saving and emissions reduction. In addition to conventional energy-efficient equipment including kitchen cooking fume exhaust control systems, heat pump water heaters, high-efficiency DC air conditioning systems, and LED lighting, we also innovate in digital, automatic, and intelligent restaurants for further energy efficiency improvement.

In 2019, Yum China introduced the VTA* system in newly built and remodeled restaurants. The system can monitor real-time CO₂ intensity and automatically control fresh air volume to reduce air conditioning energy consumption while ensuring a comfortable environment. In 2020, the system was installed in over 700 restaurants with electricity savings of 6,000 MWh.

We also used advanced technologies including IoT, big data, and AI to drive additional kitchen efficiency improvement. We piloted 20 IoT-based intelligent restaurants in Harbin, Shenyang, Wuhan, Hangzhou, and Shenzhen starting in February 2020, saving 5% of electricity consumption in each restaurant. Plans are in place to roll out this initiative.

*Value-added Technology Application

**Energy Efficiency - Logistics and Warehousing**

We explored opportunities to reduce energy consumption and GHG emissions in logistics and warehousing. We developed the Transport Management System (TMS) to optimize the distribution network and route planning throughout the country, optimize vehicle loading rates, and shorten delivery mileage. We have also explored opportunities to use New Energy Vehicles (NEVs) for refrigerated transportation and power our fleets with renewable energy. We have operated small NEV fleets on a trial basis in Shenzhen and piloted the use of biodiesel vehicles in Shanghai. In the future, we will seek more roll-out opportunities.

### Table: Energy Saving Technology

<table>
<thead>
<tr>
<th>Technology</th>
<th>Installations</th>
<th>Electricity Saved (MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kitchen cooking fume exhaust control system</td>
<td>~1,700 systems</td>
<td>~5,000</td>
</tr>
<tr>
<td>Heat pump water heater</td>
<td>~850 systems</td>
<td>~9,300</td>
</tr>
<tr>
<td>High-efficiency DC air conditioning system</td>
<td>~1,000 restaurants</td>
<td>~2,200</td>
</tr>
<tr>
<td>LED lighting</td>
<td>~1,300 restaurants</td>
<td>~2,100</td>
</tr>
<tr>
<td>VTA system</td>
<td>~760 restaurants</td>
<td>~6,300</td>
</tr>
</tbody>
</table>

*Value-added Technology Application

![Illustration of IoT-based Intelligent Restaurants](image)
**Water Management**

We prioritize our efforts on technology innovation, equipment upgrade, and operation optimization to enhance our water management and reduce water usage. In 2020, we applied the water risk mapping tools offered by the World Resources Institute (WRI) to assess and update water resource risk levels in the areas where our restaurants are located. Based on the assessment results, we prioritized the application of water-saving equipment in water-stressed or water-scarce areas.

Our detailed analysis shows that thawing and daily cleaning account for over 50% of total water consumption. In 2020, we developed a locally made thawing cabinet to replace traditional running-water thawing. We developed a tailor-made dishwasher in our KFC stores to replace manual cleaning. Both projects are proven to improve water efficiency.

**Illustration**

**Thawing Cabinet**

To reduce water consumption for thawing, we developed a new thawing cabinet using air circulation instead of running water, which delivers safer and faster thawing.

**Illustration**

**Tailor-made Dishwasher**

We replaced manual washing with dishwashers in KFC restaurants to reduce water consumption. Tests showed that the dishwasher saves about 0.9 ton of water daily per restaurant. By the end of 2020, we installed over 700 dishwashers across the country and will roll out in 2021.

**Waste Management**

Restaurant operations inevitably produce different sorts of waste, generating environmental impact. In line with the 4R Principles, we are committed to reducing waste at the point of use through technology and management. We respond to the national call for waste classification and engage our customers and other stakeholders to address waste challenges.

**Table: Water Consumption of Yum China (2018-2020)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Water Consumption</th>
<th>Average Restaurant Water Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>24,579,253</td>
<td>27,602,012</td>
</tr>
<tr>
<td>2019</td>
<td>26,505,264</td>
<td>26,953,944</td>
</tr>
<tr>
<td>2018</td>
<td>3,284</td>
<td>2,710</td>
</tr>
</tbody>
</table>

**Food Loss**

- **Reduce**

**Food Transportation**

**Food Processing**

**Catering**

**Disposal**

- **Food Waste**

**Innovation Projects & Initiatives**

- **Cold Chain Logistics**
- **Innovative Equipment**
- **Food Bank**
- **Conversion**
We proactively explore opportunities for waste reduction. We increase the proportion of cold chain transportation to reduce food loss in our logistics. We apply AI/big data technology for planning and forecasting. We apply smaller fryers to avoid excessive cooking per batch and use oil-saving fryers to reduce our cooking oil consumption. We ensure that our waste disposal and management processes comply with national and local laws and regulations. We enlist qualified third parties to properly dispose restaurant waste. We also respond to the government call for waste sorting, following the waste sorting policies in 46 pilot cities. Our stores are equipped with assorted waste bins, and we provide sorting guidance for customers.

We continue to expand our pilot project on used cooking oil recycling to cover more restaurants. This project uses advanced technology to convert used cooking oil into biodiesel. Relevant restaurants are certified by the International Sustainability and Carbon Certification (ISCC). We also initiated a pilot food bank project in five cities beginning in September 2020, which provides unsold products to neighboring residents in need to reduce food loss. Please refer to page 107 for more details.

We incorporate sustainable development in our restaurant design and construction to provide a safe, healthy, and comfortable space to our employees and customers. For restaurant design, we created the Yum China Green Building Standards by referring to the Leadership in Energy and Environmental Design (LEED) criteria. We strive to build high-standard green buildings using environmentally friendly materials, energy-saving facilities, indoor air quality, and thermal comfort control systems. We implement various management programs in restaurant construction including noise and dust control to minimize environmental impact. In 2020, all of our 1,165 newly built restaurants were compliant with the Yum China Green Building Standards.
Partnering with Suppliers to Build a Sustainable Upstream Ecosystem

Forests play an irreplaceable role in slowing global warming and protecting biodiversity. Yum China complies with national laws, supports global forest protection initiatives, and identifies and explores opportunities to eliminate potential deforestation risks across our supply chain.

We source our materials responsibly to minimize deforestation risk. We encourage all suppliers to engage in and contribute to the sustainable development of agriculture and animal husbandry. The Yum China supplier CSR audit encourages suppliers to operate sustainably, especially with regards to waste and pollutant disposal, to avoid negative impact to the environment.

We follow China’s laws and regulations of imported meat products including the List of Registered Meat Products Enterprises Exporting to China.

As the largest restaurant company in China, we have set an ambitious goal to achieve a zero-deforestation supply chain. We are exploring opportunities to enhance upstream traceability, identifying major agricultural commodities from high-risk region, and collaborating with supply chain partners to create a sustainable ecosystem.

We support sustainable agricultural development and take concrete actions to protect the environment, focusing on managing the procurement of agricultural commodities including palm oil, soy, cattle and timber.

Palm oil is one of Yum China’s key raw materials for cooking. We commit to only purchasing palm oil that meets the eight principles and criteria of the RSPO. This helps us to protect natural resources and biodiversity while supporting sustainable palm oil production in collaboration with peer companies, suppliers, NGOs, and other stakeholders. We have been a member of the RSPO since 2017. 100% of our purchased palm oil was RSPO certified in 2020.

Soy is mainly used as chicken feed and in soy-based food in Yum China’s supply chain. We strive to improve traceability in the complex soy supply chain to identify risks and increase the transparency of disclosure.

We are in process of developing soy traceability systems in collaboration with our upstream suppliers and leveraging best practices from external stakeholders.

All of the soy used to make soy milk powder in our restaurants comes from Northeast China. The planting and purchase of soy, managed by local farms, is traceable and environmentally friendly. We prioritize our efforts to audit poultry suppliers on their compliance with the Amazon Soy Moratorium and other international conventions and initiatives for tropical forest protection.

We care about the environmental impact of paper packaging in the sourcing process. We prefer to purchase forest-friendly products and refuse to purchase paper products from any suppliers that knowingly cause deforestation.

We are aggressively pursuing our goal of using 100% FSC-certified paper packaging by 2025.

As the largest restaurant company in China, we have set an ambitious goal to achieve a zero-deforestation supply chain. We are exploring opportunities to enhance upstream traceability, identifying major agricultural commodities from high-risk region, and collaborating with supply chain partners to create a sustainable ecosystem.

We support sustainable agricultural development and take concrete actions to protect the environment, focusing on managing the procurement of agricultural commodities including palm oil, soy, cattle and timber.

Palm Oil
Soy
Cattle
Timber

Sustainable Sourcing of Raw Materials In 2020

100% RSPO-certified palm oil
100% Local soy for soy milk powder
100% Refuse to purchase paper products from suppliers that knowingly cause deforestation
Promoting Sustainable Packaging with Innovative Green Design

Disposable packaging is a common challenge to the restaurant industry. Yum China complies with the national and local regulations on the use of packaging. Guided by 4R Principles and Yum China Packaging Strategy, we continue to explore sustainable packaging solutions to minimize the environmental impact caused by disposable packaging usage. In addition, we collaborate with our suppliers to develop eco-friendly packaging materials, striving for a sustainable packaging supply chain.

We apply new packaging solutions, new materials, and new technology to reduce the use of disposable packaging. By the end of 2020, annual saving of over 8,000 tons of paper and 1,200 tons of plastics were delivered through over 50 packaging weight reduction projects.

Yum China’s Sustainable Packaging Commitments

- 100% of customer-facing plastic based packaging is recyclable
- 100% of paper packaging will be FSC-certified by 2025
- 30% reduction on non-degradable plastic packaging weight by 2025 compared to the 2019 baseline

Green Design

We apply new packaging solutions, new materials, and new technology to reduce the use of disposable packaging. By the end of 2020, annual saving of over 8,000 tons of paper and 1,200 tons of plastics were delivered through over 50 packaging weight reduction projects.

We began our Reusable Serving Basket program in KFC restaurants in 2019, replacing over 10 disposable packaging materials. In 2020, the project expand further with 5 new products covered.

Sustainable Use

Multiple approaches are in place to reduce disposable packaging in our operations. Since 2017, we have offered customers the option to omit the use of disposable cutlery for their orders in the KFC Super App. In 2019, nearly 400 KFC restaurants in Shenzhen, Zhuhai, and Hainan took the lead to pilot the on-request-only provision of disposable cup lids and straws to reduce plastic use. Yum China logistics centers also introduced reusable straps to reduce the use of plastic stretch films and avoid plastic waste.

Green Waste Disposal

We adopt a cradle-to-cradle philosophy, following national waste sorting policies to properly dispose of our packaging waste. We are also partnering with our packaging material suppliers to develop pilot projects for waste packaging material recycling, contributing to the circular economy.

Addressing Plastic Pollution

Yum China is deeply concerned about the environmental impacts of non-degradable plastics and attempts to reduce plastic usage from various perspectives.

Yum China has launched a series of plastic reduction and environmentally friendly packaging initiatives across its brands in line with the latest regulations in China, including to the Opinions on Further Strengthening the Management of Plastic Pollution. This includes replacing existing plastic packaging with paper straws, paper bags, and biodegradable plastic bags for all brands in Yum China in 2020. As a result of these initiatives, Yum China expects a reduction of approximately 8,000 tons of non-biodegradable plastics annually starting from 2021, as compared to the 2019 baseline.

KFC Launched A ‘Be Natural, Be You’ Sustainability Campaign

In December 2020, KFC China launched a ‘Be Natural, Be You’ sustainability campaign to enhance consumers’ awareness of environmental protection and encourage more sustainable lifestyles, including reducing the use of disposable plastic packaging and better waste sorting.

KFC responded to the national plastic ban by launching a range of plastic packaging reduction initiatives nationwide since 2020. By the end of 2020, all KFC restaurants in China had stopped using plastic straws and over 90% of KFC restaurants had replaced disposable plastic cutlery with wooden cutlery for dine-in and takeaway. Over 50% of KFC restaurants had replaced non-biodegradable plastic bags used for delivery and takeaway with paper bags or biodegradable plastic bags. By the end of 2025, all KFC restaurants will phase out non-biodegradable plastic bags and cutlery in China.

These new plastic reduction initiatives will strengthen our sustainability strategies and deliver positive change to society through packaging innovation and reduction. Yum China will continue to work together with stakeholders across the value chain to promote social, environmental, and economic development and drive a more sustainable future.

—Joey Wat, CEO of Yum China
“People First” has always been Yum China’s philosophy since entering the Chinese market over 30 years ago. Fulfilling the needs of our key stakeholders, including our employees, customers, suppliers and the general public, have always been at the top of our management agenda. We aim to provide our employees with a high-quality and fair platform for them to grow. We also hope to provide our customers with delightful services with a “Customer Mania” mindset.

We work with suppliers to build a responsible supply chain together and to promote development of the industry.

Investors are interested in talent engagement, development and retention strategy of the company they invest in, which is a critical success factor for the company’s long-term sustainable success.

The pandemic has necessitated traditional business to adopt a digitalized operating model which will enhance a company’s capability in managing systemic risks and build organizational resilience.

The 2020 White Paper on Chinese Restaurant Brand Power highlighted irreversible trend that successful restaurant companies will shift to customer experience orientation from product and service orientation. They must leverage science and technology as an enabler to deliver best in class customer experience.

**People**

**Our Goals and Commitments**

**Diversity and Equal Opportunity**
- At least 50% of our employees are female.
- At least 50% of all employees who are hired, trained, promoted and retained are female.
- Over 1.5% of full-time jobs is offered to people with disabilities.

**Supply Chain Social Impact**
- All critical suppliers are subject to CSR review.
Our Roadmap

The Power of An Innovative Pioneer in the Industry

Upholding Fairness and Impartiality to Protect Employees’ Rights and Interests: We abide by the Universal Declaration of Human Rights and other international conventions signed by the Chinese government to protect the legitimate rights and interests of employees. Guided by the idea of fairness and justice, we provide protection for employees’ rights and interests, prohibit forced labor and other human rights violations.

Diversity, Inclusion and Equal Opportunities: A diversified workforce is fundamental to achieve corporate vision and value. We are committed to fostering a working environment that is professional, inclusive, and non-discriminatory, and providing fair opportunity for employees to realize their potential.

Our Management Approaches

Implementing Responsible Sourcing

Supplier CSR Audits: We have upgraded the CSR audit framework by adding evaluation criteria. We require suppliers to submit detailed correction and prevention action plans, which we review along with a third party auditor.

Local Sourcing: Yum China sticks to local sourcing through open and honest communication and win-win cooperation.

"Customer Mania" Services

Experience improvement with digital empowerment: We have built a digital ecosystem to provide customers with digital experiences in intelligent marketing, supply chains, restaurants, and customer services.

Ensuring information security and privacy protection: By improving our management of data security, we protect the personal information and privacy of customers.

Inspiring potential for accelerated growth: We drive innovation through our employee training system to develop the best talent in the industry and create structured, transparent and accelerated career paths.

Performance incentives for shared success: We provide employees with equitable and competitive remuneration and benefits, help them lighten financial burdens, and offer them a chance to share our success with stock incentive plans.

Caring for employees’ health and safety: We abide by relevant laws and regulations while providing employees with a healthy and safe workplace. For example, we offer enhanced insurance coverage and counseling program for employees during the COVID-19 pandemic to protect their physical and mental wellbeing.

Efficient and transparent two-way communications: We believe that the more you know, the more you care. We constantly expand two-way communication channels with employees to understand their expectations and concerns.

Material Topics

Our Directions

Progress in 2020

Diversity and Equal Opportunity

Maximize employees’ potential and cultivate talent by creating a structured, transparent and accelerated career path.

- We were certified as a Top Employer China for the third consecutive year. We signed the United Nations WEPs.

- We were selected for the Bloomberg Gender-Equality Index (GEI) for the third consecutive year. 64% of our workforce is female and 54% of top management is female.

Employee Training and Development

Yum China adheres to the "Safety Mania" concept, and abides by laws and regulations on safety and health such as the Labor Law and Law on Prevention and Control of Occupational Diseases to provide employees with a safe and healthy working environment.

- We provided jobs for over 2,100 employees with disabilities.

- We were selected for the Bloomberg Gender-Equality Index (GEI) for the third consecutive year.

Occupational Health and Safety

Protect employees’ rights and interests based on compliance with international conventions as well as national laws and regulations. Strictly prohibit the use of child labor or forced labor and establish channels for employees’ complaints.

- We strictly prohibited the use of child labor and protected minors’ rights.

- We provided 100% coverage of medical examination services for employees during the COVID-19 pandemic.

- Nearly 100% of operations positions are promoted from within.

Information Security and Data Privacy

Protect the legitimate rights and interests of Yum China and personal information in accordance with relevant laws and regulations, and reduce the risks to data security.

- We delivered more than 8.6 million hours of training.

- We were certified as a Top Employer China for the third consecutive year by the Top Employers Institute.

- We were awarded the Top Employer China for the third consecutive year by the Top Employers Institute.

Human Rights & Labor Practice

- On a five point rating scale on overall dining experience, 86.9% and 88.2% of KFC and Pizza Hut customers respectively gave a top score of 5.

- We delivered more than 8.6 million hours of training.

- We were certified as a Top Employer China for the third consecutive year by the Top Employers Institute.

- We were awarded the Top Employer China for the third consecutive year by the Top Employers Institute.

Customer Relationship Management

Always pursue 100% customer satisfaction and constantly improve service quality for customers.

- On a five point rating scale on overall dining experience, 86.9% and 88.2% of KFC and Pizza Hut customers respectively gave a top score of 5.

- Launched the contactless delivery service and contactless order and takeaway service during the pandemic.

Supply Chain Social Impact

Drive responsible sourcing and collaborate with business partners to build a responsible supply chain.

- We upgraded the Information Security Management Platform (Zeus Platform) to version 2.0.

- We were certified as a Top Employer China for the third consecutive year.

- We were awarded the Top Employer China for the third consecutive year by the Top Employers Institute.

Impact

- On a five point rating scale on overall dining experience, 86.9% and 88.2% of KFC and Pizza Hut customers respectively gave a top score of 5.

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- We were awarded the Top Employer China for the third consecutive year by the Top Employers Institute.

- We provided 100% coverage of medical examination services for employees during the COVID-19 pandemic.

- Nearly 100% of operations positions are promoted from within.

The KFC App and official website system complies with all relevant laws and regulations, and the Yum China Code of Conduct.

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- We provided 100% coverage of medical examination services for employees during the COVID-19 pandemic.

- Nearly 100% of operations positions are promoted from within.

- We promoted 36% of our restaurant management teams.
Accelerating Employee Growth to Achieve Company Vision

Our unique culture and structured talent development form our core competitive capabilities, enabling us to lead the future of the industry. Our culture of Founder’s Mentality sets a strong foundation for achieving our collective vision of becoming “The World’s Most Innovative Pioneer in the Restaurant Industry”.

The unprecedented COVID-19 pandemic presented huge challenge to any company and it became a real time test to its organization agility. During the onset of the pandemic, Yum China swiftly determined that the health and safety of our employees and customers is the number one priority. This guiding principle generated organization momentum in all action planning in not only combatting the crisis, but also identifying opportunities to serve the customers and the community safely.

Yum China fully embraces the “People First” philosophy. We strive to provide our 400,000+ employees with a safe and inclusive working environment that supports our “Fair, Care and Pride” principle. For our employees, we offer systematic training and development, competitive remuneration and benefits, and a platform for them to fully realize their potential, enabling their personal growth together with the company.

In 2021, Yum China was certified as a Top Employer China for the third consecutive year by the Top Employer Institute. This underscores our firm commitment to care for the health and livelihood of employees during the pandemic.

Ensuring Fair Protection of Employees’ Legitimate Rights and Interests

At Yum China, we comply with the Universal Declaration of Human Rights and other international conventions concerning the protection of the legitimate rights and interests of employees signed by the Chinese government, and abide by the national labor law. We also created the Yum China Code of Conduct, which serves as a guide on how we should run the business and how our employees should act. The annual compulsory compliance training ensures employees know what we expect from them.

During the onset of the pandemic, Yum China swiftly determined that the health and safety of our employees and customers is the number one priority. To achieve that, we put the health and safety of our employees first. We implemented a series of measures to protect our employees, such as providing masks, hand sanitizers, and disinfectants, and setting up fever screening points.

We adopt strict policies and prohibit any harassment based on gender, race, nationality, religion and other factors, including any slander, prejudicial jokes, intimidation, or any other verbal or physical attacks on others based on race, religion, or country of origin. We also prohibit sexual harassment including unwelcome sexual provocation or other sexual verbal or physical acts. Employees can anonymously report such issues if they choose to.

Workforce diversity is a critical foundation for a company to realize its vision and values. We strive to foster a professional, inclusive, and non-discriminatory working environment for our 400,000+ employees. We understand, appreciate and encourage diversity and provide equal opportunities for all. Every employee, regardless of their race, religion, color, age, gender or gender identity, disability, military or veteran status, sexual orientation, citizenship, or nationality, can realize their full potential.

Gender equality is a key part of diversity and inclusiveness. We are committed to gender equality by providing fair recruitment, training and promotion opportunities for all employees. We provide equal development opportunities for female employees and offer a series of programs to enhance their capabilities. We also provide legal benefits and care during pregnancy and breastfeeding for female employees to create a supportive work environment. These benefits include breastfeeding rooms, maternity leave of at least 98 days, postpartum breastfeeding leave, and paternity leave of at least 7 days.

By the end of 2020, we employed over 260,000 women, representing 64% of our total workforce. The Company continues to make progress in nurturing talented leaders across all management levels. By the end of 2020, women holding director and above positions represented 54% of the senior management workforce. In 2019, we signed the United Nations Women’s Empowerment Principles (WEPs). In 2020, our Mom Restaurants for Little Migratory Birds program won us the WEPs Community and Industry Participation award and we were included in the Bloomberg Gender-Equality Index for the third consecutive year.
Creating an Inclusive Workplace for People with Disabilities

Yum China strives to create a barrier-free and inclusive workplace for people with disabilities with the necessary employment support. We offer over 1.5% of our committed full-time jobs to people with disabilities. In 2020, we employed over 2,100 members of this community.

Support for people with disabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of cities with Angel Restaurants</th>
<th>Number of Angel Restaurants</th>
<th>Number of people with disabilities employed in Angel Restaurants</th>
<th>Number of people with disabilities gained employment support</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>23</td>
<td>24</td>
<td>200+</td>
<td>2,100+</td>
</tr>
</tbody>
</table>

Promoting the Angel Restaurant and Building a Diverse Workplace

Through the Angel Restaurant model piloted in Shenzhen in 2012, KFC provides constant employment opportunities for youths with disabilities nationwide with suitably equipped restaurant facilities and improved management models. By offering them the inclusive opportunity to work alongside those without disabilities and serving all customers, we provide them with the chance to integrate themselves into society.

As of 2020, we had opened 24 Angel Restaurants in 23 cities in Guangdong, Fujian, Hunan, Hubei, Jiangsu, Shaanxi, Liaoning and other provinces, providing jobs for over 200 young people with disabilities each year. This model has earned Yum China recognition across the country.

Employees with disabilities of an Angel Restaurant in Houbin Delivering Free Meals for Medical Professionals in Zhongyuan Hospital of Xiamen University During the Pandemic

Employees with disabilities of a Mom Restaurant for Little Migratory Birds

Setting up “Mom Restaurants for Little Migratory Birds” to Provide Employment Opportunities for Working Mothers

As China enters the age of mobility, caring for children that are left behind in rural areas by their parents who moved to work in the cities has become a social issue. The children are referred to “little migratory birds” as they must constantly travel between rural and urban areas. KFC launched the first “Mom Restaurants for Little Migratory Birds” in Chongqing in March 2017 to enable their mothers to return to their hometown to work and spend more time with their kids.

The program was expanded to over 480 KFC restaurants in Hubei, Henan and Hunan provinces and Chongqing Municipality. It provided employment opportunities for mothers who had been away from their children and aspired to come back. The complete welfare and flexible working schedules that we provided enabled them to strike a good balance between work and family. The program won the WEPs Community and Industry Participation award in 2020.

Yum China included in the Bloomberg Gender-Equality Index (GEI) for Three Consecutive Years

On January 28, 2021, Yum China announced that it had been included in the Bloomberg Gender-Equality Index (GEI) for a third consecutive year, the only one from mainland China. The index honors enterprises that are working to improve transparency in gender reporting and promote equality for women. In 2021, 380 companies in 11 industries from 44 countries and regions were subject to selection. Thanks to our excellent performance in female leadership and talent cultivation, equal pay, gender balance, and policies against sexual harassment, our GEI scores are much higher than the average.
Unlocking Talent Potential through Innovative Training Systems

Yum China invests in every step of our employees’ growth and improving their capabilities is a priority for us. We constantly stretch their potential for accelerated growth and cultivate them into top talent in the industry through our innovative and systematic training system, which is a key cornerstone for the company’s continuous growth.

Unlocking Talent Potential through Innovative Training Systems

<table>
<thead>
<tr>
<th>Amount spent on training and development</th>
<th>266,000,000 RMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expense on training and development</td>
<td>1,308 RMB</td>
</tr>
<tr>
<td>Average expense per Full-time Equivalent (FTE) on training and development</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Training and development hours</th>
<th>8,600,000 hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total training and development hours</td>
<td>42 hours</td>
</tr>
<tr>
<td>Average hours per Full-time Equivalent (FTE) on training and development</td>
<td></td>
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<table>
<thead>
<tr>
<th>Number of employees trained by type of employment</th>
<th>136,000 Person</th>
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</thead>
<tbody>
<tr>
<td>Full-time</td>
<td>270,000 Person</td>
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<tr>
<td>Part-time</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Promotion rate</th>
<th>36%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion rate for restaurant management team</td>
<td>8%</td>
</tr>
<tr>
<td>Promotion rate for office employees</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Employees participating in training by gender</th>
<th>36% Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>64% Female</td>
<td></td>
</tr>
</tbody>
</table>

Accelerating Training and Development Programs to Build Talent Pipeline

We have a best-in-class talent training system designed to build an accelerated, structured, fair and transparent career promotion path for every employee. We develop clear training and development plans for each of them on their first day at work. For example, KFC Business School and Pizza Hut Management Institute can help a new employee grow from a restaurant management trainee to a Restaurant General Manager (RGM) in as short as 18 months. These development plans serve as solid foundations for their future success in the food service industry.

KFC Business School

KFC follows a mission of building an outstanding and high-caliber operations team to implement the Brand’s strategies. KFC Business School supports this mission with three core training systems:

- KFC Preparatory Courses
  - The courses are designed for university students, allowing them to gain individualized training in their spare time. This enables them to obtain a higher salary starting point and a faster promotion path.

- Program for Training Professionals in the Restaurant Industry
  - The program helps restaurant management trainees to grow into competent RGMs by providing them with diversified and digital training modules.

- Program for Training Leaders for Retail Business
  - The program is designed to train high-caliber talent, enabling them to become all-rounded business leaders with rich know-how across functions and industries.

KFC Business School leverages technology to establish an intelligent and effective training cycle for crew members.

Intelligent Service Team Training Cycle

- First-day introduction
  - Start the training schedule (at the first moment)

- Workstation learning
  - Scenario training + Virtual Reality + Video + Quiz
  - Watching and Practicing (unified standards, with training hours reduced)

- Verification of training
  - Work independently

- Tracking training results
  - Scheduling work

Employees participating in training by gender

- Male: 36%
- Female: 64%
Pizza Hut Management Institute

In 2020, we upgraded Pizza Hut Management Institute’s courses and modules and established a new training system in Yum China.

- Live training on new products: 5,000+
- Short-video training on services: 230,000+
- Training on promoting new business: 16,900+

Online courses during the pandemic

During the pandemic, two-thirds of the courses were held online.

- 1,151 employees participated in online management courses

Digitally-powered Training Platform to Enable Agile Learning

COVID-19 disrupted the face-to-face training of employees. In response to this, Yum China launched the upgraded mobile learning platform in 2020. The platform, enabling modular learning on both computer and mobile phone, equips employees with the knowledge and skills needed in the digital era for their sustainable career development.

The platform, aimed to be built into a learning ecosystem within the company, has seen its Monthly Active User (MAU) rate hitting 84% to date. The high receptiveness is attributed to not only the rich choices of external and internal courses, but also its multiple functions such as online examination, learning maps, gamified contest and interactive communication.

Career Journey for Fresh Graduates

Yum China’s Management Trainee Program provides marketing and supply chain management trainees with a rapid and tailored growth path that lasts for two to three years. It offers them learning opportunities through job rotations and targeted training, through which they can quickly understand the business and become industry-leading professionals.

1st Month
- Entering the Workplace
  - Understanding Yum China
  - Experiencing corporate culture
  - Executive mentoring

1st Year
- Rotating within the Department
  - Understanding the department
  - Diving deep in various positions in the department

2nd Year
- Cross-department Rotations
  - Having an overall understanding of the supply chain
  - Deep understanding Yum China’s different brands

3rd Year
- Further Learning in Professional Areas
  - Completing challenging assignment
  - Deeply involved in projects

Building Employability and Innovation Capability in Three Years

- Development Path for Supply Chain Management Trainees

Employability Enhancement

1st Month
- Entering the Workforce
  - Understanding Yum China
  - Experiencing corporate culture
  - Executive mentoring and experts sharing industrial insights

1st Year
- Cross-brand/function Rotations
  - Experiencing the strategies and processes of core and new brands
  - Experience in traditional and cutting-edge marketing posts in products and digital

2nd Year
- Further Learning in Professional Areas
  - Deeply involved in product/digital projects
  - Completing challenging assignment
  - Improving leadership

Building Employability and Game Changing Value in Two Years

- Development Path for Marketing Management Trainees

Employability Enhancement

1st Month
- Entering the Workforce
  - Understanding Yum China
  - Experiencing corporate culture
  - Executive mentoring and experts sharing industrial insights

1st Year
- New Recruit -> Junior Employee
  - Junior Employee -> Professional Marketer
  - Professional Marketer -> Senior Manager

Leadership Skills

2nd Year
- Further Learning in Professional Areas
  - Deeply involved in product/digital projects
  - Completing challenging assignment
  - Improving leadership
Continuous Education for Sustainable Career Development

We encourage employees to further their education and upgrade their professional skills. In cooperation with the Open University of China, Yum China launched the YUMC College program, which introduces a new corporate-university cooperation model combining academic education with vocational training. The YUMC College program offers employees continuous education opportunities to obtain a nationally recognized post-secondary or bachelor's degree, which ultimately improves their employability. By the end of 2020, the program had been rolled out in cities including Zhengzhou, Fuzhou, Beijing, Suzhou, Nanjing, Wuxi, Xi'an, Tianjin, Guangzhou, Changsha, Harbin, Qingdao, Wuhan, Shenzhen, Shanghai, Hangzhou, Chengdu, and Shenyang with thousands of employees participating.

Embarking on the Fast Track for Boundaryless Career

Yum China's rapid growth has created extensive career development possibilities for employees. We assist employees at various levels in planning their career development paths. We offer every employee the opportunities to develop and advance in their own professional area and become an industry expert. They can also choose rotation within or outside of their function to broaden their career development.

We strive to empower employees to realize their full potential by providing development tools that clarify their personal development needs. The tools include People Planning Review, mentoring, job rotations, bench designate programs and mini-MBA. We adopt policies to ensure that almost all employees in operating positions can be promoted. Last year, about 36% of the restaurant management team was promoted.

Continuous Education Program

Launch Continuous Education Program in Henan Province to Support Employee All-Round Advancement

In September 2020, Yum China launched the Continuous Education Program in Henan Province in cooperation with Henan Provincial Radio and Television University of the Open University of China. The program combined restaurant job training with academic education and vocational training to improve all-around vocational skills while developing employees' learning and innovation capabilities. Participants can graduate after completing all required credits, and they will also receive a bachelor's degree recognized by the Ministry of Education of PRC. The customized courses were well received by the employees in Henan. In 2020, 148 qualified employees were admitted for training under this corporate-university cooperation model.

Establish Yum China's People Planning Process to Facilitate the Growth of Employees

We value the growth of our employees. Our People Planning Process (PPP) enables employees to improve their competencies in addition to completing the key objectives of the company/department/team. We prepare employees not just for fulfilling current job requirements, but also for more challenging expanded job responsibilities in the future.

We review our people planning from different perspectives to identify critical talent and review their development progress. We formulate specific follow-up plans and provide a mechanism for sustainable talent development.

Personal Development Planning

- **Target setting**
  - Help employees set individual goals and targets according to the business goals of the Company and functions.
- **360° feedback**
  - Offer employees the opportunity to gain comprehensive, and constructive feedback.
- **Individual development plan**
  - Formulate a specific development goal, based on feedback from all channels to create practical development plans.
- **Performance appraisal**
  - Provide an objective and fair evaluation of employees’ performance, facilitate timely performance feedback, and coaching. Provide employees with practical and continuous learning and growth opportunities.
Yum China Sustainability Report 2020

Sharing Company Success through Competitive Rewards

Yum China follows the principle of pay-for-performance and equal pay for equal work. We provide every employee with fair and competitive remuneration and benefits, recognizing and rewarding their hard work and outstanding performance. We also regularly increase our investment in protecting employees’ health and their families against unfortunate events.

We promote Founder’s Mentality and share the Company’s success with employees through equity incentive plans such as the CEO Grant Award and Restaurant General Manager (RGM) Restricted Stock Unit. After becoming an independent listed company in 2016, Yum China announced that it would award RSUs valued at US$2,000 to every qualified RGM. The first batch of RSUs were granted in February 2017, allowing the recipients to participate in the growth of the company as our stock price increased from the grant date to the end of 2020. By the end of 2020, the scheme covered 9,700 RGMs. Following our secondary listing in Hong Kong, we began to award additional RSUs to all eligible RGMs. The first batch of 3,500 RGMs received an additional RSUs valued at US$3,000 on top of the original $2,000 RSUs. This also exemplifies our RGM No.1 culture. Our belief is RGM is the most important leadership role within Yum China and competent and engaged RGMs are key contributors to the Company’s long-term success.

We provided employees with higher medical insurance coverage during the pandemic in 2020. Our employees voluntarily established the Employee Assistance Fund. Members of the board of directors and senior executives also voluntarily donated 10% of their base salary to support frontline employees and their families affected by the pandemic and to help fund emergency assistance for them in the future.

Protecting employee health and safety is a top priority at Yum China. We abide by relevant labor laws and regulations by providing full-time employees with pension insurance, medical insurance, unemployment insurance, work injury insurance, and maternity insurance. We also provide part-time employees with employer’s liability insurance.

Upgrading Family Care for Restaurant Management Team

Yum China is committed to reducing employees’ burden in taking care of their family especially in crises such as COVID-19. We launched the “Family Care Fund for Restaurant Management Team (RMFT)” to provide RMT members with additional protection for their family including critical illness insurance coverage for their parents and accident insurance coverage for their spouse and children on top of the existing commercial insurance. Yum China has enhanced the coverage above the industry standard terms. The age limit for coverage for parents and children was extended to 75 and 22 respectively.

In December 2020, we expanded this project to cover restaurant crew team leaders, providing them with critical illness insurance. By the end of 2020, the fund had benefited more than 20,000 employees in the restaurant team and 40,000 family members.

By the end of 2020, the fund had benefited employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Year 1</td>
<td>Becoming a shareholder of the Company with granted restricted stock units</td>
</tr>
<tr>
<td>Year 2</td>
<td>RGM Family Care Program extending care to RGMs’ family members</td>
</tr>
<tr>
<td>Year 3</td>
<td>Supplementary Housing Subsidies Scheme</td>
</tr>
</tbody>
</table>


Flexible Benefits for Office Employees

We rolled out flexible benefit scheme for office employees as part of our reward strategy, allowing them to vary their benefits package in order to satisfy their personal requirements. With the scheme, employees have the choice to vary the levels of benefits within their allowance, including family medical insurance, medical examination and recreational activities. Office employees are also provided with housing subsidy scheme.

“...The Family Care Fund is designed to provide the management team with the help they need. In Yum China, over 90% of the members of our management team were born in the 80s and 90s. They are the breadwinner of their family, backbones of our company, and the core group of the society. We hope that every employee can become a pioneer in the industry with an utmost sense of pride, and work with the company to grow as well as share our success.”

——Aiken Yuen, Chief People Officer of Yum China

In December 2020, our Family Care Fund Program was selected from 78 entries as 2021 Best Total Rewards Innovation Plan.
Having creating the “Safety Mania” concept, Yum China abides by laws and regulations on employee health and safety to provide them with a healthy and safe working environment. We design, build, maintain and operate facilities that protect employees and physical assets. To heighten employees’ awareness in safety, we not only implement stringent management and inspection, but also strengthen risk and compliance management as well as building a safety culture.

We provide employees with protective equipment and measures. Through regular inspection and workplace safety audit to ensure our employee follow the safety standards, we not only upgrade their protective equipment, but also conduct regular employee training on correct equipment operating procedures and related safety precautions. Our certification and subsequent analysis did not reveal major risk of occupational disease at Yum China.

We also developed contactless workflows, such as online meetings, live streaming of employee meetings, and mobile learning on digital platforms. Furthermore, flexible work arrangements and emergency drills are arranged to ensure business continuity and employee health and safety. Employee Assistance Program (EAP) is also launched to alleviate employee anxiety during the pandemic through professional sharing and consultation sessions.

During the pandemic, we swiftly strengthened pandemic prevention measures in our restaurants to create a safe and healthy working environment. These included:

- Providing all restaurant employees with masks.
- Conducting comprehensive training on safety protection measures.
- Measuring employees’ temperatures before starting work. Employees will be required to seek medical consultation if abnormality is found.
- Initiating more frequent cleaning and disinfection of offices and restaurants.
- Requiring all employees to wash and disinfect their hands before starting work and at regular intervals.
- Providing antibacterial hand sanitizer for customers to use.

For over 10 years, Yum China has always followed people-first philosophy. It is a remarkable achievement for us to be certified as a Top Employer for three consecutive years. The pandemic has deepened our belief that health and wellbeing of our employees is very important. In 2020, one of our top priorities is to protect the health and livelihoods of our 400,000 employees.

——Joey Wat, CEO of Yum China

We value employees’ feedback and hence we constantly expand communication channels so that we can hear their comments and questions promptly. We believe that the more you know, the more you care. We have established multiple communication channels with our employees, including RGM Convention, Founders’ Day, and digital platforms such as YUMC Corporate WeChat, the Magic Box App and the internal portal. These ensure the effective communication of business strategies and other information concerning the company. We regularly conduct employee engagement surveys to understand their expectations and concerns.

We believe that the best protection of employees can be achieved through open communication. During the pandemic, we sent nearly 100 emails to our employees to communicate our preventive measures, operations plans, employees’ health status and our direction and strategies in the post-pandemic era. These communication boosted employee morale and encouraged employees to work together with the Company through the difficult period.

We also provide employees in over 1,500 cities with welfare activities organized in our Family System. This serves as a networking platform for them to meet friends with common interests by participating in activities such as national badminton competitions, marathon races, and C.H.A.M.P.S. challenges.

### Engaging Employees through Transparent Communication

During the pandemic, we swiftly strengthened pandemic prevention measures in our restaurants to create a safe and healthy working environment. These included:

- Requiring all employees to wash and disinfect their hands before starting work and at regular intervals.
- Providing antibacterial hand sanitizer for customers to use.
- Providing all restaurant employees with masks.
- Conducting comprehensive training on safety protection measures.
- Initiating more frequent cleaning and disinfection of offices and restaurants.

### A Healthy and Safe Workplace through Physical and Mental Wellbeing Programs

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Unit</th>
<th>All employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost-Time Injury Frequency Rate (LTIFR) per million hours worked</td>
<td>n/million hours worked</td>
<td>1.34</td>
</tr>
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</table>

Annual physical examination coverage of restaurant management team and office employees

Health certificate coverage of restaurant employees

For over 10 years, Yum China has always followed people-first philosophy. It is a remarkable achievement for us to be certified as a Top Employer for three consecutive years. The pandemic has deepened our belief that health and wellbeing of our employees is very important. In 2020, one of our top priorities is to protect the health and livelihoods of our 400,000 employees.

——Joey Wat, CEO of Yum China
Labor Union and Employee Representative Council

Upholding our philosophy of promoting growth of the company while safeguarding the interests and rights of employees, an independent labor union was established with the support of the All-China Federation of Trade Unions in 2010. Over 90% of the employees join. In 2020, the labor union supported the company in fighting the pandemic.

Customer Mania Services with AI-Enabled Solution

Customer mania is one of the key elements of Yum China’s culture. We try to gain customer insight to meet their needs. We serve every customer with a “YES” attitude to create delightful moments. With a seamless integration of delicious food, technology and culture, we constantly strive to improve customer experience. We are convinced that unremitting pursuit for innovation can elevate the customer experience by providing them with greater pleasure and convenience.

Other Channels to Communicate with Employees

- Engagement surveys
- Filing complaints
- Hotline
- Employee meetings

We collect feedback from employees through structured questionnaires, as frequent as needed. Employees can file complaints to their direct supervisors, departmental heads, and our HR department. Follow-up will be handled by authorized personnel.

Employee who are aware of any illegal or unethical behavior at work can report to their supervisor or head of the HR, or they can call the compliance hotline.

Our functional departments organize various forms of employee forums to inform employees of the latest policies, procedures, and personnel information. They also enable us to solve emerging problems quickly.

Pizza Hut Employee Opinion Survey Program

As we saw an increasing number of new generation employees with fresh perspective joining Yum China, we will need to update our personnel management and communication approaches. Employees expect channels to give feedback and express their feelings. On the other hand, management hopes to encourage frontline employees to voice their issues and quickly resolve them. We supported this with the launch of our 2020 Pizza Hut Employee Opinion Survey Program.

We encourage front-line employees to give feedback through regular and ad-hoc employee surveys, with an average response rate of 62% and an average score of 4.55 out of 5.

Labor Union and Employee Representative Council

In 2020 the labor union engaged in our pandemic prevention and control campaign. Its participation included establishing the Yum China Employee Assistance Fund, assisting us in implementing the Family Care Fund for Restaurant Management Team, implementing a company-wide Employee Assistance Program (EAP), coordinating employee labor relation issues; and enhancing employees’ professional competitiveness by working with the mobile learning platform.

Customer Relationship Management

Achieving 100% customer satisfaction is our customer service standard. We seek every opportunity to enhance customer experience. We actively seek customer feedback on their dining experience via the Guest Experience Survey (GES) system, with detailed feedback forwarding to relevant restaurants for further improvement. Our Customer Service Platform (CSP) will automatically follow up with customers who give low ratings. Customers can also file complaints on the CSP either by scanning the QR code provided in restaurants or logging onto our App. Service representatives will be deployed to resolve customers’ issue quickly.

We developed the C.H.A.M.P.S. Standards Library to standardize and further improve our services. We provided restaurant employees with training programs including customer complaint management to ensure timely and proper complaints handling.
As a digital transformative pioneer in the restaurant industry, Yum China started the digital transformation journey in 2015 and has been investing tremendous resources in building a robust digital ecosystem to provide an all-round digital dining experience. We have already deployed digital and artificial intelligence technology in marketing, supply chains, restaurant operations and customer service, enabling our restaurants to focus on providing efficient service to the customers.

In 2020 during the challenge posed by the COVID-19 pandemic, Yum China, in the spirit of fulfilling our corporate responsibility towards our employees, customers, and society as a whole, made the decision to keep our restaurants open when possible and maintain delivery services to customers. The decision enabled us to continue serving customers’ needs for everyday meals. It also enabled support for those fighting the pandemic in the frontline.

To safeguard the health and safety of both our customers and the riders responsible for the food delivery, KFC and Pizza Hut restaurants nationwide launched a contactless delivery process. For instance, by using the KFC Safe Delivery service, customers could select the Contactless Order & Delivery option on the brand’s App or WeChat Mini Program. Customers could also choose the contactless option for takeaway if available from the restaurants.

To mitigate the risk of food exposure in the air, KFC and Pizza Hut restaurants with the contactless order and takeaway service would package food for both dine-in and takeaway orders in sealed paper bags or boxes. Restaurant self-ordering kiosks were regularly disinfected several times a day to avoid the spread of the virus. Together, these measures enabled our employees and customers to maintain a safe social distance from each other while allowing customers to continue enjoying our delicious food.

“We have deployed digital and artificial intelligence technology in marketing, supply chains, restaurant operations and customer service, enabling our restaurants to focus on providing efficient service to the customers.”

——Joey Wat, CEO of Yum China

Cloud computing and the Internet of Things have led us to the information age. Many customers are using our App, website, and self-ordering systems every day. Hence, protecting information security and managing data privacy are top priorities for us.

In order to protect data security of Yum China and our customers, we have formulated the Yum China Security Compliance Guidelines and the Data Security Code of Conduct in accordance with the Cybersecurity Law of the PRC and the China Personal Information Security Specification, as well as other laws and administrative regulations. The two rules are designed to regulate the implementation and approval processes of acquiring and transferring data to govern Yum China’s data security management and reduce data security risks involving its third-party suppliers.


We established a Data Compliance Committee, serving as the Yum China’s governance body responsible for establishing our data compliance management program. The Committee comprises key representative from data control, information security, and data security compliance in the legal function. We conduct data compliance reviews based on the use of data, and training on data security management practices for our employees and third-party suppliers.

We started to build an information security management platform (Platform Zeus) in 2019 and have continuously strengthened the collection of network equipment, network security reinforcement testing, and risk management. We completed version 2.0 of Zeus by the end of 2020. Zeus adopts the 1+N concept. 1 being one big data platform and N represents multiple functional modules, including threat intelligence, host security protection, application security protection, data security, vulnerability management, risk management, security incident handling, and security monitoring. Zeus integrates multiple security reinforcement and protection capabilities, from its bottom layers to the application layer, and it serves as our core platform for information security protection and management of our company.

*1* means one big data platform
*N* represents multiple functional modules, including

| Threat intelligence | Vulnerability management |
| Host security protection | Risk management |
| Application security protection | Security incident handling |
| Data security | Security monitoring |
Individual Privacy

We are committed to protecting customers’ personal information and privacy from illegal collection, use, and sharing. We ensure that customers have the right to know and control their information and privacy in accordance with laws. We develop policies on personal information and privacy protection, which are disclosed on our website.

Management of Personal Information and Privacy

By employing various security technology and support management system, we strive to minimize the risk of customer information being leaked, destroyed, misused, and unauthorized to be accessed, disclosed or modified. For example, we use the network Secure Sockets Layer (SSL) to encrypt the transmission and storage of information and to control data center access. When transmitting and storing sensitive personal information (including personal biometric information), we adopt security measures including encryption, access control, and de-identification. We have developed a contingency plan for information security incidents, and regularly organized relevant personnel to conduct emergency response training and drills, enabling them to understand their job responsibilities in emergency response procedures. In the event of a serious incident affecting security of the customer’s personal information, we will abide by laws and regulations and the requirements of government supervision to promptly inform customers about the incident and the potential damage, the measures we have taken or will take, suggestions for customers to prevent and reduce risks on their own, and remedial measures for customers.

Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities

As the largest restaurant company in China, we understand the huge impact of our sourcing decisions on the industry. We are committed to responsible sourcing and building a responsible supply chain in collaboration with our supplier partners. We have a large and geographically diverse network of suppliers, who provide us with food, packaging, equipment, and other products and services. In 2017, we began conducting supplier CSR audits to constantly promote social responsibility and address risks across the supply chain.

Building a Responsible Supply Chain Together

We require all our suppliers to 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.

We engage professional third-party auditing firms to conduct CSR audits, evaluating their performances in areas such as child / minor labor, forced labor, health and safety, discrimination, disciplinary measures, working hours, wages and benefits, environmental management and safety. We include CSR and Business Continuity Management (BCM) along with innovation, quality, safety, and cost optimization as performance evaluation criteria in the Yum China business review for supply chain management.

Supplier CSR Audits

In 2020, CSR audits covered nearly 400 suppliers, including all critical suppliers*. We have upgraded the CSR audit framework by adding evaluation criteria on business ethics, CSR management systems, and environmental actions. We require suppliers to submit detailed correction and prevention action plans, which we review along with a third-party auditor. In 2020, all suppliers submitted correction and prevention action plans after the CSR audits.

*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.

In 2020
Suppliers submitted correction and prevention action plans after the CSR audits

100%
Yum China is committed to local sourcing to achieve win-win cooperation. Local sourcing allows for better tracing and control, which to the great extent makes our supply chain more stable, efficient, and sustainable, reducing risks relating to food safety and the environment. Our success would be impossible without community support. We are therefore willing to fulfill our social responsibilities through local sourcing, contributing to local economic development and giving back to society.

We encourage our overseas suppliers to expand operations in China. At the same time, we seek local suppliers for synergies, cost competitiveness, and rapid market response. As of the end of 2020, our local suppliers were located in 21 provinces, 4 municipalities, and 4 autonomous regions across China. About 99.1% of these suppliers were in China, playing a positive role in boosting local economic development, employment, and taxation.

**Evaluation Criteria of Yum China CSR Audits**

- **Labor Rights and Interests**
  - Child Labor/Minor Employee
  - Forced Labor
  - Discrimination
  - Punishment
  - Harassment and Abuse
  - Legal Employment
  - Communication and Exchanges
  - Working Hours
  - Wages and Benefits

- **Business Ethics**
  - Business Ethics
  - Bribery
  - Conflicts of Interest

- **Environment**
  - Environmental Assessment and Acceptance
  - Environmental Management

- **Safety**
  - Health and Safety
  - Fire Safety
  - Equipment Safety
  - Electricity Safety
  - Occupational Health Management
  - Chemical Management
  - Occupational Injuries
  - Dormitories and Dining Halls

**2020 CSR Audit Result**

- **CSR Ratings: A-grading**
  - Score ≥ 90/100 AND without any critical issue
  - Valid for 24 months

- **CSR Ratings: B-grading**
  - 80/100 ≤ Score < 90/100 AND without any critical issue
  - Valid for 12 months

- **CSR Ratings: C-grading**
  - Score < 80/100 OR with any critical issue
  - Requires immediate remediation and a re-audit. If the supplier is still graded C in the follow-up audit, it is considered high risk, and Yum China carefully reviews the partnership.

**New chapters and content for audit:**

- Business ethics, social responsibility management system, and environmental management system

**Corrective and preventive management:**

- CAPAR (corrective action and preventive action plan) submission rate after the audit: 100%
Yum China recognizes the value of community and cares about its development. We aim to promote mutually beneficial development with the community. We will use our scale and strength to enhance productivity in rural areas and help improve the nutrition of children living there. We boost local economic growth while working with the community through initiatives including facilitating access to quality education, enhancing community relations, caring for the vulnerable, promoting traditional culture and healthy lifestyles, and helping reduce food waste to build a sustainable future.

In November 2020, China announced it completed the goal of eliminating extreme poverty. However, relative poverty remains a major challenge that requires a long-term commitment to poverty alleviation and development.

In July 2019, the State Council issued the Opinions on Implementing Healthy China Initiative, established the Healthy China Promotion Committee, and issued the Healthy China Initiative Organization, Implementation and Assessment Plan and the Healthy China Action Plan (2019-2030), which includes residents’ health literacy and physical exercise as important indicators.

In 2017, the report to the 19th CPC National Congress proposed a social governance model based on collaboration, participation, and common interests. It advocated for a stronger community governance system, combining complementary governmental governance and self-regulation within society. Enterprises are important players in community governance. Their participation in urban community governance can contribute to community development and improve their social influence.

After the establishment of World Reading Day in 1995, China followed the international call to advocate for reading. The Chinese Academy of Press and Publication’s latest national reading survey shows that China’s national reading rate continues to edge up, reflecting the people’s growing demand to read.

Our Goal and Commitment

Community Care:
- Our employees volunteer no less than 1.5 million hours per year
Our Roadmap

Improving Child Nutrition and Revitalizing Rural Industry
- **One Yuan Donation**: Mobilizing public donations to improve child nutrition. We cooperate with the China Foundation for Poverty Alleviation (CFPA) to encourage donations from the public to improve child nutrition in poor areas.
- **Grow Local**: Revitalizing rural economies and boosting local development. We help to identify business opportunities in rural areas to drive local economic development.

Promoting Education Equity
- **Enhancing educational equity**: We provided computer equipment and free instructor-led virtual coding courses to children in rural areas, helping them to acquire essential digital skills that is much-needed to thrive in a digital world. By increasing digital learning opportunities, the Digital Classroom initiative contributes to the revitalization of rural education and talent development.
- **Supporting students from underprivileged families**: Yum China established a three-in-one funding model with the China Youth Development Foundation (CYDF), providing underprivileged college students with good academic performance with financial supports, practical part-time work opportunities as well as platforms for social services to encourage the fund recipients to give back to the society.

Giving Back to the Community
- **School After 4:30 pm**: Yum China provides children from different backgrounds with spaces for public activities.
- **Promoting public reading**: We conduct online and offline activities to promote public reading.

Caring for Special Groups and Fulfilling Special Needs
- **Caring for left-behind and migrant children**: Yum China continuously promotes the Little Migratory Birds Fund program to enrich the life of seasonal dual-earner families’ children through reading, sports and art activities.
- **Proving free meals to contribute to the fight against COVID-19**: After the outbreak of the pandemic, Yum China donated money to frontline health professionals. We provided free meals to frontline workers to show our deep gratitude and Pizza Hut made limited-time offers featuring traditional delicacies to uplift the local produce market in the impacted areas.

Promoting Traditional Chinese Culture and Healthy Lifestyles
- **Promoting traditional culture**: Yum China integrated charming Chinese culture elements into its restaurants to inspire community’s appreciation for local cultural heritage.
- **Promoting information on food safety**: We educate children on food safety through various activities.
- **Promoting positivity on food safety**: Yum China signed an agreement with the China Internet Development Foundation to donate money. We also promoted charity activities that promote positivity both online and offline.

Reducing Food Waste and Building a Responsible Society
- **Food Bank**, bringing food to those in need: We distribute excess food that is left unsold to needy residents through the KFC Food Bank (in cooperation with local authorities to ensure that it goes to the truly needy in an orderly way), in order to reduce food waste and advocating the public to conserve food.

Material Topics | Our Directions | Progress in 2020
--- | --- | ---
**Poverty Alleviation** | Improve child nutrition and contribute to revitalizing rural industries | As of the end of 2020, the One Yuan Donation program had raised more than 220 million yuan from over 130 million consumers, including more than 35 million yuan from Yum China and its employees. It donated 49.88 million nutritious meals to children and kitchen equipment to 1,156 schools, benefiting more than 760,000 students. The project covered 13 provinces and autonomous regions including Sichuan, Yunnan, Guizhou, Hubei, Guangxi, Hunan, Fujian, Hebei, Xinjiang, Heilongjiang, Gansu, Ningxia, and Shaanxi. As of the end of 2020, the Pizza Hut Grow Local Initiative had benefited more than 1,200 farmers and university students.

**Diversity and Equal Opportunity** | Promote equal education and traditional Chinese culture | As of the end of 2020, the project had invested more than 120 million yuan in sponsoring over 19,000 college students, covering 68 universities in 30 cities. Students benefited from the project and gave back to society with more than 500,000 hours of social services.

**Community Care** | Become a good neighbor in the community | As of the end of 2020, the School After 4:30 pm program had organized more than 1,000 activities in 30 cities. Pizza Hut expanded its Public Reading program to around 70 restaurants in 17 cities.

**Care for Special Groups** | Address the cultural and educational needs of special groups, and care for workers on the front line during the covid-19 pandemic | As of the end of 2020, the Little Migratory Birds Fund had donated over 24 million yuan, benefiting three million left-behind and migrant children. It had donated 1,900 reading corners to communities and schools in 29 provinces with over 30,000 book-reading activities and had donated over 340,000 popular children’s books. It had held over 600 Little Migratory Birds story-telling and related activities in KFC restaurant in over 100 cities; KFC Storytellers and volunteers had provided over 40,000 hours of volunteer service. Yum China delivered over 170,000 meals from KFC, Pizza Hut, and Little Sheep to over 1,450 hospitals and medical centers throughout the covid-19 pandemic.

**Public Awareness and Education** | Raise public health awareness and promote traditional Chinese culture | As of the end of 2020, Yum China had conducted more than 470 educational activities on food safety and nutrition for children. In 2020, the YUMC Cup for Food Safety and Nutritional Health Knowledge Competition covered more than 40 universities in 10 cities. During the 2020 National Nutrition Week, over 6,000 KFC restaurants continued to use tray liners specially designed for the National Nutrition Week to help promote nutrition and health awareness. It has reached over 120 million consumers since 2016. The fire rescue themed restaurant project covered 10 cities including Shanghai, Guangzhou, and Hangzhou, with 29 themed restaurants established and more than 450 popularization activities held.

**Food Loss and Waste** | Promote food waste reduction and explore ways to give out excess unsold meals | The Food Bank project expanded to 20 restaurants in five cities including Shenzhen, Guangzhou, Foshan, Fudou, and Nanjing.
In 2020, Yum China continued to promote rural revitalization. Yum China invested in improving child nutrition and revitalizing the economy in rural areas via programs such as the One Yuan Donation program and the Pizza Hut Grow Local Initiative.

Improving Child Nutrition and Revitalizing Rural Industry

In 2020, Yum China conducted One Yuan Donation activities both online and offline to promote the idea that anyone can make an impact on society nationwide and provide the public with easy ways to donate. We encouraged donations via CSR activities including taking photos virtually with the CEO of Yum China, Yum China’s management participating in charity sales, and a charity bazaar.

In response to the government’s National Nutrition Plan (2017-2030), we have prioritized nutritional improvement in poverty-stricken areas as a CSR activity. Since launching One Yuan Donation with the CFPA in 2008, Yum China has encouraged online and offline donations for child nutrition in impoverished regions.

One Yuan Donation has made continuous breakthroughs and innovations in its 13-year history. We continued to innovate with imaginative public activities even during the pandemic. Online, we organized the Cloud Visit and Live Sales for Charities activities and launched two campaigns (#DuckFacesTogether and #PickYourNutritiousDiet) on TikTok to encourage people to donate without going out. Yum China also conducted One Yuan Donation activities offline.

All donations funded child nutrition in underprivileged areas. Every three yuan purchased a nutritious meal for children in remote areas, and every 50,000-60,000 yuan provides a rural school with a fully equipped modern kitchen. At the end of 2020, 1,156 kitchens had been donated to remote areas in 13 provinces/autonomous regions, producing meals for nearly 400,000 children.
Feature Story

Pandemic Emergency Response

During the COVID-19 pandemic in 2020, Yum China acted swiftly to donate Modern Kitchens and school supplies to children in Wuhan schools. We provided 70 schools in eight less developed counties in Hubei province with Modern Kitchen equipment, enabling over 24,000 students to have nutritious and safe-to-eat meals.

Yum China’s CEO Distributing KFC Meals to Children

Yum China also established cooperation with local governments to introduce more advanced technology and efficient ideas for promoting industries to support the implementation of Grow Local. Besides fruits produced on the Yunnan-Guizhou Plateau, we also introduced pomegranates from Yunnan, Zigui Oranges from Hubei, and lemons from Sichuan for sale on Pizza Hut’s e-commerce platform. Our supply chain advantages supported industrial developments in these areas.

Grow Local: Energizing Rural Economy and Boosting Local Development

Yum China considers local industry development as a good starting point to promote lagging economies in remote areas. We launched the Grow Local program in 2018, using our capabilities in menu innovation and our nationwide reach to help targeted remote areas identify and tap agricultural development opportunities. Grow Local promoted local products.

Yum China also established cooperation with local governments to introduce more advanced technology and efficient ideas for promoting industries to support the implementation of Grow Local. Besides fruits produced on the Yunnan-Guizhou Plateau, we also introduced pomegranates from Yunnan, Zigui Oranges from Hubei, and lemons from Sichuan for sale on Pizza Hut’s e-commerce platform. Our supply chain advantages supported industrial developments in these areas.

Grow Local Farmers Training Session in Zhenfeng

Participants Taking the Field Management of Fruit Seedings Course

As of December 2020, it had benefited over 1,200 farmers and college students.

Feature Story

Pizza Hut Grow Local Initiative: Promoting the Employment of University Graduates by Cultivating New Agricultural Talent

Dragon fruit production has risen consistently since the program began in Guizhou in 2019, fueling demand for relevant talent. Yum China intensified its support for Grow Local in 2020 via a training program for agricultural standardization via the Guizhou Education and Training Base for Farmers as an agricultural education site. We also funded college students to participate in the program. As of December 2020, it had benefited over 1,200 farmers and college students.

Grow Local Farmers Training Session in Zhenfeng

Participants Taking the Field Management of Fruit Seedings Course

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1,200
Promoting Education Equity

Yum China promotes education equity and creates more opportunities for quality education for young people by continuously exploring diversified pathways. We also build funds with external partners and organize external volunteer activities to provide a fair and quality educational platform for children and students in different regions.

Supporting Students from Underprivileged Families

We established the KFC First Light Fund in 2002 to provide financial support to students from underprivileged families with good academic performance.

As of the end of 2020

- We had invested over 120 million yuan in the fund
- Across nationwide 30 cities 68 universities
- Supported over 19,000 college students
- Students had provided over 500,000 hours of social services in total

The fund promotes independence and personal growth while providing scholarships to students. We also created the First Light Commune, a social platform, via which students can identify and help others with similar backgrounds as theirs, thus giving back to society. As of the end of 2020, we invested over 120 million yuan in the fund and supported over 19,000 college students in 68 universities across 30 cities nationwide. While benefiting from the fund, students had provided over 500,000 hours of social services in total by the end of 2020.

Yum China is keenly aware that educational demands in rural and remote areas are changing as society advances. We address the needs of students in these areas by increasing digital learning opportunities.

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.

Yum China promotes education equity and creates more opportunities for quality education for young people by continuously exploring diversified pathways. We also build funds with external partners and organize external volunteer activities to provide a fair and quality educational platform for children and students in different regions.

In 2019, in partnership with CFPA and Leap Learner, Yum China started to explore creating digital learning opportunities for children in rural areas. Starting in Gansu province, the Company donated computers and established digital classrooms as part of its One Yuan Donation program, the Company’s signature nationwide community campaign. In 2020, Yum China expanded the pilot project to provide remote instructor-led coding training to teachers from over 100 schools in Ningxia and Hunsan provinces. The training is designed to help the teachers to learn coding and build fundamental knowledge needed to teach students and support the next generation workforce.

In the past two years under the pilot program, teachers and students have benefited greatly from the virtual training and coding classes and have noted considerable improvements in their digital capabilities. Building on a successful pilot introduced in 2019, Yum China has donated RMB 5 million to fund the Digital Classroom Initiative, providing children in rural areas with access to digital learning opportunities.

Yum China donated

5 million RMB

Provide new computer equipment and free instructor-led virtual coding courses and training to children and teachers in rural areas
Yum China values giving back to the community and society. Through our widely distributed restaurants, we aim to enhance mutual care among citizens and help build a harmonious community. Yum China opens restaurants and offers a wide range of services in many communities of various types. Through the KFC School After 4:30 pm program, we provide children from different backgrounds with spaces for public activities. We also encourage reading and socialization through Pizza Hut’s Public Reading Program.

KFC launched its first School After 4:30 pm themed restaurant in 2016. In 2020, the program expanded to cover primary school students with two working parents, those from poor families, and those whose parents are migrant workers. As no one could care for them after school, we provided them with spaces for public activity after school in restaurants and community service centers, which could promote child physical and mental development. As of the end of 2020, School After 4:30 pm had covered 30 cities and provided over 1,000 activities.

Yum China encourages daily reading in the community by organizing online and offline reading activities through its many restaurants and online platforms.

In the past few years, the “Book Kingdom” initiative book list workshops, quality children’s reading lists, in-restaurant and online storytelling sessions, as well as a wide range of activities to spark children’s interest and boost children’s reading skill. In 2020, KFC launched an online picture book writing contest with a theme called “I Am A Little Picture Book Writer”, inviting children to draw the most beautiful scenes in their mind describing the harmonious co-existence between ocean and human under the theme of “Guarding Mother Ocean”. The first picture book session included 2,800 outstanding children’s works. This picture book creating experience served as family engagement that helps families to build a bond while leaves good childhood memories for the children.

As of the end of 2020, over 76 million books had been distributed during the initiative, with over 690,000 storytelling sessions held.

Promoting Reading in Communities

Yum China invites local cultural charity partners and volunteers from Fuzhou, Jinan, Qingdao, Shenzhen, and Wuxi to conduct cultural, etiquette, and science classes with different local characteristics. This enabled children to exchange cultural and scientific knowledge after school while enhancing neighborhood interaction.
Caring for Special Groups and Fulfilling Special Needs

Yum China is devoted to providing safe and effective support for those in need. By using our restaurants as a platform, we provided left-behind children with warm spaces for public activity. When the COVID-19 pandemic broke out in early 2020, we acted swiftly to provide frontline workers with free meals. As the situation improved, we continued to leverage our food innovation expertise to develop new local favor products in order to help boost the morale of the public and drive consumption recovery in pandemic-hit areas.

In China, the education of left-behind and migrant children has always been a focus of social attention. Yum China helped this effort by setting up the KFC Little Migratory Birds Fund in 2016, which uses methods including donating book corners and organizing story-telling sessions and themed activities to promote the happy and healthy growth of migrant children. In 2019 and 2020, KFC collaborated with the China Children and Teenagers Foundation to hold the art-themed Little Migratory Birds in Summer activity, supporting migrant children who are passionate about art.

Feature Story
Audio Books with Cheese

On 2020’s World Reading Day, we launched a new type of cheese product. To encourage public reading, we collaborated with audiobook provider Sanlianzhongdu to equip Pizza Hut restaurants in Beijing with audiobook resources. This was a creative way to connect food with audiobook listening, which was a novel and inspiring combination for many customers.
In 2020, we provided free meals to frontline workers during the pandemic. We also send free meals to frontline workers during holidays and in fierce summer and winter weather. From the outbreak of the pandemic to the recovery, Yum China never stopped caring for frontline workers and impacted areas.

Not long after the outbreak of the pandemic, Yum China immediately donated three million yuan directly to Tongji Hospital, a hospital affiliated to Tongji Medical College of Huazhong University of Science & Technology. This provided each of the first groups of medical professionals caring for COVID-19 patients with aid worth 3,000 yuan. Aware that medical professionals were facing challenges in food supplies, Yum China recruited volunteering employees in Wuhan and reopened five KFC and three Pizza Hut restaurants, providing medical professionals in some key hospitals in Wuhan with over 1,000 free meals every day. The meals were taken by designated personnel from hospitals at the same time from the same restaurants every day. The recipes of all meals were designed and renewed regularly, focusing not only on nutrition but also on taste. Even at the peak of the outbreak, we kept a majority of restaurants open, so that millions of people could have access to safe and hearty meals.

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**Contributing to the Fight against COVID-19 by Providing Free Meals to Frontline Workers**

In this difficult time when the whole nation is combating the pandemic, every one of us is obligated to play our part. As a restaurant company, we will do everything we can to use our restaurants as platforms to support frontline medical professionals and show our deep gratitude and care via free and ready-to-eat meals.

Joey Wat, CEO of Yum China

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**Showing Our Deep Gratitude to Frontline Workers with Thousands of Free Meals**

The sudden pandemic concerned everyone. Since its outbreak, 340 medical teams with practically 40,000 medical professionals from across the country worked day and night on the frontline, fighting against the pandemic. On International Women’s Day, Yum China’s KFC and Pizza Hut collaborated with the Health Commission of Hubei Province and the Wuhan Municipal Administration for Market Regulation in closing our 17 contactless delivery restaurants for a whole day, working with volunteers to provide over 10,000 free meals to 88 medical teams sent to Hubei province.

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Yum China also supported our communities by providing donations, free meals, and volunteer services to medical workers on the frontline.

In 2020

Yum China provided over 1,450 hospitals and medical centers with over 170,000 free meals of KFC, Pizza Hut and Little Sheep.

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**Feature Story**

Yum China dedicated 17 contactless delivery restaurants working with volunteers to provide over 10,000 free meals to 88 medical teams sent to Hubei province.

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KFC and Pizza Hut Restaurants in Wuhan Sending Meals to Thank Medical Teams
Promoting Traditional Chinese Culture and Healthy Lifestyles

Yum China believes that public promotion and education play a crucial role in promoting cultural activities in the community. In 2020, we continued to work with communities to promote traditional Chinese culture, raise customer awareness of food safety, and improve public awareness of nutrition and health.

Promoting Traditional Chinese Culture

Yum China has always been committed to promoting traditional Chinese culture during our history of over 30 years in China. We use the close relationship between our customers and our restaurants to bring traditional culture to more people.

Promoting Chinese Classics

Beginning in 2018, KFC partnered with the National Museum of China to launch the National Treasure Shining China and China on Fingertips activities. KFC also used its restaurants to embody themes including history, culture, and traditional arts across the country to engage customers. Working with the National Palace Museum, KFC launched buckets themed with a "Six Amazing Auspicious Beasts of the Forbidden City" design in 2020 and decorated its restaurants with the "Auspicious Signs with China" theme to celebrate Chinese New Year.

Pizza Hut Offering Wuhan Hot-dry Noodles to support the recovery of Hubei’s cultural tourism

In mid-2020, Pizza Hut collaborated with Wuhan Hot-dry Noodles brand Cai Linji and Sanlian Life Weekly magazine to offer customers “Grilled Crayfish Hot-dry Noodles” for a limited time in Wuhan, a tribute to the traditional food culture of Hubei, in order to support the recovery of Hubei’s cultural tourism, as the city recovers from the pandemic.

During the Mid-autumn Festival in 2020, Yum China’s Pizza Hut collaborated with the Dunhuang Museum to decorate selected restaurants in nine cities (Shanghai, Hangzhou, Nanjing, Guangzhou, Shenzhen, Chengdu, Shenyang, Xi’an, and Lanzhou) with Dunhuang Art, promoting the museum’s traditional arts in the community.

Feature Story

On February 7, 2020, Little Sheep participated in the Supporting the Families of Aiding-Hubei Medical Professionals & Collectively Combating COVID-19 initiative jointly launched by the Shanghai Women’s Federation (SWF), the Shanghai Municipal Health Commission, and the Shanghai Children Foundation (SCF). We provided over 12,000 free self-heating hotpots worth 500,000 yuan to families of medical professionals sent to aid Hubei province, showing our deep gratitude for the frontline workers.

We provided over 12,000 free self-heating hotpots worth 500,000 yuan to families of medical professionals

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Grilled Crayfish Hot-dry Noodles Provided for a Limited Time by Pizza Hut in 2020

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Integrating into Local Culture

Yum China has worked with local museums and different tourism areas to launch Chinese culture-themed restaurants that engage the community and promote traditional Chinese culture. KFC and Pizza Hut also blended modern culture and local features when developing theme restaurants, enhancing the cultural identity of the community and helping people enjoy the charm of traditional arts in daily life.

Yum China promotes crossover collaboration to integrate traditional culture into the modern food industry. In the Xujiahui street of the Shanghai School block, a Pizza Hut restaurant and a KFC restaurant were decorated to be Shanghai School culture theme restaurants.

Guarding the Children and Youth, We Are in Action

In 2020, Yum China conducted activities entitled “Guarding the Children and Youth, We Are in Action” to educate youth about food safety. We conducted the activities during the pandemic in 2020 via video links, and we transformed selected KFC restaurants in seven cities including Changsha, Foshan, Xining, and Shanghai into food safety education and experience spaces later that year. We also organized offline science-based activities on campus and in communities. This combination of annual activities, virtual classes, and experience spaces continued engaging young people to raise their awareness of food safety and nutrition.

Strengthening Education on Food Safety

Yum China had conducted over 470 educational activities. We had adapted 22 selected KFC restaurants to offer experience spaces for educating young people about food safety.
YUMC Cup

Yum China launched the YUMC Cup knowledge contest in 2017. Under the guidance of market supervisory authorities, we regularly hold the YUMC Cup for Food Safety and Nutritional Health Knowledge Competition among universities. We pass on scientific information about nutrition and health to college students and the public through various activities including knowledge competitions, and online answering on Alipay. YUMC Cup 2020 was a collaboration between Yum China, the China Market Regulation News, and Alipay’s Answering Planet (a mini-program launched by Alipay). We launched it in October and held the national finals in Beijing in December. We expanded the scale of the event in 2020 to cover over 40 universities in 10 cities, attracting over 2.3 million knowledge quiz participants through the competition platform just for the practice section. Teams from universities in different cities participated in debates and interactive games besides the knowledge competitions. Information technology and the internet have made the event more influential. It promoted food safety and nutrition awareness, helping us to further improve public health.

Promoting Information via Online Platforms

Yum China launched the official Wechat account - Best Foods & Best Sports in 2017 to promote health and nutrition awareness. We promote healthy diet and healthy lifestyles using everyday stories that resonate with people. We expanded its influence by creating themed short videos in TikTok in May 2020.

National Nutrition Week

National Nutrition Week, which falls in the third week of every May, is a national nutrition promotion program initiated by the Chinese Nutrition Society and the Institute for Nutrition and Health of the Chinese Center for Disease Control and Prevention. It is part of the National Nutrition Plan (2017-2030) and has become an important part of building a healthy China in the new era. The 2020 program was officially launched nationwide on May 17, 2020. Over 6,600 KFC restaurants continued to use tray liners specially designed for National Nutrition Week to help promote nutrition and health awareness. This is the fifth consecutive year that Yum China has supported the program, and it has reached over 120 million customers.

We help to promote its “Balanced Diet, Foundation of Immunity” theme by including related information on our tray liners. The liners inform the public of the fundamental role a balanced diet can play in enhancing immunity, promoting high-quality protein sources such as milk and soy. We also promoted single-serve meals while calling on the public to not engage wild-life consumption for a healthier lifestyle.

During National Nutrition Week, Yum China distributed questionnaires about healthy lifestyles to physicians across the country in collaboration with the Community Nutrition and Health Management Branch of the Chinese Nutrition Society, the Chinese Medical Doctor Association, and the Beijing Dietitian Association. Based on the analysis results, we released the Survey Report on the Healthy Lifestyle of Chinese Physicians on Physician Day to help increase the society’s understanding of and care for the physician community.
During the National Science Popularization Week period from September 19 to 25, 2020, Yum China’s KFC collaborat-ed with the Chinese Institute of Food Science and Technolo-gy, initiated to use 20.5 million tray liners with food-related knowledge in over 6,700 KFC restaurants in more than 1,400 cities nationwide. This initiative has encouraged the public to choose healthier ways of living by passing down posi-tive messages and educating customers to understand the process behind the food supplies chain and the scientific knowledge in daily meals.

Initiated to use 20.5 million tray liners with food-related knowledge to over 6,700 KFC restaurants in more than 1,400 cities nationwide

Promoting Positivity

We promote positivity online in innovative ways to inspire consumers to participate in charity activities. We signed a donation agreement with the China Internet Development Foundation and donated 10 million yuan to the China Network Development Fund’s Internet Public Welfare fund. These donations will help to promote charitable content related to emergency response, fire prevention and safety education, poverty alleviation, healthy lifestyles, and charitable public activities.

In 2020, Yum China supported the “Safeguarding the Safety of People’s Life and Work” interviews that were organized by Cyberspace Administration of China and the online promotion activities with themes of “Preserving Lucid Waters and Lush Mountains” and “Understanding Fire Fighting” and decorated 29 restaurants in 10 cities nationwide into fire rescue-themed restaurants where over 450 emergency response education activities were held. During the activities, kids and their parents in the community were educated to know more about disaster relief and improve their emergency response capabilities to further enhance general fire safety.

In 2020

| 10 | Fire rescue-themed restaurants in 10 cities nationwide |
| 29 | 29 fire rescue-themed restaurants |
| 450 | Over 450 emergency response education activities were held |

Reducing Food Waste and Building a Responsible Society

In response to the government’s Stop Food Waste initiative, Yum China works hard to reduce food waste. We launched our pilot Food Bank program in Shenzhen KFC restaurants in September 2020 to provide excess food for free to needy residents.

Food Bank: Bringing Food to Those in Need

KFC has been working on reducing food waste by employing technology to improve management procurement, production, and sales. However, due to volatile factors such as restaurant traffic and weather, some restaurants have a small amount of food left unsold. We have begun to freeze and distribute the surplus food for free to nearby residents in need.

In 2020, we expanded to 5 cities and 20 restaurants.

Food Bank program has garnered high praise. This program was publicly voted as one of the Top Ten Charity Events in Guangzhou in 2020. The Guangzhou Charity Federation and the Guangzhou Charity Association se lected Guangdong KFC Food Bank as the First Batch of Charity Spaces in Guangzhou. The Standing Committee of the National People’s Congress included the Food Bank in its report on the implementation of the Charity Law of the People’s Republic of China as an excellent example of Innovative charity program.

Food Safety & Nutritional Science Tray Liner

During the National Science Popularization Week period from September 19 to 25, 2020, Yum China’s KFC collaborat-ed with the Chinese Institute of Food Science and Technolo-gy, initiated to use 20.5 million tray liners with food-related knowledge in over 6,700 KFC restaurants in more than 1,400 cities nationwide. This initiative has encouraged the public to choose healthier ways of living by passing down posi-tive messages and educating customers to understand the process behind the food supplies chain and the scientific knowledge in daily meals.

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Food Safety & Nutritional Science Tray Liner
## Key Performance Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Unit</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td><strong>FOOD</strong></td>
<td></td>
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<tr>
<td>Restaurant Food Safety and Quality Audits (i.e. Operational Excellence Check)</td>
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<td>Product Checks on Key Menu Items in Restaurants</td>
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<td>Microbiological Testing in Restaurants</td>
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<td>71,000+</td>
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<td>Food Safety and Quality Audits on Suppliers</td>
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<td>Key Raw Materials Sampling Tests in Restaurants</td>
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<tr>
<td><strong>ENVIRONMENT</strong></td>
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<td>Total Electricity Consumption</td>
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<tr>
<td>Average Restaurant Electricity Consumption</td>
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<tr>
<td>Direct (Scope 1) GHG Emissions</td>
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<td>Energy Indirect (Scope 2) GHG Emissions</td>
<td>tCO₂e</td>
<td>1,956,072</td>
<td>1,873,757</td>
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<tr>
<td>Average Restaurant Energy Indirect (Scope 2) GHG Emissions</td>
<td>tCO₂e</td>
<td>233</td>
<td>287</td>
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<tr>
<td>Total Water Consumption</td>
<td>tons</td>
<td>27,602,012</td>
<td>24,579,253</td>
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<tr>
<td>Average Restaurant Water Consumption</td>
<td>tons</td>
<td>3,284</td>
<td>2,710</td>
</tr>
<tr>
<td>Amount of Paper and Plastic Packaging Reduction</td>
<td>tons</td>
<td>9,000+</td>
<td>9,200+</td>
</tr>
<tr>
<td>Percentage of RSPO-Certified Palm Oil</td>
<td>%</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>PEOPLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Number of Employees</td>
<td>person</td>
<td>/</td>
<td>400,000+</td>
</tr>
<tr>
<td>Number of Full-time Employees</td>
<td>%</td>
<td>/</td>
<td>34</td>
</tr>
<tr>
<td>Number of Part-time Employees</td>
<td>%</td>
<td>/</td>
<td>66</td>
</tr>
<tr>
<td>Number of Male Employees</td>
<td>%</td>
<td>/</td>
<td>36</td>
</tr>
<tr>
<td>Number of Female Employees</td>
<td>%</td>
<td>/</td>
<td>64</td>
</tr>
<tr>
<td>Number of Employees under 30</td>
<td>%</td>
<td>/</td>
<td>60</td>
</tr>
<tr>
<td>Number of Employees 31~40</td>
<td>%</td>
<td>/</td>
<td>23</td>
</tr>
<tr>
<td>Number of Employees 41~50</td>
<td>%</td>
<td>/</td>
<td>15</td>
</tr>
<tr>
<td>Number of Employees over 50</td>
<td>%</td>
<td>/</td>
<td>2</td>
</tr>
<tr>
<td>Employee Turnover Rate of Restaurant General Managers (RGMs)</td>
<td>%</td>
<td>/</td>
<td>9.2</td>
</tr>
<tr>
<td>Share of Women in Total Workforce</td>
<td>%</td>
<td>/</td>
<td>64</td>
</tr>
<tr>
<td>Share of Women in All Management Positions</td>
<td>%</td>
<td>/</td>
<td>60</td>
</tr>
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</table>
Key Performance Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Unit</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Women in Junior Management Positions %</td>
<td>/</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>Share of Women in Top Management Positions %</td>
<td>/</td>
<td>54%</td>
<td></td>
</tr>
<tr>
<td>Share of Women in Management Positions in Revenue-Generating Functions %</td>
<td>/</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>Share of Women in STEM-related Positions %</td>
<td>/</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Share of Female Employees between New Hire Employees %</td>
<td>/</td>
<td>59%</td>
<td></td>
</tr>
<tr>
<td>Share of Female Employees between Promotion Employees %</td>
<td>/</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>Share of Female Employees between Turnover Employees %</td>
<td>/</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Mean Gender Pay Gap between Men and Women Employees %</td>
<td>/</td>
<td>&lt;3%</td>
<td></td>
</tr>
<tr>
<td>Media Gender Pay Gap between Men and Women Employees %</td>
<td>/</td>
<td>&lt;3%</td>
<td></td>
</tr>
<tr>
<td>Number of Cities with Angel Restaurants /</td>
<td>/</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Number of Angel Restaurants /</td>
<td>/</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Number of People with Disabilities Employed in Angel Restaurants /</td>
<td>person</td>
<td>200+</td>
<td></td>
</tr>
<tr>
<td>Number of People with Disabilities Gained Employment Support /</td>
<td>person</td>
<td>2,100+</td>
<td></td>
</tr>
<tr>
<td>Total Amount Spent on Training and Development / RMB /</td>
<td>/</td>
<td>266,000,000</td>
<td></td>
</tr>
<tr>
<td>Average Amount Spent per FTE on Training and Development / RMB /</td>
<td>/</td>
<td>1,308</td>
<td></td>
</tr>
<tr>
<td>Training and Development Hours in Total / hours /</td>
<td>/</td>
<td>8,600,000</td>
<td></td>
</tr>
<tr>
<td>Average Hours per FTE of Training and Development / hours /</td>
<td>/</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Number of Full-time Employees Trained / person /</td>
<td>/</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Number of Part-time Employees Trained / person /</td>
<td>/</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Promotion Rate Across the Management Team %</td>
<td>/</td>
<td>136,000</td>
<td></td>
</tr>
<tr>
<td>Promotion Rate among Office Employees %</td>
<td>/</td>
<td>270,000</td>
<td></td>
</tr>
<tr>
<td>Share of Male Employees in Training Programs %</td>
<td>/</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Share of Female Employees in Training Programs %</td>
<td>/</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>Annual Physical Examination Coverage of Restaurant Management Team and Office Employees %</td>
<td>/</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Health Certificate Coverage of Restaurant Employees %</td>
<td>/</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Lost-time Injury Frequency Rate for Employees / n/million hours worked /</td>
<td>/</td>
<td>1.08</td>
<td>1.34</td>
</tr>
<tr>
<td>Percentage of CSR Audited Critical Suppliers %</td>
<td>%</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Percentage of Suppliers in China %</td>
<td>%</td>
<td>98.7</td>
<td>99.1</td>
</tr>
</tbody>
</table>

COMMUNITY

Employee Volunteer Time / hours / 1,500,000+ / 1,500,000+

GRI CONTENT INDEX

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<th>Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities</th>
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<th>Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities</th>
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<th>Data</th>
<th>Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Direct (Scope 1) GHG Emissions</td>
<td>Direct (Scope 1) GHG Emissions of Yum China in 2020 were the direct (Scope 1) GHG emissions generated by Yum China’s KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020. All the direct (Scope 1) GHG emissions are derived from installation, operation and disposal of refrigeration and air-conditioning equipment, which is calculated by multiplying each restaurant’s electricity consumption by the average carbon dioxide emission factors of regional power grid. All the 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. 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 (ASHRAE) Handbook – Fundamentals.</td>
</tr>
<tr>
<td>2</td>
<td>Energy Indirect (Scope 2) GHG Emissions</td>
<td>Energy indirect (Scope 2) GHG emissions of Yum China in 2020 were the energy indirect (Scope2) GHG emissions generated by Yum China’s KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020. All the energy indirect (Scope 2) GHG emissions are derived from electricity consumption, which is calculated by using 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.</td>
</tr>
<tr>
<td>3</td>
<td>Total Electricity Consumption</td>
<td>Total electricity consumption of Yum China in 2020 was the electricity consumed by Yum China’s KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020. Electricity consumption refers to the data on the restaurants’ electricity bills.</td>
</tr>
<tr>
<td>4</td>
<td>Average Restaurant Electricity Consumption</td>
<td>Average restaurant electricity consumption of Yum China in 2020 was the average electricity consumption of Yum China’s KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020.</td>
</tr>
<tr>
<td>5</td>
<td>Total Water Consumption</td>
<td>Total water consumption of Yum China in 2020 was the water consumed by Yum China’s KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020. 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.</td>
</tr>
<tr>
<td>6</td>
<td>Average Restaurant Water Consumption</td>
<td>Average restaurant water consumption of Yum China in 2020 was the average water consumption of Yum China’s KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020.</td>
</tr>
<tr>
<td>7</td>
<td>Amount of Used Cooking Oil (UCO) Converted into Biodiesel in Chengdu Biodiesel Project</td>
<td>Amount of UCO converted into biodiesel in Yum China Chengdu biodiesel project in 2020 was the amount of UCO converted into biodiesel in the biodiesel project, which was carried out in Yum China’s KFC and Pizza Hut restaurants in Chengdu in 2020. The amount of UCO converted into biodiesel refers to the data on receipts from UCO collector.</td>
</tr>
<tr>
<td>8</td>
<td>Percentage of RSPO-certified Palm Oil</td>
<td>Percentage of RSPO-certified palm oil of Yum China in 2020 was the percentage of RSPO-certified palm oil in all the purchased palm oil products of Yum China in 2020.</td>
</tr>
<tr>
<td>9</td>
<td>Percentage of CSR Audited Critical Suppliers</td>
<td>Percentage of CSR audited critical suppliers of Yum China in 2020 was the percentage of critical suppliers in all the critical suppliers of Yum China in 2020. Yum China’s critical suppliers include Innovative Suppliers and Key Suppliers (including service suppliers, overseas suppliers, small procurement suppliers with annual procurement less than RMB 2 million yuan and headquarters suppliers).</td>
</tr>
<tr>
<td>10</td>
<td>Share of Women in Total Workforce</td>
<td>Share of women in total workforce of Yum China in 2020 was the percentage of female employees out of all employees of Yum China at the end of 2020. 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 2020, 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 2020, including office staff and restaurant staff.</td>
</tr>
<tr>
<td>11</td>
<td>Lost-time Injury Frequency Rate for Employees</td>
<td>Lost-time injury frequency rate for employees of Yum China in 2020 was the number of lost-time injuries per one million hours worked for employees of Yum China in 2020. The working hours are the total working hours of full-time and part-time employees directly hired by Yum China in 2020, 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 2020, including office staff and restaurant staff.</td>
</tr>
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</table>