



# CSR and Sustainability Report 2018



Food



Environment



People



Community



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## Remarks by Yum China CEO

At Yum China, our vision is to be the world's most innovative pioneer in the restaurant industry. As part of our ambition to lead, we are committed to enhancing the sustainability of our value chain and having a positive impact on society. I am delighted to present the 2018 Yum China Corporate Social Responsibility (CSR) and Sustainability Report. It emphasizes our commitments to CSR and showcases the progress we made last year.

In 2018, we opened 819 new stores; this represents the second highest in our history. As we increase the size of our operations, we have also sought every opportunity to give back to society. Last year, we conserved 14,000 MWh of electricity and 140,000 tons of water, reduced greenhouse gas emissions by 10,000 tCO<sub>2</sub>e and paper and plastic packaging by 9,000 tons. In addition, we are the first Chinese restaurant company that supplies ISCC (International Sustainability and Carbon Certification) certified used cooking oil as a sustainable feedstock for biodiesel production.

We not only built on the success of our flagship programs and scaled up proven initiatives, but also introduced many new projects. Our strategy is centered on food safety, balanced diets and healthy lifestyle. The award-winning One Yuan Donation program remained one of the largest public donation campaigns in China, and we have extended its reach this year by utilizing Yum China's unparalleled digital capabilities.

Our devotion to building an inclusive and transparent working environment has been widely recognized. I am very proud that Yum China has been certified as a Top Employer 2019 and was named on the Bloomberg Gender Equality Index, recognizing the fact that over 60% of our employees and nearly half of our executive team are female. In addition, we have opened 23 Angel Restaurants that provide opportunities for staff with special needs.

We have rolled out many initiatives to ensure that our restaurant managers have the necessary support to lead our business from the frontline. This includes giving them shares through our RGM (Restaurant General Manager) equity program and providing family health insurance that has been designed to benefit around 17,000 children, spouses and parents up to 75 years old of over 5,000 RGMs.

Moreover, we have enhanced our sustainability strategy and integrated it with our core growth strategy. This guides us to work towards challenging goals in areas such as energy efficiency, carbon emissions, water efficiency, green building, sustainable packaging, and responsible and sustainable sourcing. Our determination to create a sustainable ecosystem, enabling greener restaurant operations, supply chains and community services, is a core business goal.

Our strategic priorities are to address the emerging industry challenges we face while having a long-term positive impact on society, including our customers, shareholders, colleagues, the communities we work in and with, and the environment.

We continue to embrace innovation in every aspect of our business to power growth, and innovation continues to define our approach to corporate social responsibility. Yum China will keep exploring innovative ways to give back.

Looking back, we have achieved important milestones across our four responsibility pillars of food, environment, people and community. This remarkable progress underpins our core strategy and enables us to work hard towards ambitious sustainability goals and bring value to stakeholders. Our commitment to making a difference in China is unwavering and we face the future full of confidence that Yum China's strengths will continue to contribute to society.



Joey Wat  
Yum China CEO





## About Yum China

Yum China Holdings, Inc. ("Yum China") has been operating in China for over 30 years and is the largest restaurant company in China. Its vision is to be the world's most innovative pioneer in the restaurant industry.



Yum China has exclusive rights in mainland China to KFC, China's leading quick-service restaurant brand, Pizza Hut, the leading casual dining restaurant brand in China, and Taco Bell, a California-based restaurant chain serving innovative Mexican-inspired food. Yum China also owns the East Dawning, Little Sheep and COFFii & JOY concepts outright.





## 2018 Sustainability Highlights

### Our Food

#### Food Safety

Serving Delicious, Safe and High-quality Food to Our Customers

More than 16,800 Operation Excellence Checks (covering food safety and brand requirements) for over 8,400 restaurants nationwide.

More than 90,000 sample tests on utensils, smallwares, food materials and related products used by restaurants.

Approximately 4,000 quality checks on the main menu products provided by restaurants.

More than 490 food safety and quality audits on food suppliers conducted by Yum China's Quality Assurance Team.

Internet of Things (IoT) applied and enabled monitoring and tracking of real-time temperature of in-transit products and vehicles, warehouse freezers and chillers.

#### Nutrition

Promoting Healthy and Balanced Diets and Providing Customers with a Wide Range of Delicious Meal Choices

Kid's meals provided by KFC and Pizza Hut complied with the requirements outlined by the Chinese Nutrition Society's (CNS) "The Nutrition Principles of Dining for School-age Children in Restaurants".

Approximately 300 new products introduced.

In addition to high-quality protein meat, a variety of natural ingredients such as grains, fruits, vegetables, soy and nut products, provided customers with balanced diets. More than 60 varieties of fruits and vegetables used in 2018 with 48,000 tons procurement volume, with an over 12% increase compared to 2017.

#### Scientific Research and Popular Science

Supporting Scientific Research in Dietary Nutrition and Health

7 projects sponsored by the CNS-Yum China Dietary Health Foundation and RMB 1.6 million donated to the fund.

80 million National Nutrition Week-themed paper placemats distributed throughout KFC restaurants across the country between 2016 and 2018.

More than 300 nationwide National Youth & Children Food Safety Education Campaign sessions carried out, benefitting over 20 million members of the public.

Promoting Nutrition Knowledge and Health Concepts

Food Safety Education

On April 3, 2018, the China Youth & Children Development and Service Center conferred on Yum China the honorary title of being a "National Youth Food Safety Education Experience Activity Base".



## Our Environment

Energy Efficiency/  
Carbon Emissions

14,000 MWh of electricity conservation achieved through energy-saving initiatives.

10,000 tCO<sub>2</sub>e of greenhouse gas (GHG) emissions reduced through energy-saving and emission-reduction initiatives.

## Water Efficiency

140,000 tons of water conservation achieved through various water-saving initiatives.

## Sustainable Packaging

8,000 tons of paper and 1,000 tons of plastic materials reduced through new sustainable packaging initiatives.

## Waste Management

First restaurant company in China to get the ISCC certification for its used cooking oil that will be converted into sustainable biodiesel.

1,100 tons of cooking oil reduced through the utilization of innovative fryer and management systems.

## Green Building

All newly-built restaurants fully complied with the Yum China Green Building Standards.

## Responsible Sourcing

All suppliers signed the Yum China Supplier Code of Conduct.

CSR audits completed on all critical suppliers.

## Sustainable Sourcing

Certified member of RSPO to support sustainable palm oil production.

100% of purchased palm oil certified by RSPO.

Note: Roundtable on Sustainable Palm Oil (RSPO)



## Our People

**Restaurant General Manager (RGM) Family Care Program**

Starting on July 1, 2018, all RGMs who have served as restaurant managers for at least 2 years are eligible to participate in the RGM Family Care insurance program. The program, funded entirely by the Company, has benefited a first batch of more than 5,000 RGMs, together with 17,000 parents, spouses, and children.

**Accelerated Career Development for Management Trainees**

The Company's industry-leading training and development programs enable employees to take control of their career path and development. The tailor-made programs support them to fully unlock their potential and grow quickly. It is possible for a freshly graduated restaurant management trainee to climb three levels up the career ladder to restaurant manager in as short as 22 months.

**Leadership Development Program**

With the strong support of the Company's management team, the Yum China Leadership Development program came into being, aiming to provide our future leaders with the core competencies to drive future success.

**Bloomberg Gender-Equality Index (GEI)**

By the end of 2018, Yum China employed over 275,000 female employees, representing 61.2% of the Company's total workforce. About 59% of management level positions were held by women. The Company continues to make great strides in nurturing talented female leaders across all management levels. Yum China was selected for the 2019 Bloomberg Gender-Equality Index (GEI), which recognizes companies who demonstrate a strong commitment to transparency in gender reporting and advancing women's equality.

**Hiring Employees With Disabilities**

In 2018, Yum China hired more than 2,000 people with disabilities across 150 different cities. In the future, the employment rate of people with disabilities will remain above 1.5% of full-time employees. As one of the important initiatives to support the employment of people with disabilities, KFC currently operates 23 "Angel Restaurants" located in 22 cities.

**2019 Top Employers in China**

Yum China was certified by the Top Employers Institute as one of 2019's "Top Employers in China", which recognizes companies who demonstrate continuous efforts to promote a corporate talent strategy and cultivate talents through systematic training.



## Poverty Alleviation

One Yuan Donation Program

Grow Local Initiative

In 2018, the One Yuan Donation program raised over RMB 17 million, and it is estimated that as a result 5 million more nutritious meals will be provided, and 106 additional schools will be equipped with "Modern Kitchens."

Approximately 90 supply chain partners voluntarily participated in the One Yuan Donation program in 2018.

860 farmers received truffle harvesting training through the Grow Local Initiative, between February and September 2018. Recorded online courses facilitated the training of even more farmers.

Issued one of the first scientific training manuals on sustainable truffle farming in Yunnan Province that enables the local government and Agriculture and Rural Affairs Office to provide farmers with much-needed training in Yunnan Province.

## Community Care

KFC's School After 4:30pm

Pizza Hut Public Reading Program

By the end of 2018, 17 KFC restaurants in 3 cities, namely Shenzhen, Zhengzhou, and Wuhan, had hosted 588 "School After 4:30pm" activities.

By the end of 2018, Pizza Hut's Public Reading program had been launched in 14 restaurants in 13 different cities. More than 19,000 books had been collected at these restaurants.

## Education and Empowerment

KFC "Little Migratory Birds" Fund

KFC Kid's Book Club

KFC First Light Fund

In 2018, the Little Migratory Birds Fund expanded the scope of its projects to Sichuan, Tibet, Qinghai, and Inner Mongolia, bringing the total number of project locations to 26. Nationwide, 601 reading corners were added, approximately 135,000 new books distributed, 601 Bluetooth speakers and 100 Little Migratory Birds Reading Buckets installed, and around RMB 1.75 million for associated activities donated. These actions benefited approximately 900,000 left-behind and migrant children during the year.

In 2018, 115 KFC restaurants in 19 provinces held 203 Little Migratory Birds activities. Approximately 1,000 employees invested 19,243 hours to support these activities. In addition, 644 volunteers invested a total of 3,907 hours to participate in these activities.

In 2018, the total number of books in the KFC Kid's Book Club reached 18.5 million and 200,000 reading activities were conducted throughout the year.

Approximately RMB 9 million in scholarships provided to 1,702 university students at 32 higher education institutions across 22 provinces, by the KFC First Light Fund during the 2017 to 2018 school year.

## Advocating for Healthy Lifestyles

KFC 3x3 Basketball Championship

Marathon

In 2018, the KFC 3x3 Basketball Championship joined the FIBA Event Maker, improving the standard of tournaments.

In 2018, KFC supported 24 marathons, with more than 3,400 runners joining K-Run teams, and over 6,700 families participating in family runs.

Registrations for 14 marathons, generating 7,000 registrations were supported by the KFC Super App during the year. A K Run section was launched on the KFC Super APP in 2017.





# Corporate Governance

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

The corporate governance section of our website makes available certain of the Company's corporate governance materials, including our Corporate Governance Principles, the charters for each committee and our Code of Conduct. To access these documents on our Investor Relations website, [ir.yumchina.com](http://ir.yumchina.com), click on "Governance" under "About Yum China" and then "Governance Documents."

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

## Director Independence

- Independent Board Chairman
- 10 of 12 directors are independent

## Director Elections and Attendance

- Annual election of all directors beginning at the 2019 Annual Meeting of Stockholders
- Majority voting policy for elections of directors in uncontested elections
- Proxy access for director nominees by stockholders
- Over 95% director attendance at the Board and committee meetings in 2018

## Board Refreshment and Diversity

- Directors with experience, qualifications and skills across a wide range of public and private companies
- Directors reflect a diversity of gender, race and ethnicity
- Average director age of 59 as of March 29, 2019
- Independent and non-management directors may generally not stand for re-election after age 75

## Other Governance Practices

- Active stockholder engagement
- No shareholder rights plan (also known as a poison pill)
- Director and executive officer stock ownership policies
- Policy prohibiting hedging or other speculative trading of the Company stock
- Policy regarding resignation if any director experiences a significant change in professional roles and responsibilities
- Board access to senior management and independent advisors

A complete overview of corporate governance at Yum China is provided on our Investor Relations website, [ir.yumchina.com](http://ir.yumchina.com) and 2019 Proxy Statement.



# Sustainability Strategy

At Yum China, we are committed to providing safe and nutritious food in a way that is economically, socially and environmentally sustainable.

Yum China has always been committed to becoming the world's most innovative pioneer in the restaurant industry. We will continue to leverage our strengths to contribute to the sustainable development of the economy, society, and environment, and do our utmost to improve the Food We Eat, the Water We Drink, and the Air We Breathe - to make every life taste beautiful.

**We behave responsibly**  
Enhancing our brand image and value

**We develop stably**  
Protecting our business through risk management

**We operate efficiently**  
Reducing our environmental footprint

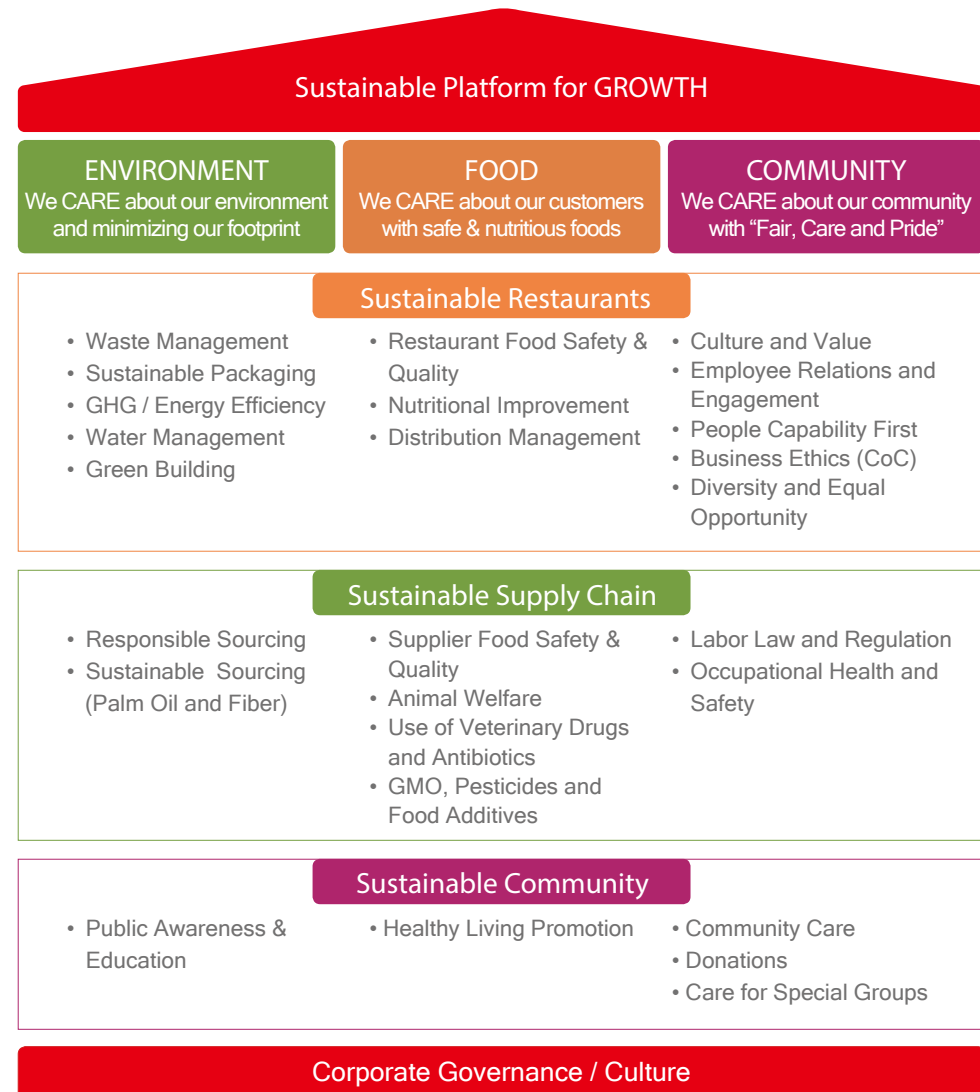
As the industry continues to evolve, we take emerging industry challenges seriously. To ensure our business has a positive impact on the economy, society and environment, both now and in the future, we focus on the long-term impact of our entire value chain covering a broad range of stakeholders, including customers, shareholders, employees, suppliers, the communities we work in and with, and the environment.

We have integrated sustainability with our company's long-term business growth strategy "Sustainable Platform for Growth", consistently providing our customers with safe and nutritious food while fulfilling a commitment to sustainable economic, social and environmental development.

We have developed a sustainability strategy called "Creating A Responsible Ecosystem" to drive the continuous improvement of Yum China's ESG performance in relation to Food, Environment and Community to support Yum China's long-term business growth strategy.

We are committed to building Sustainable Restaurants, a Sustainable Supply Chain and a Sustainable Community.

## Creating A Responsible Ecosystem

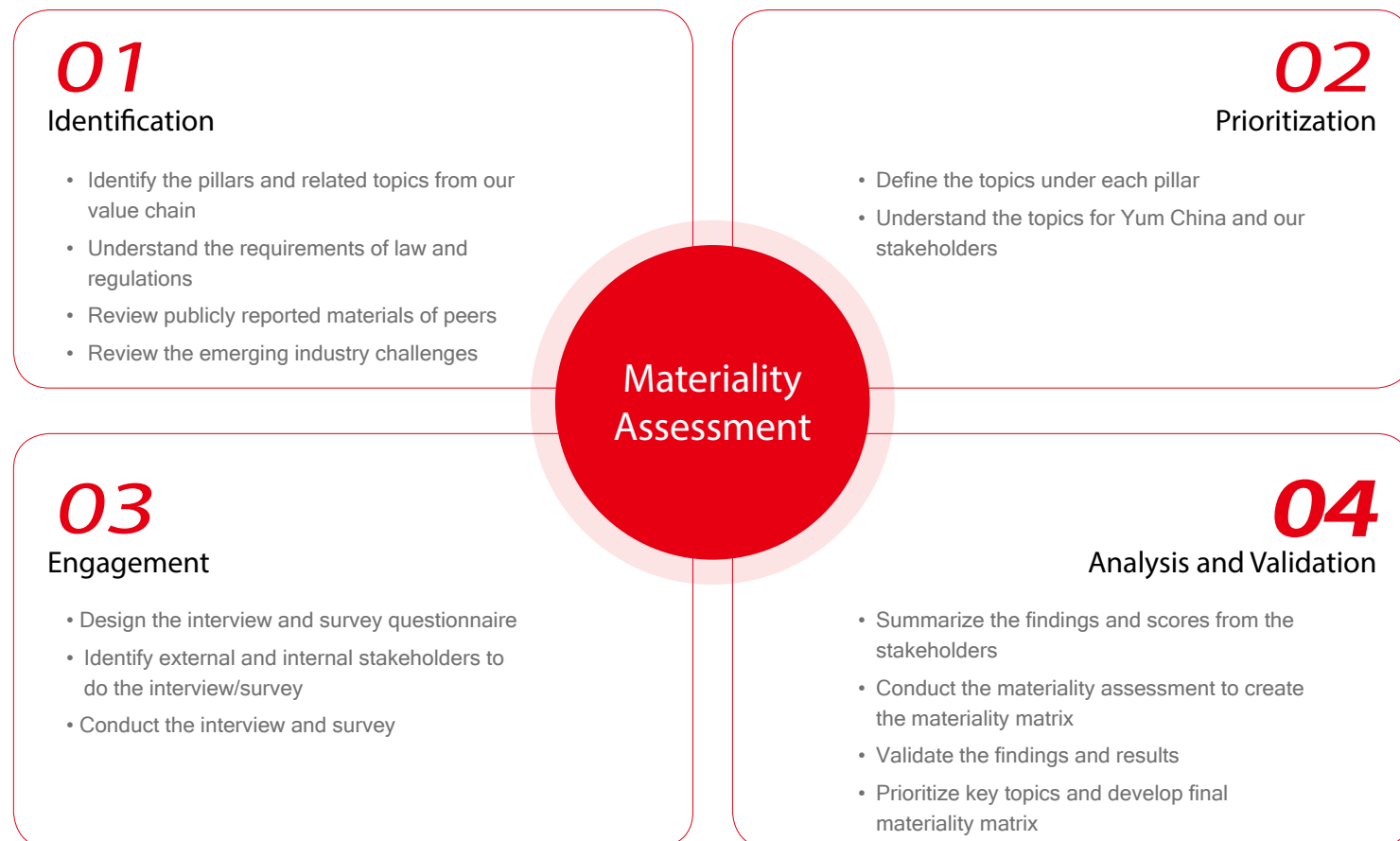




# Materiality Assessment

We recognize that our activities impact not only our business performance but also our stakeholders. In order to remain successful long-term, we need to create value for our shareholders, our stakeholders and society as a whole.

We worked with a third-party consultant to go through a rigorous stakeholder engagement process in 2017 to identify the representative stakeholders and learn about their expectation. In total, 418 survey responses were gathered, and 33 interviews were conducted, which gave us detailed insights on our sustainable development under the pillars of Food, Environment, People and Community in our value chain. This materiality assessment process determined the key topics under our pillars through the following four steps.





## Stakeholder Engagement

We operate in a responsible manner, creating an iconic brand that is trustworthy, supportive, and gives back to society.

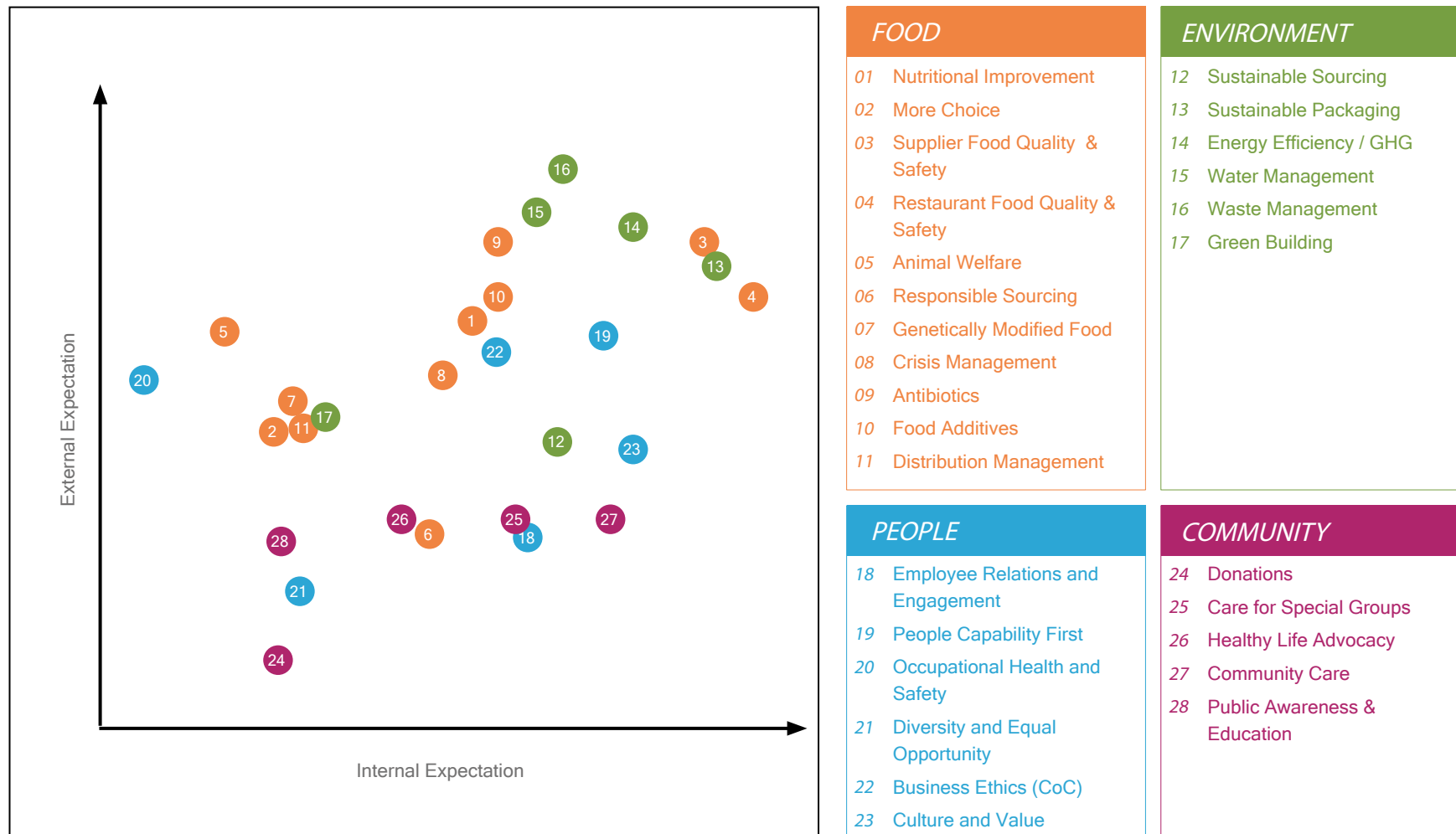
Our key stakeholders include investors/shareholders, government and regulators, customers, employees, suppliers, communities, franchisees and associations/NGOs, and more. In order to understand their expectations and meet the diversified needs of various stakeholder groups, Yum China regularly communicates with stakeholders through various channels.

Stakeholders	Investors / Shareholders	Government and Regulators	Customers	Employees
Communication Channels	<ul style="list-style-type: none"><li>• Annual shareholders meeting</li><li>• Annual and quarterly reports</li><li>• Press releases</li><li>• Investor conferences</li><li>• Shareholder engagement</li></ul>	<ul style="list-style-type: none"><li>• Regular work meetings</li><li>• Written responses to public inquiries</li></ul>	<ul style="list-style-type: none"><li>• Customer satisfaction surveys and feedback</li><li>• Customer service centers</li><li>• Online services</li><li>• Customer activities</li><li>• Social media</li></ul>	<ul style="list-style-type: none"><li>• Employee communication and feedback platform</li><li>• Employee engagement survey</li><li>• Training and development programs</li><li>• Regular communication with management and performance appraisals</li><li>• Employee activities and family system</li></ul>
Stakeholders	Suppliers	Communities	Franchisees	Associations and NGOs
Communication Channels	<ul style="list-style-type: none"><li>• Supplier business review meetings</li><li>• Senior-level meetings</li><li>• Supplier visits</li><li>• Supplier audits</li></ul>	<ul style="list-style-type: none"><li>• Corporate and employee donations</li><li>• Employee volunteer services</li><li>• Local non-profit partnerships</li></ul>	<ul style="list-style-type: none"><li>• Annual franchise conference</li><li>• Direct contact</li></ul>	<ul style="list-style-type: none"><li>• Working committees, groups and meetings</li><li>• Seminars and lectures</li><li>• Industry memberships</li></ul>



## Materiality Assessment Results

The materiality matrix below provides an overview of the sustainability issues that matter most to our internal and external stakeholders in relation to our business. It features 28 topics which fall into four pillars. These materiality topics help inform our sustainability strategy and are featured prominently in this report.







# About this Report

## Report Profile, Scope and Boundaries

Since entering China in 1987, Yum China has been committed to sustainability and making a positive impact. The 2018 Yum China Corporate Social Responsibility (CSR) and Sustainability Report is our second such report as an independently listed company. As this report showcases, we focus our performance on four key areas where our scale and expertise can make the biggest impact. These are our Food, our Environment, our People and our Community.

We recognize that we have a duty to provide transparent sustainability information to our various groups of stakeholders including employees, customers, consumers, suppliers, shareholders, governments, and more. In this report, we aim to provide a transparent assessment of our sustainability journey and provide information on our sustainability efforts, partnerships and programs.

This report covers all Yum China's company operations, including our restaurant support centers, restaurants and other Yum China owned and operated facilities. The reporting time frame covers January to December 2018. All information, facts and figures contained in this report fall within this reporting time frame unless otherwise noted. Data and figures are reported in Chinese RMB with the exception of the Yum China stock price which is displayed in USD.

In this report, all data and goals cover all business operations of Yum China, except for the data of energy consumption, water consumption, GHG emissions and the Green Building Standards which cover all company-owned and unconsolidated affiliates restaurants of KFC and Pizza Hut brands (accounting for about 90% of the total number of Yum China restaurants).

## Materiality Assessment

Yum China conducted a materiality assessment in 2017 and revisited the assessment results in 2018 to identify the sustainability issues most material to our business and our stakeholders to determine the content and information contained in this report. We're constantly looking across our business operations to identify the key areas where we have the strongest ability to make a material impact on the communities we operate in.

## Assurance

To ensure accuracy of the content and information in this report, Yum China conducted an internal review of all data and assertions contained in this report. KPIs including energy indirect GHG emissions (Scope 2), total electricity consumption, total water consumption and female share of total workforce are subject to external assurance. Yum China's internal subject matter experts and all members of the Yum China Leadership Team reviewed and approved the report.

We sincerely hope that this 2018 Yum China Corporate Social Responsibility (CSR) and Sustainability Report will enable our stakeholders to easily identify and find the information that is most relevant to them.

We welcome your feedback on this report.

Please contact us at:

[CSR@yumchina.com](mailto:CSR@yumchina.com)

Yum China Building, 20 Tianyaoqiao Road, Shanghai 200030, P. R. China.

Make Every Life Taste Beautiful



Food







## Our Food

## Make Every Life Taste Beautiful

We are passionate about serving delicious food that lives up to the trust our consumers place in us and meets the highest safety and quality standards across every aspect of our business.

Food safety and quality are top priorities for Yum China, and these principles are firmly embedded in our corporate culture, with a well-recognized industry-leading food safety and quality management system. We promote healthy and balanced diets in responding to China's national nutrition and health strategy, and actively develop new products that ensure customers receive more delicious, safe and high-quality product choices. In addition, we are committed to being the world's most innovative pioneer in the restaurant industry, not only continuously innovating products, but also integrating the latest technology into supply chain management, therefore providing a strong impetus for the development of all Yum China brands.

We are committed to the following principles:



### Food Safety and Quality

We only source and use food materials, food packaging, food processing equipment and utensils that comply with the relevant laws, regulations, and Yum China specifications. We use an advanced cold chain management system, Warehouse Management System (WMS) and Transportation Management System (TMS) to ensure food safety and product quality throughout the entire supply chain. We have implemented a holistic set of standardized restaurant and delivery food safety and quality management processes to ensure consistently delicious, safe and high-quality food. 100% of restaurant staff have attended and passed food safety training. We ensure that food safety audits cover 100% of our restaurants, distribution centers and critical suppliers.



### Nutrition and Health

We are guided by customer needs to develop products from multiple angles, utilizing a variety of ingredients and cooking methods to provide consumers with a wide range of product choices. Kid's meals comply with the Nutrition Guideline issued by the Chinese Nutrition Society. We don't use hydrogenated vegetable oil for fried food in our restaurants. We support scientific research in dietary nutrition through the CNS-Yum China Dietary Health Foundation. In addition, we develop and support various nutrition and health promotion activities that are supportive of the Chinese government's "Healthy China" strategy.



### Supply Chain Management Innovation

We apply advanced technologies as we continuously seek to build highly efficient electronic systems for procurement management, logistics management, food safety and quality management. In addition to existing supplier, logistics, and restaurant food safety and quality management systems, we established a new model for comprehensive risk monitoring, evaluation and management.



## Integrate Culture and Governance, to be the Industry Role Model

*Ensuring food safety requires the participation of all employees of the Company. Over the years, Yum China has always been committed to building a corporate culture with food safety as its core value, and we guide our suppliers to do the same. Yum China has established a holistic internal governance system to ensure the effective implementation of food safety management standards and measures. The food industry supply chain is large and complex and Yum China attaches great importance to cooperation with the various regulatory authorities, suppliers, industry associations and other relevant stakeholders to jointly ensure food safety.*





## 1 Uncompromising Integrity, Insist on Doing the Right Thing

Yum China's corporate culture places a heavy emphasis on the values of food safety. We ensure that every employee accepts these values and puts them into practice.

New employees must review and sign the Yum China Code of Conduct Confirmation Letter (applicable to office employees) and the Employee Handbook Confirmation Letter (applicable to restaurant employees). These documents enable employees to understand that food safety is the top priority for Yum China and that they must strictly abide by national laws and regulations and the Company's food safety related operating standards. Yum China continuously strengthens food safety awareness among employees through various employee induction online training courses (covering Company policies and utilizing employee compliance training videos), on-the-job training, and Code of Conduct Posters.



Suppliers are Yum China's important partners in upholding food safety. The Procurement Terms and Conditions signed by Yum China and its suppliers clearly stipulate that suppliers and products must comply with relevant laws, regulations and Yum China's specifications. We also require that suppliers provide their employees with effective training on legal compliance and food safety awareness.

## 2 Multi-party Cooperation, to Promote the Healthy Development of the Industry

To ensure food safety from the farm to fork, Yum China has maintained active cooperation and communication with the relevant government regulatory authorities, industry associations, food science organizations and suppliers for many years. Our collaborations aim to jointly promote food safety and quality management practices, address food safety challenges and promote integrity in the industry.

### Our actions include:

In response to industry regulations and food safety standards that are open to public consultation, we actively provide advice based on our in-depth industry knowledge and management experience.

We support industry associations to develop industry standards, improve industry practices, and promote the healthy development of the industry. In 2018, Yum China, as the main drafting unit of the industry standard, worked together with other catering companies to support the China Cuisine Association to publish the "Guidelines for Microbiological Risk Control in the Operation Process of the Catering Industry" and the "Code of Practice for Delivery Service in the Catering Industry", providing technical guidance for controlling microbial risks, preventing foodborne diseases, and guiding and regulating the catering industry delivery service.

We support industry associations and scientific institutions on food safety public education, such as through the "23 Questions on Judicious Use of Veterinary Antibiotics and Food Safety" to help the public develop a deeper understanding of the science behind food safety issues and eliminate popular misunderstandings.





### 3 Comprehensive and Holistic Governance System

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

#### Board of Directors Food Safety Committee of the Board of Directors

- The Board of Directors has overall responsibility for overseeing Yum China's risk management framework
- Yum China Food Safety Committee of the Board of Directors
  - Established in 2017, currently consists of four members of the Board of Directors
  - Assists the Board of Directors in supervising food safety and quality management

#### Yum China Management Team

- Corporate Risk Assessment Roundtable
  - Brand, supply chain, public affairs and other departments regularly assess food safety and other risks
  - Develop strategies and control measures to advance execution from top to bottom

#### Supply Chain Management Team

- Supply Chain Risk Assessment Meeting
  - Quality assurance, food safety, procurement management and other departments
  - Comprehensively assess risk management and control of suppliers, logistics, restaurants, among other areas, and formulate measures to prevent issues before they occur

#### Quality Assurance Team

- Strict food safety audits for suppliers, logistics centers and restaurants
- Coaching and improvement measures

#### Brand Restaurant Operations Teams

- Restaurant duty management inspections (raw material management, food preparation, cleaning and disinfection, employee health, among other areas)
- District manager restaurant visits to inspect implementation

#### Yum China Food Safety Advisory Committee

- Established in 2006, invites experts from various fields to contribute to food safety at Yum China
- By the end of 2018, 26 expert meetings have been held

## From Farm to Fork, Trust in Every Bite



*Yum China's core competitive advantage and value proposition are our expertise and focus on food safety from farm to fork. For more than 30 years, we have invested enormous time, people and financial resources to build a holistic supply chain management system. This encompasses all aspects from suppliers and their upstream management, to logistics and distribution management, to restaurant management. This management system integrates advanced global standards and management experience, while strictly complying with all relevant laws and regulations in China and has been developed in accordance with the actual situation in China. In 2018, Yum! Brands conducted an audit of Yum China's food safety system and its implementation. The audit results showed that Yum China has established an outstanding food safety culture and a first-class food safety system. The audit also found that the functioning of Yum China's management system is highly effective.*





## Yum China Food Safety and Quality Management



### Upstream Suppliers

- Traceability system
- Upstream management requirements
- Farm register system
- Broiler veterinary drug register and expert review system
- Upstream evaluation system



### Suppliers

- Supplier approval system
- Food safety and quality audits
- Material specification
- Yum China food safety sampling tests
- Supplier training
- Supplier performance evaluation



### Logistics Centers

- Receiving checks
- Cold chain management
- Employee training
- Food safety and quality audits
- Pest control



### Restaurants

- Operating standards
- Employee training
- Product quality inspections
- Integrated pest control
- Food safety audits



### Delivery

- Delivery platform and riders management
- Delivery operation standards
- Employee training
- Food protection seals

- ✓ Food safety culture
- ✓ Multi-level food safety management system
- ✓ Multi-party cooperation to prevent risks

- ✓ Industry leading professional team
- ✓ Robust supplier, logistics and restaurant food safety quality systems

- ✓ **Efficient and smart supply chain** management
- ✓ Comprehensive food safety risk monitoring and management
- ✓ **Strategies responding to critical industry issues**



## 1 An Industry Leading Supply Chain Management Team

Yum China has built an industry leading supply chain management team that includes the Food Safety, Quality Assurance, Procurement Management, Logistics, and Engineering functions to implement effective and direct management of the supply chain. By the end of 2018, the team had more than 1,500 professionals with clear management functions and responsibilities (see table below). The scale and professionalism of this team is unrivalled in the industry.

	Food Safety Office	Quality Assurance Department	Engineering Department	Procurement Management Department	Logistics Department
Functions	<ul style="list-style-type: none"><li>• Food safety and compliance management</li><li>• Regulations and standards enforcement</li><li>• Risk monitoring, risk alerts and assessments</li></ul>	<ul style="list-style-type: none"><li>• Supplier food safety and quality management for food ingredients, packaging and smallwares</li><li>• Logistics center food safety audit and management</li><li>• Restaurant food safety audit and management</li></ul>	<ul style="list-style-type: none"><li>• Equipment innovation</li><li>• Packaging innovation</li><li>• Kitchen model innovation</li></ul>	<ul style="list-style-type: none"><li>• Procurement management</li><li>• Supply management</li></ul>	<ul style="list-style-type: none"><li>• Warehouse and logistics management</li><li>• Cold chain management</li></ul>







## 2 Strict Supplier Management for Win-Win Outcomes

Yum China implements a strict supplier qualification process that includes new supplier compliance checks and on-site audits to ensure the supplier meets the standards of Yum China's food safety and quality management system. All suppliers must sign Yum China's Procurement Terms and Conditions, creating a contractual obligation to guarantee that all product formulas, raw material specifications, packaging specifications and quality assurance programs documentation provided to Yum China fully comply with all relevant Chinese food laws and regulations, as well as with Yum China's technical standards.

In addition to in-house testing by suppliers, Yum China conducts annual unannounced food safety testing on raw materials including poultry and other meats, seafood, vegetables, seasonings, and other important raw materials. Yum China takes samples at supplier locations and entrusts a third-party lab with testing and only those products in compliance with standards can be released into the supply chain.

Our Quality Assurance Department conducts regular onsite audits of suppliers, either announced or unannounced to assess the effectiveness of suppliers' management systems, and perform a comprehensive evaluation of suppliers' food safety and quality performance. Supplier performance is assessed by the suppliers' on-site audit scores and the food safety and quality performance indicators of the food they supply. All suppliers are graded into three tiers of T1, T2, or T3, in accordance with their assessment results. T1 consists of preferred suppliers while T2 are suppliers with good performance who require improvement to achieve T1. T3 consists of suppliers that meet the requirements but need continuous improvement. In 2018, The Quality Assurance Department conducted more than 490 food safety and quality audits. T1 suppliers accounted for 54%, an increase of 11% compared to 2017.

We also promote continuous improvements of suppliers' capabilities by providing feedback on their performance results, sharing best practices and hosting workshops and training sessions.



Poultry is an important food material for Yum China. Yum China has established an upstream breeding management system for poultry suppliers, requiring them to inspect and register farms in accordance with Yum China's standards. Only poultry from registered farms can be processed and released into the supply chain. Yum China also requires poultry suppliers to implement veterinary drugs register management. Every year, Yum China invites veterinary drug experts to perform compliance and scientific reviews of the drugs used by the suppliers and provide continuous improvement guidance. Working with poultry farming and safety experts, Yum China integrated advanced farming, perspectives, practices and technologies from China and abroad and compiled and published the "Yum China Poultry Farming Technical Manual" and the "Yum China Management Guidelines on the Use of Veterinary Drugs in Poultry Farming". These manuals are shared with poultry suppliers to support their learning and compliance in this area.





### 3 Safe and Reliable Logistics Systems

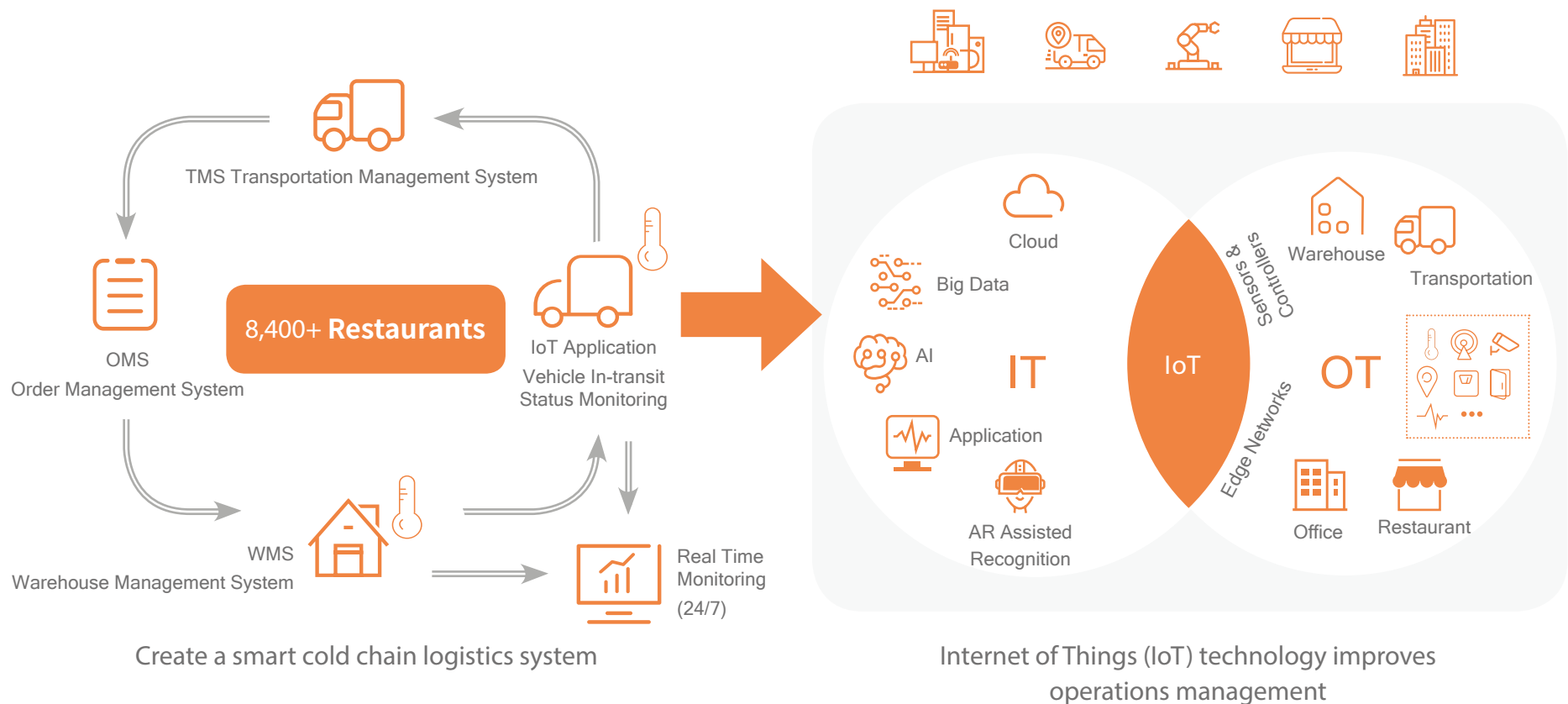
Yum China operates an advanced, wholly-owned logistics system with management teams that manage a network of 20 logistics centers, and 3 consolidation centers across China as of the end of 2018. We have robust programs to provide efficient, safe and reliable products and services for every restaurant in the Yum China brand portfolio.

When we established our logistics centers, we employed an advanced and comprehensive cold chain design to ensure that the temperature of our chillers, freezers and products meet our standards at all times. All frozen and refrigerated storage and transportation vehicles have been equipped with temperature recorders to track and record temperature changes during the transportation. Our logistics centers have also been progressively equipped with the Warehouse Management System (WMS), which enables product tracking from suppliers, logistics centers and restaurants to provide added assurance to the integrity of our supply chain.

Each of our logistics centers is staffed with a professional quality assurance specialist who is responsible for inspecting storage facilities and the receipt, distribution, and unloading of goods. These centers employ unified standards, such as logistics center audits and performance tracking, to conduct strict audits of the logistics distribution system, including logistics centers and transportation.

  
**20**  
20 logistics centers

  
**3**  
3 consolidation centers





#### 4 Sustained Excellence in Restaurant and Delivery Management

Yum China has adopted industry-leading restaurant operating standards and procedures to ensure that each restaurant implements consistent food safety standards and serves food that is consistent in quality and taste. Restaurant operating standards and procedures include the receipt of raw materials, food and raw material storage temperature control, shelf-life management, thawing & cooking process, personal hygiene, and the cleaning and sanitation of utensils and equipment. During business hours, the restaurant duty manager is responsible for duty inspections on food safety, including raw material management, food preparation, cleaning, sanitation, personal hygiene, equipment maintenance and pest control. Area Managers will also check the execution of food safety and quality related standards and measures when they visit restaurants under their jurisdiction.

Yum China's Quality Assurance Department regularly conducts unannounced food safety and Operation Excellence Checks of all restaurants covering food safety, product quality and customer service. We also conduct regular product quality inspections on main menu items, and perform microbiological testing of restaurants' utensils, smallwares, water, ice, and food to ensure they meet the required standards.

In 2018, our Quality Assurance Department conducted more than 16,800 Operation Excellence Checks at more than 8,400 restaurants across China. We also conducted over 90,000 sampling tests of utensils, smallwares, food materials and other relevant products used in the restaurants. Approximately 4,000 quality inspections on main menu products were also conducted.

Yum China has established its own delivery service teams for KFC and Pizza Hut. Our delivery management program includes close monitoring of food preparation, delivery time, temperature control, delivery food safety, and equipment cleaning and maintenance. We also require all third-party delivery partners to sign a Letter of Commitment on the Food Safety and Quality Practice of Delivery Food, stipulating clear requirements for regulatory compliance, staff management, catering requirements, delivery facilities, equipment and strict management of third-party platforms.

In 2018, Yum China further upgraded its delivery business model, introducing more detailed management measures addressing in-house platforms, restaurants, and delivery staff, with the aim of meeting specific targets to ensure the safety and quality of delivery food. For example, take-away food for all brands is sealed with tamper proof covers to ensure food safety throughout the delivery process.



8,400+

More than 8,400  
restaurants across China



16,800+

More than 16,800 Operation  
Excellence Checks



90,000+

Over 90,000 sampling tests

## Continuous Innovation to Improve Management Effectiveness



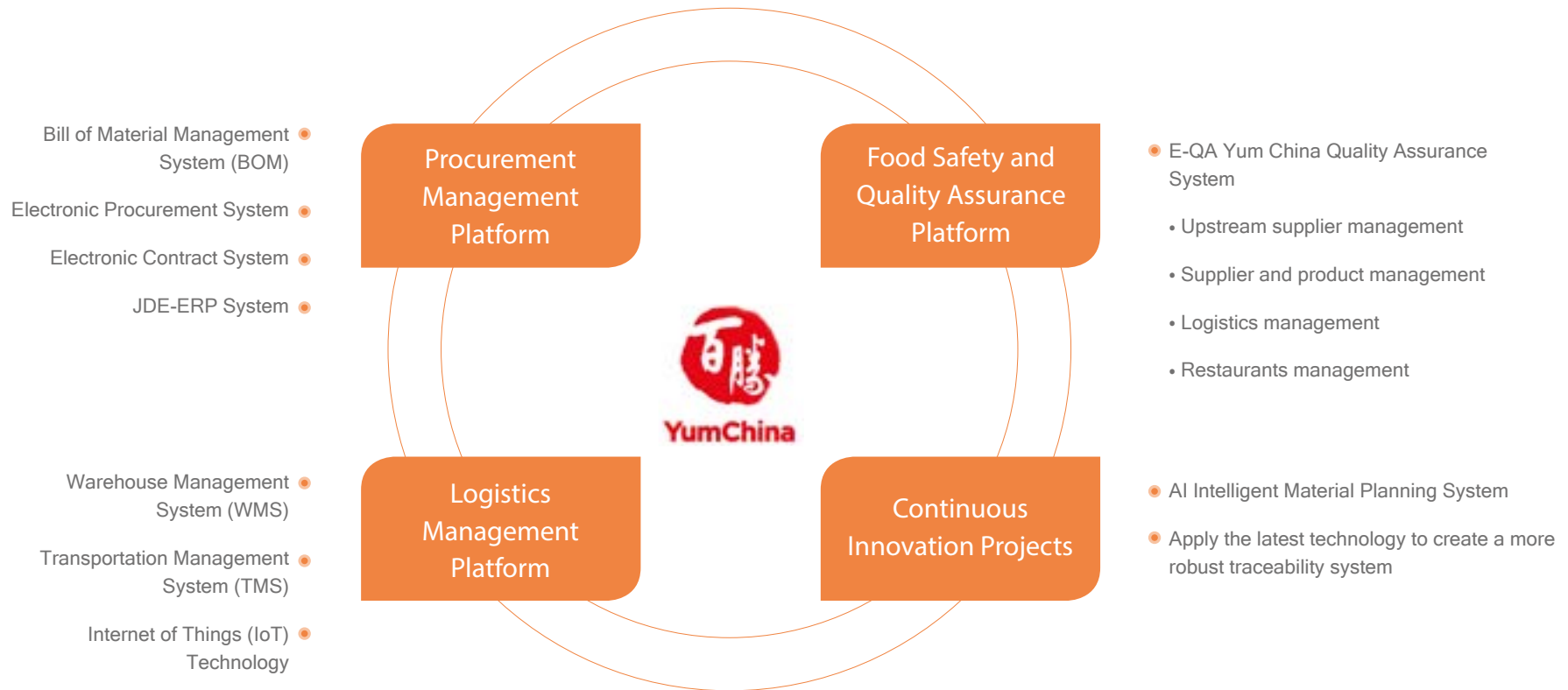
*In recent years, the catering industry has been constantly evolving. Yum China's supply chain management team uses agile innovation methods in management systems and management models to always ensure the high-efficiency and reliability of Yum China's supply chain. This innovation is powering the sustainable development and growth of all brands in the Yum China brand portfolio.*





## 1 Digital Innovation to Improve the Effectiveness of Smart Supply Chain Management

Yum China is actively using the Internet and electronic technologies to develop smart supply chain management, providing an even more effective and reliable service guarantee for our brands. This innovative work builds on our tried-and-tested procurement management system, food safety and quality management system and our logistics and delivery management systems, all of which have been established over the last 30 years.







### Electronic Procurement Management Platform

In 2017, Yum China launched the BOM (Bill of Materials Management System) and E-contract (Electronic Contract System), which when combined with the previous electronic management systems, maximize the effectiveness of our procurement processes and internal control. This ensures the transparency, effectiveness, fairness, and rigorousness of our procurement activities and has enhanced our implementation efficiency while reducing human errors.

### Smart IoT Platform

Our logistics centers are all equipped with the Warehouse Management System (WMS), with automated product tracking from suppliers, logistics centers and restaurants to provide added assurance to our supply chain integrity. Our various logistics centers have been equipped with advanced international transportation management systems enabling real-time tracking of all transportation vehicles in transit. Our Internet of Things (IoT) platform has enabled us to monitor and track the real-time temperature of in-transit products and vehicles, warehouse freezers and chillers to further raise our food safety management standards.

### Electronic Food Safety and Quality Management Platform

In 2013, Yum China started to build an electronic food safety and quality management system which has enabled the food safety and quality management of suppliers, logistics centers and restaurants to be managed on one platform. At the end of 2018, the electronic platform was launched encompassing the whole supply chain from farm to fork, including various types of suppliers and service providers, logistics and integration centers, and over 8,400 restaurants in China. The functions of this electronic platform include supplier audits, supplier food additive compliance verification, product specification creation, supplier performance assessments, consumer feedback handling, restaurant/logistics center audits and performance assessments. This platform also performs the industry's very first automatic compliance verification of raw materials in line with the National Food Safety Standard: Standard for the Use of Food Additives, which has greatly improved the accuracy and efficiency of decisions.

## 2 Comprehensive and Dynamic Risk Monitoring and Management

Food safety is a long-term responsibility. Due to the complexity of the food supply chain, Yum China always maintains a high degree of vigilance in order to ensure the effective operation of the food safety management system. We must pay close attention to potential business risks and development trends as we strive to guarantee food safety for every step from farm to fork.

### Classification Assessments to Strengthen Risk Management

Yum China has established a dynamic food safety risk monitoring system allowing for detailed quality management according to the characteristics of different types of raw materials and food contact materials. This system, which was established based on risk research and assessment, ensures effective risk management and early warning, and has strengthened our food safety protection systems. At the same time, risk assessments are regularly conducted on restaurant operations and delivery.

The Quality Assurance Department holds risk assessment meetings with relevant departments every month. Risk assessments are based on several factors including industry dynamics, media coverage, government supervision, sampling test reports, food laws and regulations, and supply chain management, among others. The assessments carefully evaluate food safety risks, quality risks, regulatory risks, food fraud and other risks, based on assessment levels, which contribute to the improvement of management systems and introduction of new management measures.



In March 2019, Yum China's smart supply chain management was awarded the "Restaurant Chains Innovation Award" by the China Chain Store and Franchise Association (CCFA) in recognition of the tremendous efforts Yum China has made in the field of supply chain management.





## Balanced and Nutritious Meals Make Life Taste Great

*Since entering China in 1987, Yum China has become integrated in the country, continuously pursued product innovation, and developed products catering to the taste of Chinese consumers. In order to satisfy consumers' ever-evolving needs, we have added breakfast, afternoon tea, late-night snacks, and take-out dining options on top of the traditional meal options. Apart from providing products that are enjoyed by consumers, our restaurant brands have also introduced numerous limited time new products, which has further increased the diversity of our offering, and enabled consumers to enjoy the latest trends. We stay in tune with the times and aim to deliver what consumers in China want. For example, as coffee became an increasingly popular part of modern life, we launched a new coffee brand -- COFFii & JOY in June 2018. It has proven to be very popular and is loved by coffee enthusiasts.*

*Building on its long history in China, Yum China's brands have accumulated deep consumer loyalty and high brand awareness. Many of our products have successfully become staples in popular culture and are a mainstay in the daily lives of our customers.*







The product development team develops new salad products in the test kitchen

## 1 The New Yum China Innovation Center

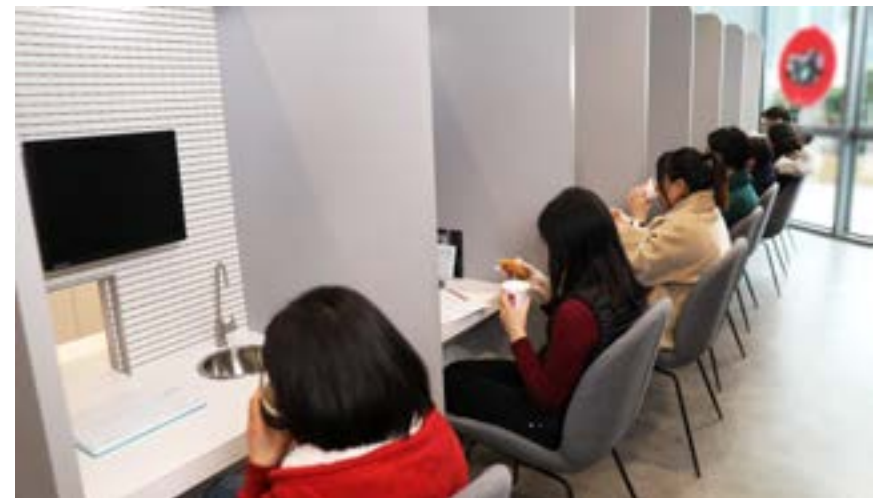
The new Yum China Innovation Center formally opened its doors in January 2019. It occupies over 2,500 square meters and combines research and development functions demonstrating our intention to continuously introduce new ideas and concepts, and quickly accelerate the path of innovative products to the market. The center employs the world's most advanced equipment, including a test kitchen, a sensory testing area, and a fully-equipped laboratory. The center's duties span from quality management, testing of equipment and restaurant technological applications, to the development of innovative packaging and new restaurant models, content production and other functions.

Yum China's KFC, Pizza Hut, Taco Bell, Little Sheep, East Dawning, and COFFii & JOY brands all have their own food innovation teams, who are responsible for developing new products to match their brand's unique identity. From KFC's Okinawa sea salt ice cream to Pizza Hut's durian pizza, Yum China's brands introduce an average of 300 completely new or upgraded products every year. Each new product is subject to extensive testing and refinement before being launched.

The Innovation Center has become a core part of Yum China and its brands and provides a collaborative innovation platform in which partners and industry experts can cooperate closely to enhance customer experiences.



The test kitchen's beverage area is equipped with a variety of coffee machines. The operator station is bright and spacious



Consumer representatives are invited to conduct sensory tests in the Innovation Center



## 2 More Product Choices

### Constant Product Innovation to Meet Customers' Diversified Needs

Yum China's various brands actively investigate consumers' needs and introduce new products that have been developed with a multidimensional approach, including :

#### Disruptive product innovation



#### Expansion of new product categories



#### New flavors of signature products



#### Introduction of disruptive value products







Enriched product selections at different times



Customized products and services for delivery



Development of festival products



Creation of new brands





## A Wide Variety of Ingredients to Choose from Grains, Fruits, Vegetables, and Beans for Balanced Diet

In addition to traditional high-quality meat ingredients, Yum China also uses grains, fruits and vegetables, beans, nuts and other ingredients to enrich menu choices to provide customers with balanced meals. For example, in 2018 Yum China used more than 60 varieties of fruits and vegetables in restaurants as part of products like burgers, pizzas, salads and beverages. Some of the items used include butterhead lettuce, cucumber, potato, green bell pepper, cherry tomato, lemon, onion, leaf lettuce, and green kumquat, among others. In 2018, Yum China purchased more than 48,000 tons of fruits and vegetables, with an over 12% increase compared to 2017.



## Multiple Cooking Methods to Lock in Delicious Flavors

In addition to expanding our menu options, we enhance choices and nutritional value through the application of multiple cooking methods in the preparation of food. These methods include frying, roasting, boiling, sautéing and grilling and combining modern food technologies with traditional cooking methods, while bringing the best flavors and most consistent food quality to our customers.

## Focus on Kid's Nutrition and Health

Yum China attaches great importance to the nutrition and health of children in China. The Nutrition Principles of Dining for School-Age Children in Restaurants (referred to below as "Nutrition Principles"), released by the Chinese Nutrition Society in July 2017, specify that children's meals should include a large variety of foods, including staple foods, vegetables, fruits, meat-based foods, eggs and milk. Both KFC and Pizza Hut have introduced Kid's Meals that comply with these Nutrition Principles. These meals provide children with balanced food that tastes delicious and are also healthy and nutritious. KFC's Kid's Meals include a chicken and ham panini, sweet corn sticks and milk. Pizza Hut's Kid's Meals include meat sauce spaghetti, shrimp in herbs, fruits and vegetables salad and milk.





## Popularize Scientific Research and Promote Health Awareness

*In addition to providing consumers a wide range of delicious meal choices, Yum China also supports scientific research, universal nutritional health awareness and food safety knowledge as important corporate social responsibilities. For many years, we have continuously supported scientific research on nutrition and diet through the CNS-Yum China Dietary Health Foundation, as well as supported and promoted popular science activities on nutritional health and food safety. We are contributing to society by supporting the Chinese government's "Healthy China" strategy.*





## 1 Support Scientific Research on Healthy Meals

The CNS-Yum China Dietary Health Foundation was established by Yum China in conjunction with the Chinese Nutrition Society. It is a public-interest research fund that aims to promote balanced nutrition and improve the dining habits of Chinese citizens. The Foundation builds on the success of the KFC China Health Foundation, which was jointly established by Yum China and the China Red Cross Foundation in 2007.

By the end of 2018, the Foundation had provided over RMB 17 million in support of over 60 programs. Since its inception, the Foundation has grown to become the largest and most influential fund dedicated to dietary health research in China.



17,000,000+

Provided over RMB 17 million



60+

Supported over 60 programs



Academician Chen Junshi presents the project owners sponsorship certificates at the 2018 CNS-Yum China Dietary Health Foundation's Annual Convention & 11th Annual Dietary Health Symposium.

### Chinese Nutrition Society (CNS) - Yum China Dietary Health Foundation

On November 27, 2018 the CNS-Yum China Dietary Health Foundation announced a list of projects funded by the Foundation in 2018. At the same time, Yum China also held the 11th Annual Dietary Health Symposium with the theme of "A 40-Year Journey of Dietary Health".

Joey Wat, CEO of Yum China, noted: "Having entered China in 1987, Yum China has grown alongside the development of the country over the course of 40 years of reform and opening up, and has always insisted on providing delicious, nutritious food to consumers. In the future, we will continue to cooperate with the academic sector in promoting the development of dietary health and nutrition."

Academician, Chen Junshi, a member of the Chinese Academy of Engineering (CAE), commented: "China's progress on nutritional health has developed considerably over the course of 40 years of reform and opening up. The announcement of the Healthy China 2030 Planning Outline and the 2017-2030 National Nutrition Plan reveal the emphasis the country now places on nutritional health. As a scientific research foundation focusing on diet and nutrition, the CNS-Yum China Dietary Health Foundation has an important impact on the promotion of balanced nutrition and a healthy lifestyle."





Alice Wang, Yum China's Chief Public Affairs Officer, gave a speech at the 2018 National Nutrition Week launch ceremony event of the "Beijing On-campus University Student Healthy Lifestyle Survey Report."

### YUMC Cup Food Safety and Nutritional Health Knowledge Competition

In May 2018, with support from relevant government departments and six universities in Zhejiang Province, Yum China launched the 11th YUMC Cup Food Safety and Nutritional Health Knowledge Competition. Compared with the previous 10 years of the Food Safety and Nutritional Health Knowledge Competition, the 2018 YUMC Cup was significantly upgraded and this year's participating teams were stronger and more diverse than ever before. This year the YUMC Cup used a series of rigorous and engaging methods to increase university students' food safety and nutritional health interest and knowledge, enhance their familiarity with the relevant science, and encourage them to contribute to sharing scientific knowledge about food safety and nutritional health with others.

## 2 Nutrition and Health Awareness

In addition to supporting scientific research, Yum China has long regarded the promotion of popular science and healthy lifestyles as important aspects of its corporate social responsibility, and it actively promotes public health education.

National Nutrition Week is a campaign initiated by several organizations and led by the Chinese Nutrition Society. This campaign aims to promote the concept of nutrition and health and popularize nutrition knowledge. Yum China has provided support to National Nutrition Week for three consecutive years. During National Nutrition Week's from 2016 to 2018, we distributed 80 million National Nutrition Week-themed paper placemats throughout KFC restaurants across the country. We also employed various methods in different parts of the country to support public interest nutritional health activities conducted by local nutrition associations and relevant organizations.

In line with the 2018 National Nutrition Week slogan of "Smart Eating and Smart Exercising for a Healthy Body Weight", we not only continued to issue thematic paper placemats at KFC restaurants, but also organized a team to participate in the Chinese Nutrition Society's "Smart Eating and Smart Exercising: 100-Day Weight Loss Charitable Activity", which aimed to promote a healthy lifestyle through balanced diet and exercise. This team ended up in 5th place in the nationwide event and received recognition from the Chinese Nutrition Society.



KFC invited influential sports figures to join the team to promote National Nutrition Week



### 3 Promote Food Safety Education

In response to the "Building a Healthy China: Implementing a Food Safety Strategy" proposed by the Chinese government and promoting national youth health and safety "on the school campus and in the community", relevant departments of the China Youth & Children Development and Service Center jointly initiated the "National Youth & Children Food Safety Education Campaign." Starting in 2016, and as the sole co-organizer of this activity, Yum China has actively fulfilled its corporate social responsibilities and food safety strategy through a series of distinctive activities in line with the goal of "ensuring food safety and promoting healthy development."

In order to make these activities livelier and more interesting, and through its long-term corporate social responsibility initiative titled "KFC Store Visit", Yum China opened its kitchens, logistics facilities and animal breeding locations for field trips where youth could learn about and experience food safety in practice. These field trips enabled participants to personally produce hamburgers and understand the white-feather chicken growth process, among other highlights. These hands-on experiences helped to eliminate misconceptions, increase food safety knowledge, and spread awareness of the importance of balanced nutrition and exercise for a healthy life. Building on the strong foundations established during the previous two years, in 2018 Yum China and its partners conducted more than 300 activities nationwide teaching over 20 million people.



Guo Song (left), head of the Cultural Exchange Center of the China Youth & Children Development and Service Center, and Alice Wang, Yum China's Chief Public Affairs Officer, jointly hosted the ceremony announcing Yum China's designation as a "National Youth Food Safety Education Experience Activity Base".



#### Honorary Title of "National Youth Food Safety Education Experience Activity Base"

On April 3, 2018, in recognition of Yum China's efforts to promote youth food safety education, the China Youth & Children Development and Service Center conferred the honorary title of "National Youth Food Safety Education Experience Activity Base" on Yum China.



Reduce Reuse Recycle Replace



Environment





## Our Environment

## Reduce Reuse Recycle Replace

Yum China has always been committed to sustainability and corporate social responsibility. As the largest restaurant company in China, Yum China is committed to environmental protection and strives to reduce the environmental impact of our operations whilst providing customers with a variety of safe and delicious food.

Yum China has integrated environmental protection as an important part of our sustainability strategy and putting our core values into practice, including by addressing stakeholder expectations and aligning with regulatory and policy developments in relation to environmental protection.



### Pursue Breakthrough

We adhere to sustainability in the design, construction and operation of our restaurants, and apply various technologies and management methods for the benefit of our customers and the environment;



### Believe in & Support Each Other

We promote sustainability and share best practices with our supplier partners to create a sustainable industry ecosystem, with a focus on environment protection and social responsibility.



### Give Back

We promote sustainability within the communities and societies in which we operate and hope that our actions will help raise public awareness of environmental protection.

We recognize that what we do today will matter tomorrow.



## Implement Environmental Strategies to Fulfill Commitments



*Yum China has identified environmental priorities after the evaluation of materiality aspects in the value chain, while taking into consideration leading ESG rating systems and tracking the emerging issues and trends in our industry. We have set challenging goals and commitments for environmental priorities and refer to these goals to drive our constant progress in protecting the environment.*





## 1 Our Vision

We care about the environment and minimizing our environmental footprint.

## 2 Seize Opportunities and Meet Challenges

We continuously improve our restaurant operational processes to ensure compliance with regulatory and policy developments, while achieving alignment between environmental protection and restaurant operations;

We embrace new technologies, such as artificial intelligence, Internet of Things (IoT), environmentally friendly materials, high-performance equipment and waste management, as we continue to apply and promote energy-saving initiatives in our restaurants to reduce consumption and emissions;

We help raise public awareness of environmental protection and promote energy-saving initiatives without compromising customers' in-store dining experience;

We continuously monitor industry trends in our supply chain to reduce sustainability risks.

## 3 Our Goals and Commitments

We regularly recalibrate our challenging goals and commitments to reflect evolving environmental priorities and ensure continuous improvement.

Environmental Priority		Goal and Commitment
Sustainable Restaurants	Energy Efficiency / Carbon Emissions	10% Reduce average restaurant energy and GHG emissions by an additional 10% by 2025.
	Water Efficiency	10% Reduce average restaurant water consumption by an additional 10% by 2025.
	Green Building	100% Design and build all new restaurants in accordance with the Yum China Green Building Standards.
	Sustainable Packaging	All consumer facing, plastic based packaging is recyclable.
Sustainable Supply Chain	Responsible Sourcing	Complete CSR audits on all critical suppliers.
	Sustainable Sourcing	Only purchase RSPO certified palm oil. Refuse to purchase paper products from suppliers that cause deforestation.

Note: 1. Energy efficiency, carbon emissions and water efficiency goals are developed using a 2017 baseline.

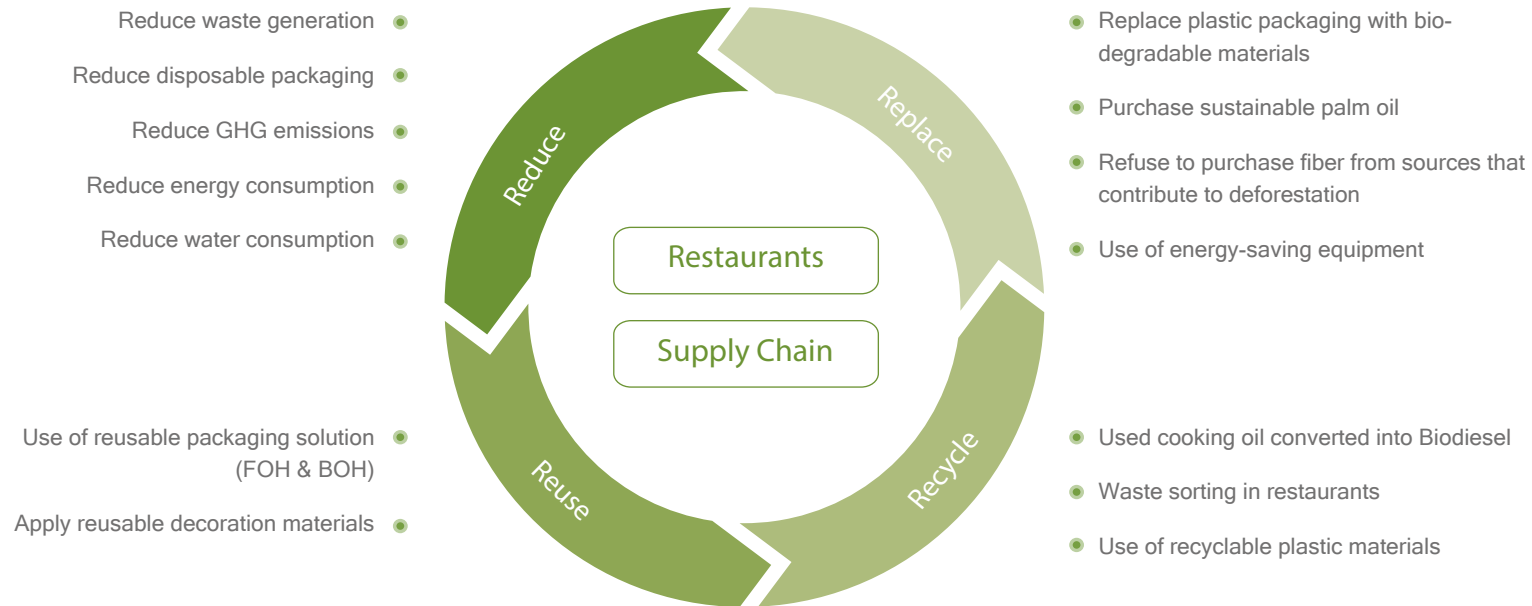
2. The goal and commitment of Sustainable Restaurants cover all company-owned and unconsolidated affiliates restaurants.

3. See detailed progress towards goals and commitments in "2018 Sustainability Highlights" (Page 6).

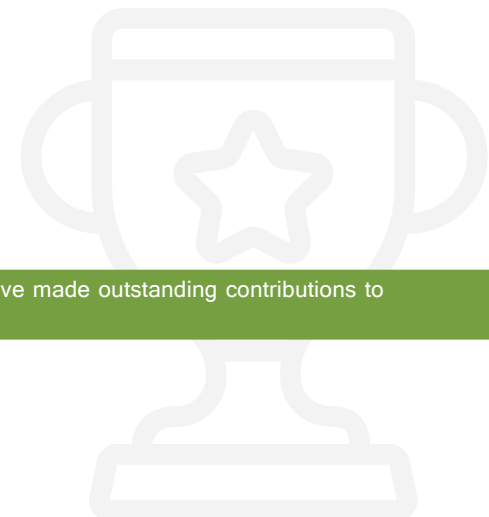


## 4 Our Sustainability 4R Principles

In order to achieve our stated environmental goals and guide our environmental protection activities, we have developed the Yum China Sustainability 4R Principles: Reduce, Reuse, Recycle, and Replace. While building sustainable restaurants, we are actively sharing and promoting our sustainability concepts and practices with our suppliers to create a sustainable ecosystem.



In 2018, the Yum China Sustainability Award was launched to recognize those who have made outstanding contributions to sustainability at Yum China.





## Develop Sustainable Restaurants



*Yum China currently operates more than 8,400 restaurants throughout China. We are aware of the environmental impact of our operations. As the largest restaurant company in China, we always follow the principle of sustainability when designing, building, and operating restaurants. Guided by the Sustainability 4R Principles, we continuously apply innovative technologies and management tools to reduce our environmental footprint.*







Reduce the amount of waste we generate, including food waste and used cooking oil, and continuously explore new opportunities for recycling.

Reduce single use packaging through weight reduction and innovative technologies;  
Replace traditional packaging with more sustainable and recyclable designs and materials.

Apply energy and water saving technologies and management to reduce GHG emissions.

Update and implement the Yum China Green Building Standards to develop sustainable restaurants.



## 1 Create Value from Waste Reduction

Yum China is aware of the importance of restaurant waste management. We comply with the relevant national and local laws and regulations and have developed strict restaurant waste management processes with a focus on food waste, used cooking oil and packaging. We strive to explore opportunities to reduce the amount of waste generated from our restaurants and actively implement waste recycling.

### Reduce—Reducing waste generation

We continue to promote the use of innovative fryers and the optimized processes in our restaurants. In 2018, approximately 1,000 oil-saving fryers were installed to save more than 1,100 tons of cooking oil.

### Recycle—Turning waste into resources

We actively explore new ways to recycle used cooking oil. For example, a pilot project was conducted in Chengdu to ensure that all used cooking oil at company-owned KFC restaurants in the city was successfully converted into biodiesel. Having met the necessary requirements, Yum China is proud to be the first restaurant company in China to get the ISCC certification for its used cooking oil that will be converted into sustainable biodiesel.

### Waste sorting

In 2016, we piloted waste sorting projects at our restaurants to build capacity for the resource utilization of waste. All restaurants are required to actively sort waste and fully comply with local government requirements. We provide garbage bins with a waste sorting function to encourage customers to sort their waste. By the end of 2018, Yum China had installed approximately 1,500 waste sorting garbage bins in more than 570 KFC restaurants.





## Convert Used Cooking Oil into Biodiesel



In 2018, Yum China began to explore ways of recycling used cooking oil with the aim of making a greater contribution to society and the environment. One of the actions we explored was the conversion of used cooking oil into biodiesel.

In October 2018, Yum China officially launched our first biodiesel conversion pilot project in Chengdu to ensure that all used cooking oil at all 80 or so company-owned KFC restaurants in the city was successfully converted into biodiesel. In accordance with the ISCC certification process, a comprehensive data recording and tracking system was established to collect information at every stage of the conversion process, covering participating restaurants, waste collection companies, used oil storage sites and biodiesel plants. At the same time, to ensure the independence of used oil collection and storage channels, Yum China installed a dedicated used oil storage tank at the used oil storage location of our partner in Chengdu.

In February 2019, Yum China (Chengdu) Co., Ltd. successfully obtained ISCC Point of Origin certification and the use of the dedicated used oil storage tank located at the used oil storage location also obtained ISCC Warehouse certification.



Joey Wat, CEO of Yum China receives the ISCC certificate from Vasu R. Vasuthewan, Board Member of ISCC



Page 1 of 2



"We are very proud to be the first restaurant company in China to supply its ISCC Certified used cooking oil as a sustainable feedstock for biodiesel production. The pilot biodiesel conversion project and the introduction of the reusable serving baskets in our KFC restaurants underlines our commitment to improving sustainability throughout our value chain, while making a greater positive impact on society and the environment. We will continue to leverage our strengths and scale to play a greater role in helping build a sustainable future for our planet and we will encourage our people, our partners, the communities we operate in, as well as the millions of customers we serve, to contribute as well. Guided by our principles of "reduce, reuse, recycle, and replace", we strive to explore innovative opportunities and leverage new technologies to build sustainable and environmentally friendly restaurants."

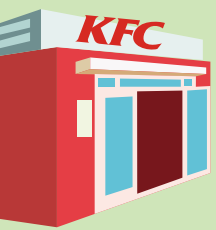
- Joey Wat, CEO of Yum China





## Convert Used Cooking Oil into Biodiesel: Tracking Every Step

### Collect 01



Restaurant staff count the amount of used oil

IoT tracking system

Dedicated used oil storage tanks

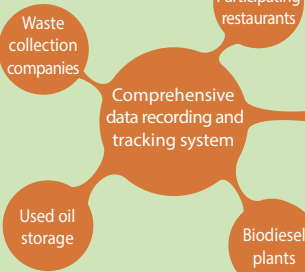
Government certified third-party waste collection companies

ISCC Point of Origin Certification

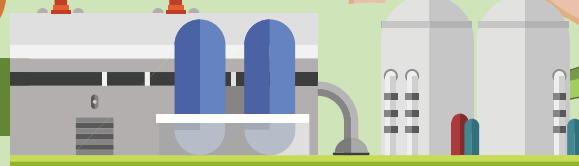


Comprehensive data recording and tracking system

Cover participating restaurants, waste collection companies, used oil storage sites and biodiesel plants.



### 02 Convert



### Recycle 03



Biodiesel will be used for  
Public transport, power generation,  
logistics transportation, public services  
and more.







## 2 Less Packaging for a Better Environment

We recognize that the environmental impact of single use packaging is a common challenge that our industry needs to tackle together. Single use packaging provides convenience to customers but consumes energy during production and creates an environmental burden when discarded. Therefore, we actively follow the Sustainability 4R Principles when developing and implementing sustainable packaging initiatives. In October 2018, we officially launched a sustainable packaging environmental protection campaign under the theme of "Less Packaging for a Better Environment."



9,000+

Save over 9,000 tons of paper and plastic annually

### Reduce—Reducing packaging weight

We are continuously improving our packaging design to achieve the same performance with less material without compromising customers' in-store dining experience. As of December 2018, we have successfully reduced the weight of more than 15 types of single use packaging, which can save over 8,000 tons of paper and 1,000 tons of plastic annually.

### Reuse—Replacing single use packaging with reusable packaging

We actively promote innovation in the way we apply new solutions and technologies to reduce single use packaging. Since October 2018, KFC reusable serving baskets have been gradually rolled out nationwide.

### Recycle—Using recyclable plastic packaging materials

To support waste sorting, we are committed to the use of recyclable plastic materials for all existing and future plastic packaging items.

### Replace—Adopting new environmentally friendly materials

We pay close attention to industry trends and actively search for solutions to replace plastic packaging with environmentally friendly materials. In line with local government requirements, we have adopted biodegradable materials as a replacement for plastic bags, plastic cups, straws, and other plastic packaging at restaurants in Hainan and Yunnan provinces.

Under the theme "Less Packaging for a Better Environment", we continue to explore and promote innovative solutions to reduce the environmental impact of single use packaging.





## Reusable Serving Baskets



The KFC reusable serving basket is one of the sustainable packaging projects promoted under our "Less Packaging for a Better Environment" campaign. The reusable serving basket replaces various types of single use paper packaging for fries, chicken products and snacks.



The introduction of reusable serving baskets has changed the traditional dining habits of customers. In order to meet the challenge of achieving environmental protection goals while maintaining customers' in-store dining experience, KFC spent two years designing the reusable serving basket and optimizing restaurant operations. The reusable serving basket, developed in-house, offers improved presentation compared to single use packaging, and enables customers to freely take and share foods when dining. The specially designed oil-absorbent paper placemat ensures excellent food hygiene and also facilitates the re-packing and carrying of uneaten foods. Furthermore, the use of these reusable serving baskets enhances operational efficiency and shortens the waiting time for customers.

The reusable serving baskets were introduced to all restaurants nationwide in February 2019. As a result, KFC restaurants across the country are expected to save more than 2,000 tons of paper annually and the total amount of waste in restaurants will be reduced by approximately 20% on average.



2,000+

Save more than 2,000 tons of paper annually



20%

Reduce approximately 20% on average of the total amount of waste in restaurants



: Signature Program

### Story

As part of its on-going efforts to reduce consumption and protect the environment, KFC donated funds to the China Green Foundation to support the revitalization of more than one million square meters of grassland in the Siziwang Banner region of Inner Mongolia. This project is also the first demonstration project backed by enterprises for the sustainable revitalization of grasslands.

In April 2019, KFC joined hands with the China Green Foundation, under the guidance of the Grassland Management Department of the National Forestry and Prairie Bureau, to launch the revitalization initiative, in part to enhance public awareness of grassland ecology.

After enjoying meals in the reusable serving baskets, customers have the opportunity to scan a QR code printed on oil-absorbent paper placemat to help revitalize one square meter of virtual grass on the "Grandpa Kentucky Prairie" located in the Siziwang Banner region of Inner Mongolia.





### 3 GHG Reduction and Energy Efficiency

As Yum China's business continues to grow year by year, energy consumption will inevitably increase. Guided by the Sustainability 4R Principles, we continue to promote the application of energy saving equipment in our restaurants for higher efficiency. At the same time, we include energy efficiency into the performance evaluation criteria of our restaurant management teams, thus making it one of the most important aspects in the daily operation of restaurants. We are working hard to reduce our energy consumption and the impact of our restaurant operation on the environment.

In 2018, through energy-saving equipment and an energy management system at our restaurants, we saved approximately 14,000 MWh of power, the equivalent to reducing GHG emissions by roughly 10,000 tCO<sub>2</sub>e.

In 2018, average electricity consumption and GHG emissions per restaurant were reduced by roughly 3.8% compared to 2017.

#### Kitchen cooking fume exhaust control system

- ~1,300 systems installed
- ~2,800MWh saved

#### Heat pump water heater

- ~600 systems installed
- ~5,000MWh saved

#### High-efficiency DC air conditioning system

- ~800 restaurants installed
- ~3,800MWh saved

#### All-restaurant LED lighting

- ~1,000 restaurants installed
- ~3,000MWh saved

Notes: In 2018, Yum China had no Scope 1 GHG emissions. All Scope 2 GHG emissions were attributable to electricity consumption. In 2018, Yum China's total electricity consumption was 2,814,731MWh, and total energy indirect GHG emissions (Scope 2) was 1.925 million tCO<sub>2</sub>e.







## 4 Water Management to Protect Resources

Yum China is committed to reducing the impact of water consumption in restaurant operations by strengthening water resources management. We actively explore and promote the application of water-saving equipment, and include water efficiency into the performance evaluation criteria of our restaurant management teams. As a result, water management has become an important aspect of the daily operation of restaurants.

China is one of the countries with the lowest per capita water resources in the world. In 2017, we worked with the World Resources Institute (WRI) to assess water resources in the areas where Yum China's restaurants are located. Based on the assessment results, we will prioritize the application of water-saving equipment to the areas where water resources are extremely or relatively scarce.

In 2018, we developed an electrostatic thawing solution that can help KFC restaurants reduce water consumption by 20% compared with the traditional thawing equipment. We expect to roll out this solution in water-deficient areas in the second half of 2019.

In 2018, we continued to install water-saving faucets in newly-built company-owned restaurants, which consume 50% less water than the traditional faucets. The annual water saving has been about 140,000 tons.

Through the application of water-saving initiatives and enhanced management, the average water consumption per restaurant has continued to decrease over recent years, with a further 3.5% reduction in 2018 compared to 2017.

Note: In 2018, Yum China's total water consumption was 26.40 million tons.







## 5 Green Building for Comfort and Health

Yum China's business in China continues to grow with hundreds of new restaurants nationwide each year. We design and build all new restaurants in accordance with the Yum China Green Building Standards, which embody the principle of sustainability, fully consider environmentally friendly building materials whenever feasible, and take into consideration aspects such as ergonomics, noise control, indoor air quality, and humidity and temperature control. In addition to enhancing customers' in-store dining experience, these standards provide a safer and more comfortable working environment for our employees.

We are proud that in 2018, all newly-built restaurants are in full compliance with the Yum China Green Building Standards.

We follow the highest level of ventilation in the China national restaurant standards to ensure fresh air systems.

All the materials sourced are from industry leading suppliers, and some materials selected exceed the China national standards.

We select direct current inverter air conditioning of leading brands to ensure constant temperature control with less fluctuations.

Yum China  
Green Building  
Standards

The noise level of our selected kitchen equipment meets the China national standards.

We fully consider ergonomics to ensure comfort of employees and customers.

We select LED lights certified by photobiosafety and of leading brands to protect customers' vision health.



## Create a Sustainable Supply Chain



*In addition to developing sustainable restaurants, Yum China actively shares and promotes sustainability concepts and best practices with our supplier partners in order to jointly create a sustainable supply chain.*





We practice responsible sourcing and implement the CSR audit program to ensure suppliers are legally compliant in areas such as child/minor labor, forced labor, health and safety, discrimination, disciplinary measures, working hours, wages and benefits, environmental management and security.

Our responsible sourcing focuses on social and environmental impacts in our supply chain to create a sustainable industry ecosystem. We refuse to purchase palm oil and paper products from suppliers that cause deforestation.

We place emphasis on emerging issues and trends in our industry such as animal welfare, Genetically Modified Organism (GMO), veterinary drugs, pesticides and food additives.





## 1 Responsible Sourcing and Risk Management

Yum China has a large and geographically dispersed network of suppliers covering food, packaging, equipment and services. We implement a responsible sourcing policy and we leverage our own practice that has a positive impact on suppliers. We also work together with our suppliers to create a supply chain that operates in accordance with the law, in a regulated and standardized way, and proactively assumes corporate social responsibility.

In order to enhance our suppliers' awareness and capabilities in risk management, we cooperate with third-party institutes to conduct the on-site Business Continuity Management (BCM) audit, which identifies the risks faced by suppliers in terms of assets and operations and then recommends preventive measures. In addition, we encourage suppliers to extend risk management and best practice to their upstream suppliers to enhance the sustainability of the entire supply chain.

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



## Supplier Classification Management

To ensure the effectiveness of our supplier management, reduce supply chain management risks, and enhance management efficiency, we sort 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 2018, we had about 200 critical suppliers, whose combined purchases accounted for roughly 80% of our total procurement volume.

## Supplier Code of Conduct

All suppliers must sign the Yum China Supplier Code of Conduct before they can do business with Yum China. Suppliers must comply with all applicable laws and regulations, including the US "Foreign Corrupt Practices Act", which prohibits suppliers from participating in or suspected involvement in any behavior in which employees of Yum China obtain personal benefit in conflict with the interests of Yum China (including but not limited to donations of cash or goods with equivalent value, preferential treatment, payments, debt with creditor's rights, or provision of shares). Suppliers must guarantee that all upstream suppliers also uphold this Code of Conduct.



Note: In 2018, our total number of suppliers exceeded 800.





## Promote Supplier CSR Audit to Ensure Compliance

In addition to complying with the Supplier Code of Conduct, our suppliers must be assessed by CSR audit. We engage professional third-party auditing firms to perform on-site audits to evaluate their performance.

Our audits focus on the sustainability risks that suppliers may face, including but not limited to child/minors labor, forced labor, health and safety, discrimination, disciplinary measures, working hours, salaries and benefits, environmental management, security, and more. We require the suppliers to make and implement a corrective action plan for any identified non-compliance issue in a timely manner to control the risk.

We continue to implement the CSR audit program. In 2018, all critical suppliers were assessed and graded A or B. The CSR performance of Yum China's suppliers has improved significantly.

In recent years, Maiken Foods (Harbin) Co., Ltd. -Yum China's potato supplier-has vigorously promoted the use of drip irrigation, saving 36,000 tons of water per year compared with sprinkler irrigation.



The grading — A, B and C is generated based on the severity of the issues identified through third-party auditing.

Grade A: The supplier is audited every 24 months.

Grade B: The supplier is audited every 12 months and should take corrective actions on non-compliance issues.

Grade C: The supplier must take immediate corrective actions and undergo a follow-up audit.

If the follow-up audit is still graded C, the supplier is considered to be high risk and the partnership will be carefully reviewed by Yum China.



**2018**

100% of critical suppliers completed audits.

**2017**

Established CSR audit mechanism,  
About 90% of critical suppliers completed audits.

Note: Our Supplier Code of Conduct and Notification of Yum China Supplier CSR Audit are published on our official website.



## 2 Sustainable Sourcing and Win-Win Cooperation

### Fulfill Environmental Responsibilities and Protect Forest Resources

Forests are an important resource for human survival. At Yum China, we work to create one of the best supply chains in the industry, and we are continuously making efforts to create a greener ecosystem. We embrace every opportunity to engage our suppliers to collectively drive environmental sustainability priorities and responsible practices. We prioritize sustainable sourcing initiatives based on our product impact and influence, through which we focus on the products that carry the least impact on deforestation and the areas where we have the most influence to create positive change.

- Support Sustainable Palm Oil

Palm oil is a key raw material for Yum China and is mainly used as cooking oil at restaurants. We refuse to purchase palm oil from suppliers that cause deforestation. We are committed to working with our peers, suppliers, NGOs and other stakeholders to support the production of sustainable palm oil.

In 2017, we became a member of RSPO, which unites stakeholders across the supply chain to develop and implement global standards for sustainable palm oil.

In 2018, 100% of palm oil purchased by Yum China was RSPO certified.

- Support Sustainable Paper

Yum China sources paper products mainly for fiber-based packaging. We are committed to using environmentally preferable packaging that reduces the impact on forest resources. We refuse to purchase paper products from suppliers that cause deforestation.





## Shoulder Social Responsibility and Evaluate Industry Trends

As the largest restaurant company in China, Yum China pays especially close attention to social responsibility of the supply system when selecting food ingredients. In addition to requiring suppliers to strictly comply with the relevant national laws and regulations, we remain vigilant and pay close attention to critical issues and trends in the industry such as animal welfare, GMO, veterinary drugs, pesticides and food additives. We have developed strategies in response to these critical issues and in doing so we help promote industry development.



### Animal Welfare

We only purchase chickens from large-scale chicken suppliers that demonstrate and maintain compliance with animal welfare regulations and practices. We require these suppliers to apply science-based management methods and abide by relevant laws and regulations in the production process - from chicken breeding to processing. Additionally, all chicken suppliers must implement and adhere to Yum China's animal welfare guidelines during poultry breeding and poultry slaughtering.



### Pesticides

Yum China has strict measures in place to ensure that all pesticides used in farming are under control. We implement the following measures:

- Suppliers and their upstream partners must comply with all relevant regulations in China.
- Suppliers are required to step-up their tests on pesticide residue in agricultural ingredients, ensuring that the agricultural products supplied to Yum China comply with the relevant regulations and food safety standards of China.
- Yum China conducts sampling tests when necessary on all key agricultural ingredients.



### Veterinary Drugs

We have comprehensive control measures regarding the use of veterinary drugs on livestock, poultry and aquatic products. We also conduct sampling tests on these products on a regular basis to ensure compliance with veterinary drug use as stipulated by the Ministry of Agriculture and Rural Affairs. We also have in place control measures for upstream animal farming. To further contribute to the development of the industry, we worked with poultry farming and safety experts to publish the "Yum China Broiler Breeding Technical Manual" and the "Yum China Management Guidelines on the Use of Veterinary Drugs in Broiler Breeding". These manuals provide guidelines to the suppliers to develop and apply scientific farming practices, as well as ensure judicious use of veterinary drugs.



### Food Additives

Yum China attaches great importance to the management of food additives used by suppliers. We implement the following measures:

- Suppliers must provide information on the use of food additives in their products in accordance with national standards, thereby strengthening the supplier's regulatory awareness and self-examination mechanisms.
- Timely reminders are provided to suppliers of newly released food laws, regulations and standards to ensure they comply fully with new regulations.
- Yum China conducts sampling tests and monitoring of related food ingredients.



### GMO

Yum China respects and supports related agricultural policies of the Chinese government, and follows all laws and regulations stipulated by the Chinese government for the safety evaluation, approval, and control of GMO foods. Yum China will continue to monitor developments regarding GMO technology and GMO food, as well as related regulations and standards in China. Yum China requires all suppliers to use and supply raw materials that comply with all relevant laws and regulations in China.





*While actively building sustainable restaurants and a sustainable supply chain, we are committed to promoting sustainability concepts and encouraging environmental awareness for sustainable communities through diverse cooperations with local governments and environmental organizations across the country.*







## Guangzhou KFC Launches Waste Sorting Education Training Camps

KFC restaurants hold various types of environmental education activities. In November 2018, to advocate for new waste sorting regulations in Guangzhou, Guangzhou KFC joined forces with Guangzhou's Yuexiu District Huale Street City Management Section and environmental organizations to invite children and their parents from local communities to a "Youth Waste Sorting Education Training Camp". These restaurants promoted the concept of sustainability in the community through various activities and were held in high regard among parents and their children.





Fair Care Pride



People







## Our People

## "Fair, Care and Pride" Principle



### To Inspire Founder's Mentality, with Vision of "The World's Most Innovative Pioneer in the Restaurant Industry"

Unique talents and culture are the core competencies driving Yum China to pioneer the future of the industry. The Company's long-term strategy is built on the cultural foundation of the Founder's Mentality, striving to enable the Company and our employees to achieve the vision of being "The World's Most Innovative Pioneer in the Restaurant Industry". Every year, the Company provides employment opportunities for almost 10,000 university graduates. In a working environment that emphasizes the theme "Fair, Care and Pride", it enables and accelerates the growth and development of young graduates to become pioneering talents in the food industry.



### Our Goal

Yum China has always been committed to creating a fair, inclusive and diverse workplace for our 450,000 employees, meanwhile actively eliminating gender discrimination and improving the prospects of female employees. We ensure that no less than 50% of our total workforce is female, and that women are employed, developed, promoted, and retained at a rate of no less than 50%.



8,400+  
restaurants



450,000+  
employees

(As of the end of 2018)

Our 450,000 employees in more than 8,400 restaurants nationwide form an unbeatable team and are the Company's most valuable assets. Centered around restaurant general managers (RGM), restaurant management teams are the main force at the frontline of the business; shared-service functions provide solid support and deep professional expertise; restaurant service crews, including energetic university students, represent the future of our workforce. All of them work collaboratively to ensure that we deliver superior food and services to our customers.

At Yum China, we believe innovation powers growth. Therefore, we make sure that our employees have the support and resources to explore and innovate. We take tremendous pride in helping our employees realize their full potential and recognizing and rewarding each employee who has contributed to the development of our Company and the industry.





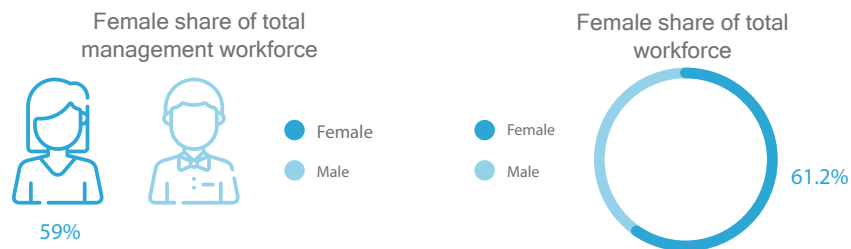




## 1 Founder's Mentality Inspires Industry Pioneers

Yum China is committed to providing our employees with competitive compensation and benefits to ensure that employees who work hard and make special contributions are properly recognized and rewarded. We develop a range of equity incentive plans catering to different employees, such as the CEO Grant Award, Performance Stock Unit and Restricted Stock Unit. Meanwhile, we support our diverse talents with customized development plans to accelerate their growth and help them become industry pioneers.

## 2 Commitment to Gender Equality and Equal Opportunity



*"We are very honored by our selection in the 2019 Bloomberg Gender-Equality Index, and to be one of the first Chinese companies recognized for our efforts to promote equal opportunity in the workplace. Gender equality is fundamental to our People First philosophy which is centered around Fair, Care and Pride. We strive to create a workplace that encourages all of our employees to succeed, irrespective of gender. Our people are crucial to the future success of our business."*

- Joey Wat, CEO of Yum China



*"We applaud Yum China and the other 229 firms tracked by the index for their action to measure gender equality through the Bloomberg GEI framework. Yum China's GEI inclusion is a strong indicator to its employees, investors and industry peers alike that it is leading by example to advance ongoing efforts for a truly inclusive workplace."*

- Peter T. Grauer

Bloomberg's Chairman and Founder and Chairman of the American chapter of the 30% Club



Yum China was one of 230 companies selected for the 2019 Bloomberg Gender-Equality Index (GEI).

The Bloomberg Gender-Equality Index (GEI) is the world's only comprehensive investment-quality data source on gender equality. The index considers internal company statistics, employee policies, external community support and engagement, and gender-conscious product offerings. The Bloomberg GEI was created to bring transparency to the arena of social data.

According to Bloomberg, the 2019 GEI includes companies from 10 sectors headquartered across 36 countries and regions, and mainland China is represented for the first time this year. Yum China is one of three Chinese companies chosen in the selection and one of only two restaurant companies in the world included in the index. Yum China stands out for its health and family care policy and best in class diversity and inclusion strategy.



Yum China is firmly committed to fostering a professional, inclusive and discrimination-free workplace for all of our 450,000 employees. By the end of the 2018 fiscal year, Yum China employed over 275,000 women, representing 61.2% of our total workforce. 59% of management level positions were held by women, and we continue to make great progress in nurturing talented female leaders across all management levels.





### 3 Provide Gainful Employment for People with Disabilities

In 2018, Yum China hired more than 2,000 people with disabilities across 150 different cities. In the future, the employment rate of people with disabilities will remain above 1.5% of full-time employees. As one of the important initiatives to support the employment, Yum China has introduced Angel Restaurants as a platform to create employment opportunities for them and help them to realize their potential.

#### Angel Restaurants

The Angel Restaurant program is an initiative by Yum China's KFC brand to support disabled people and help them achieve personal values. KFC currently operates 23 Angel Restaurants located in 22 cities. Some employees in Angel Restaurants are people with hearing or intellectual disability. KFC has tailored its operations processes, modified restaurant equipment and revised employee trainings to best assist all the "angel employees" to perform at work. After comprehensive and systematic trainings, all "angel employees" are able to skillfully operate equipment, prepare products and provide customers with considerate, thoughtful and warm services.



#### Story

##### "Half an Hour of Silence and Love" Community Initiative

On May 20, the National Day for Helping the Disabled, Angel Restaurants in Foshan, Guangzhou went silent. A large sign at the entrance of the restaurants informed all customers that the restaurants would be "silent for half an hour", between 10:30am and 11:00am. During this time, the restaurants turned off all background music and radios, provided earplugs to customers and participants and encouraged everyone to remain silent, effectively creating a silent environment that mimicked the world in which employees with hearing disability live in. Each of the restaurants included a "Wall of Love", where participants could show their support and encouragement to the disabled employees. In addition, there were photo exhibitions showcasing images from the work and lives of these employees. Each photo was accompanied by a QR code so that viewers could explore the context behind the image. The activity also included a "silent interaction" area in which participants could learn sign language from the disabled employees. Restaurants also provided special notebooks and drawing boards to enable everyone to communicate by writing, instead of speaking.



The activities have not only encouraged local residents to empathize with and appreciate employees at the Angel Restaurants, but also other people with disabilities who live around them. At Yum China, we aspire to create an environment of equality and inclusion in which people of different backgrounds can communicate without barriers. In addition, we seek to leverage our own resources to provide a warm and friendly platform for them and help them realize their full potential and build a brighter future.







## 1 RGM No. 1: Frontline Obsession as a Founding Truth



As one of our founding truths, Yum China has always believed in the principle that RGM is our No.1 leader. Yum China's ability to cultivate talents and foster industry pioneers is one of the key secrets of our success. RGMs hold the most important leadership position in the Company and they are instrumental in driving business growth and customer satisfaction. As such, we never hesitate to invest in developing RGMs, who are not only experts in operations, but are also experts in delivering outstanding customer service that can drive our business forward.

Yum China has implemented a systematic training plan to provide a comprehensive career progression path for RGMs. Additionally, we offer stock ownership programs for eligible RGMs. We believe that RGMs' strong sense of ownership and pursuit of excellence will help Yum China continue to grow and generate good returns for shareholders and for RGMs themselves.

In order to thank RGMs for their achievements, Yum China holds an annual RGM Convention that brings together RGMs from across China. At this event, our RGMs come together to experience and learn more about Yum China's culture and development plans. At the same time, the RGM Convention also serves as an important platform for RGMs to share insights and experiences, as well as to motivate them for the year ahead.





## 2 Peace of Mind for Our Employees and Their Family Members

On July 1, 2018, Yum China launched the RGM Family Care Program. The program is designed to offer additional supplemental insurance coverage for family members of eligible RGMs, who have worked at the RGM position for more than 2 years. More than 5,000 RGMs, together with their parents, spouses and children, totaling around 17,000 individuals, were among the first group to benefit from the Company-funded program.

The program provides RGMs' family members with additional insurance coverage including accident insurance for their children, accident insurance for their spouses, and serious illness insurance for their parents. It also offers express medical services for RGMs' parents including hospital appointments, emergency assistance, accompanied visits to the doctor, drug delivery service and health consultations.

In order to cover more beneficiaries, Yum China has made a customized arrangement with the insurance company to extend age of insurance coverage ceiling for parents at 75 years old, and children at 22 years old. The insurance program is also optional for other RGMs who can choose to participate at an affordable price.

Yum China provides RGMs with a comprehensive training and development plan and a competitive total rewards. The addition of the new RGM Family Care program is part of Yum China's "3-Year Plan" for RGMs that includes stock ownership, family insurance and housing subsidies.

### RGM "3-Year Plan"



RGM years of service



### RGM Family Care Program



#### Parents Illness Insurance and Express Access

Coverage ceiling of parents at 75 years old

#### Spouse Accident Insurance

Coverage ceiling of spouses at 65 years old

#### Child Accident Insurance

Coverage ceiling of children at 22 years old

#### RGM Core Benefits

Supplementary commercial comprehensive insurance: outpatient, inpatient medical insurance, accident insurance, life insurance, major illness insurance and medical examination packages. Supplementary child commercial medical insurance: outpatient and inpatient medical insurance.



"Employees are the lifeblood of Yum China. We continue to invest in employee care and actively listen to their needs and concerns. We hope that we can do our best to help alleviate any worries they may have. This is the Company's sincere commitment."

- Joey Wat, CEO of Yum China



"The launch of the new RGM Family Care program is meant to provide RGMs with the support they need. Around 90% of RGMs at Yum China were born in the 1980s and 1990s. They are not just the backbone of their families, but they are also the pillars of our Company and society. This program recognizes the multiple responsibilities that our employees have to balance. We want them to create, to succeed and grow together with the Company."

- Aiken Yuen, Chief People Officer, Yum China



"I am very grateful to the Company for extending its insurance coverage and benefits from employees to include their families as well. If an employee's parents should suffer a serious illness, then this will help alleviate the financial impact on their work and lives. This employee-friendly benefit will strengthen employees and their families' resolve to overcome any difficulties."

- Interview with family member of RGM



: Signature Program





### 3 Enhance Employees' Competitiveness and Fulfill Their Career Ambition

A customized career development plan is designed for each employee as soon as they join the Company. We not only care about the wellbeing of our employees, but also help them to improve their market competitiveness and achieve their career ambitions. As Yum China CEO Joey Wat said, "The Company's success is founded on the success of our 450,000 employees. We provide employees with broad development opportunities and support them to unlock their full potential."

#### Accelerated Career Development for Management Trainees

In 2018, Yum China conducted an in-depth survey among millennial employees to seek their views on Company platforms, remuneration, promotion and training. Yum China provides employees with training opportunities through a variety of advanced training programs. Through nearly 100% internal promotion channels and the more than 13 million training hours per year, Yum China provides every employee with a clear career development path.

KFC has a talent development system that is widely acclaimed in the industry. "KFC Business School" courses are tailored to young people with one-on-one coaching, systematic learning exercises and experiences sharing with top industry leaders. Through the School, a new restaurant management trainee can progress to restaurant general manager in as short as 22 months. This accelerated development program helps them lay a solid foundation for their future success in the restaurant industry.

Pizza Hut too is changing to attract and cultivate more creative young talents. The "Pizza Hut Management Institute" provides ambitious and high potential employees with professional management training and a flexible promotion and reward mechanism that reflects their learning ability and pace of development. RGMs are given more autonomy and responsibilities to grow into leaders for the innovative brand.



“

*"For young people, they must look not only at a company's current scale, but also its growth potential. Yum China owns mature and household brands, meanwhile continues to develop young brands. This spirit of innovation inspires continuous learning and self-development among 450,000 employees and make us a globally leading innovator in the restaurant industry."*

- Aiken Yuen, Chief People Officer, Yum China

Restaurant  
General  
Manager

Sr. Assistant  
Manager

Assistant  
Manager

Management  
Trainee



## Leadership Development to Build Future Readiness

The fast-changing and increasingly digital business environment places new demands on organizations. It is important that our leaders develop the skills needed to keep up with these developments. With the support of management team, the Yum China Leadership Development program aims at building the core competencies required for our leaders to drive the future development of the Company.

Over the course of a year, trainees improve their strategic thinking and organizational skills in the VUCA (volatility, uncertainty, complexity and ambiguity) age through a variety of development activities including business school courses, experience learning, real-life simulations and capstone project. Their learning skills, influence and resilience are continuously strengthened during the program. They also learn about the design of agile organizations to optimize organizational performance, meet different business needs, as well as inspire and develop the organization's current and future capabilities.

## KFC Marketing College

Marketing is one of the most important functions driving innovation at Yum China and it is critical in shaping our young and innovative brand image. In 2017, KFC established its Marketing College to equip our marketing professionals with the latest marketing knowledge while increasing the team's innovation capability.



### Story

Yum China won the "Brand of the Year" award with an outstanding haul of 6 gold, 5 silver and 12 bronze awards at the 2018 ROI Festival! A project, jointly initiated by KFC and the National Museum of China, won the Grand Prix Award. Yum China was the most awarded brand during the awards ceremony.

In addition to the ROI Festival awards, Yum China has also won multiple domestic and international marketing awards including 6 golds and 2 silvers at the China Great-wall Advertising Awards, 2 silvers and 2 bronzes at the MMA Smarties China, and 2 silvers and 2 bronzes at the China Content Marketing Awards. In addition, Yum China claimed gold for mobile gaming marketing and silver for LBS marketing at the global MMA awards!

Continuous innovation and breakthroughs led to Yum China winning several top awards over the course of 2018. However, innovation will not stop here, and in the future, we will continue to push ourselves and become the world's most innovative pioneer in the restaurant industry.



## 4 Care and Protect Employee Wellbeing

### Employee Rights & Responsibilities

All our employees have the right to work in a fair and safe environment. Our Code of Conduct holds every employee accountable for treating our colleagues with respect and fairness, allowing them to be recognized and rewarded based on their performance. We also expect all our employees and suppliers to comply with all applicable Chinese labor laws and regulations regarding wages, working hours and conditions. At Yum China, no harassment or discrimination on the basis of age, gender, and/or identity, ethnicity, religion, nationality, sexual orientation, or physical abilities is tolerated.

### Ethics and Compliance

The success of Yum China is built on the integrity and ethical standards of our employees. The Code of Conduct demands the highest ethical standards at all of our operations. At Yum China, our Code of Conduct is more than a document - it is the foundation for the way we conduct ourselves and do business. It calls for the highest standards of ethical behavior from our board members, executives and employees. Our Code of Conduct sets forth the policies and procedures regarding standards of conduct that are required of Yum China employees. The code of conduct is intended to help our employees conform to the highest ethical standards possible, and to protect the reputation of Yum China and our employees. Every year, mandatory compliance training is required for every employee to keep them updated with the latest compliance guidelines. Yum China has also established a whistleblowing mechanism that enables employees to report any noncompliance in daily work. The Code of Conduct can be found on Yum China's website.

### Health and Safety

Yum China is committed to providing safe and healthy work environments and to being an environmentally responsible corporate citizen. We make it our policy to comply with all applicable environmental, safety and health laws and regulations and we ensure that our facilities protect the safety of our employees. We regularly review and upgrade employees' protective equipment, conduct workplace safety audits, and provide training to employees on proper equipment handling procedures and related safety precautions.

### Compensation and Benefits

Yum China offers comprehensive compensation and benefit programs to ensure our employees are fully rewarded for their individual contributions to the Company while also helping employees drive their own career and personal growth. We fully comply with Labor Laws and provide our full-time employees with a social insurance and housing fund.

### Employee Communication

At Yum China, we advocate the principle of "the more you learn, the more you care". Thus, we maintain multiple communication channels, online and offline, to enhance effective dialogues between management and employees. Through digital platforms such as WeChat and intranet portals, we share business updates and corporate messages in a timely manner. We conduct surveys on a regular basis to understand the needs and expectations of our restaurant employees and to initiate improvement plans accordingly. To offer timely and comprehensive support, a 24-hour hotline, operated by a dedicated team, is set up to respond to employee requests.

### Independent Trade Union

Independent unions were established at all Yum China companies with the support of the All-China Federation of Trade Unions in 2010. All employees are encouraged to join the unions, comply with the union regulations, carry out resolutions and actively participate in union activities.





### "LEED" Gold Certification for Yum China Building

In 2018, the Yum China headquarters building gained LEED gold certification. LEED stands for "Leadership in Energy and Environmental Design" and is the most authoritative and influential international green building system to date. LEED evaluations look at all the aspects of a building including sustainable sites, water conservation, energy consumption and atmospheric protection, materials and resources, indoor environmental quality, innovation and design process to determine its impact on the environment.

From its inception, Yum China has embraced the philosophy of sustainability by emphasizing its care for employees and the importance of environment caring. Our commitment to providing a high-quality space is found in everything from the selection of eco-friendly materials we used to the installation of effective PM 2.5 control systems; from the innovative design to the rigorous construction management process.

The design of the Yum China Building emphasizes freedom and openness. The open spaces and social areas represent a new approach to office work that encourages collaboration and innovation. At Yum China, we aim to make every work day beautiful!

### Foster a Family-Like Work Environment

Yum China believes that for employees to perform their best and achieve breakthrough results, we have to make them feel supported in their endeavors. At Yum China, we have a "family system", which is built to provide a platform for employees to connect and develop colleagues through common interests. In this system, each frontline leader in the restaurant takes a leading role as the coordinator of their team. Employees are divided into different teams based on their personal interests. Activities such as workshops, entertainment and competitions are held from time to time, to reward, inspire and motivate our employees.

At Yum China, we care about the wellbeing of our employees. Throughout the year, Yum China organizes various sports for office and restaurant employees, including nationwide badminton competitions and KFC-sponsored marathons to help employees build up physical strength. At RSC, a fully equipped gym and a wide range of fitness classes and nursing room are available to employees. Yum China also offers online stress management classes to help RGMs learn about how to manage stress for themselves and for their team.

#### Story



On November 11, 2018, the 2nd Yum China Badminton Tournament came to a climax in Wuhan. Nearly 300 employees from 21 teams across China took part in the tournament. During two days of intense competition, outstanding badminton players across Yum China delivered rounds of excitement to audience.







## 1 Recognized as 2019 Top Employer in China

Yum China was named a 2019 "Top Employer China" by the Top Employers Institute. For more than 30 years, Yum China has evolved our talent management systems to match the changing characteristics of each generation of young people. By understanding the needs of each generation of talent and how to manage them effectively, we have sustained an agile and innovative organization with a motivated workforce.

As one of certified Top Employers in China, Yum China is dedicated to HR excellence. The certification recognizes the Company's robust talent strategy and commitment to creating a diverse and inclusive environment in which everyone enjoys equal opportunities to unlock their full potential.

Established more than 25 years ago, the Top Employers Institute has certified over 1,300 organizations in 115 countries and regions as an independent HR certification organization. The certification encompasses more than 100 questions and up to 600 HR practices centered around 10 key themes: HR strategy, HR planning, recruitment, enrollment, learning and development, performance management, leadership development, professional development and successor management, compensation and benefits, and culture.



“

*"While we are honored to receive the Top Employer certification, we will continue to explore ways to provide a better workplace and create more opportunities for our employees to become the restaurant pioneers. As the largest restaurant company in China, we are committed to creating an environment where everyone can make a difference to our customers, our industry and our community."*

- Joey Wat, CEO of Yum China

“

*"This certification not only shows that we are a forward looking company, but it also recognizes our commitment to continuously improving, developing and progressing with employees."*

- Aiken Yuen, Chief People Officer, Yum China

“

*"We believe that the 2019 certified organisations demonstrate exceptional employee conditions and encourage the development of these practices by putting their people first. These companies help enrich the world of work with their outstanding dedication to HR excellence and because of this, they are recognised as an employer of choice."*

- David Plink, CEO, Top Employers Institute







## 2 Pizza Hut Wins the "2018 China Learning & Development Value Award"

In 2018, Pizza Hut stood out from more than 300 companies to win the "2018 China Learning & Development Value Award" in recognition of the best practice showcased in the Pizza Hut Management Institute's project titled "Achieving a Leap Forward in Brand Transformation".

Since its establishment in 2016, the Pizza Hut Management Institute has created a comprehensive training and development system that extracts and shares operational knowledge to facilitate rapid improvements across key business performance indicators. The Institute continues to provide employees with high-quality, professional and forward-looking operational management knowledge. In 2017, a total of 315 training classes were held across China. More than 4,000 management personnel took part in over 750,000 hours of training and nearly 2,300 regional managers and RGMs were certified as coaches and mentors.



## 3 Uniform x Fashion

In 2018, KFC and Pizza Hut collaborated with the internationally renowned designer Anna Sui for their new uniform. The new uniforms combined fashion with elements of the two brands, demonstrating the youthfulness and energy of Yum China staff.

The unconventional cross-over also embodied KFC and Pizza Hut's commitment to making bold innovations to disrupt the transitional restaurant industry and provide customers with enjoyable and differentiated dining experiences.



Care for Society  
Integrate into Communities



Community





## Our Community

## Care for Society and Integrate into Communities

Yum China is on a mission to make every life taste beautiful. We serve more than 2 billion consumers every year through our delicious and healthy food and marketing activities. We are always searching for ways to be a positive influence on our local communities and society.

Our efforts have focused on four main areas:



### Poverty Alleviation

We mobilize community resources to promote poverty alleviation and the philosophy that "anyone can make a positive impact on society." We give full play to the characteristics and advantages of our business to provide targeted support for poverty alleviation and to support regional economic development.



### Child and Youth Development Through Education and Empowerment

We provide assistance and support to special groups (such as left-behind children and financially burdened university students) to give them access to education and resources. We encourage more children to fall in love with reading.



### Community Care

We actively engage with the community and care for them like a "good neighbor." Our initiatives, such as emergency assistance for communities, warmth stations for sanitation workers, after-school student care services, and community family reading programs, help to create an environment of kindness and inclusivity.



### Advocate for Healthy Lifestyles

It is important for everyone to get into the habit of exercising. A healthy lifestyle is a habit that children and young people will benefit from for the rest of their lives. Yum China has supported marathons in more than a dozen cities throughout China and we also promote 3x3 Basketball games in support of the national strategy for a "Healthy China." We hope to encourage more people to embrace balanced diets and healthy lifestyles.



### Our Goal

Our employees will volunteer no less than 1.5 million hours per year.







## "One Yuan Donation", Every Little Contribution Helps



The One Yuan Donation program is one of the earliest examples of a Corporate Social Responsibility (CSR) program in China that brings together employees, partners and customers to advocate the concept that “anyone can make an impact on society.” The One Yuan Donation program has just passed its 11th year and is one of the largest public donation campaigns in China.

The One Yuan Donation program was founded in 2008 by Yum China in partnership with the China Foundation for Poverty Alleviation (CFPA). The public appeal called on each member of society to donate one yuan with the aim of helping children in impoverished regions by providing nutritious meals, setting up “Modern Kitchens”, and teaching them about nutrition.

After 11 years of development, the program has become an iconic corporate social responsibility project. A nationwide public donation platform has now been formed through Yum China's approximately 8,000 restaurants nationwide and their associated online ordering systems.

In addition, e-commerce platforms operated by Yum China and its partners also hold charity potato sales from One Yuan Donation program locations and their surrounding regions. The sales help farmers in impoverished regions increase their income and improve their lives.



### Highlights from 11 years of the One Yuan Donation program



180,000,000+

More than RMB 180 million in donations including over RMB 40 million from Yum China and its employees



618,000

Benefited 618,000 students



41,900,000

Provided 41.9 million nutritious meals



120,000,000+

More than 120 million consumers have taken part



973

Provided Modern Kitchens at 973 schools







## One Yuan Donation Program Developments in 2018

- In addition to donations at our restaurants, we actively encourage our partners to also participate in the One Yuan Donation program. In 2018, nearly 90 of Yum China's supply chain partners actively participated in the program to help improve the nutrition of children in impoverished regions.
- With the rapid development of the mobile Internet, mobile ordering and mobile payments have become increasingly common and public consumption habits are constantly changing. In 2018, the One Yuan Donation program was successfully rolled out on online channels such as KFC and Pizza Hut branded apps and widgets, making it convenient for consumers to donate to the program when they use the mobile ordering service.
- A theme song for the One Yuan Donation program called "Wings of Love" was jointly released by Yum China and the CFPA. The lyrics of the song originated from a poem composed by a young girl from Sichuan Province named Xie Qing, who was a beneficiary of the program. During the fund-raising period, consumers across the country heard the song in KFC and Pizza Hut restaurants.
- In 2018, more than RMB 17 million was raised by the program. That means 5 million more nutritious meals as well as 106 schools equipped with Modern Kitchens.



Joey Wat, CEO of Yum China, introduces the One Yuan Donation program to customers at a KFC restaurant



## 2018 Awards for the One Yuan Donation Program



"Best Community Program Award" at the Global CSR Summit



"10th China Charity Award" by the Ministry of Civil Affairs, People's Republic of China



"10-Year Special Contribution Award" by the China Foundation for Poverty Alleviation (CFPA)



"2018 marked the 11th year of the One Yuan Donation program. Thanks to 11 years of continued efforts by Yum China, the One Yuan Donation program can now be considered a model for engaging the public in charitable activities. The program has won high recognition and active participation from the public and more than 120 million consumers have taken part so far, making it one of the most popular programs for public good."

- Wang Xingzui, Executive Vice President of CFPA



"This is an act of compassion that 450,000 employees and hundreds of millions of customers have accomplished together. It embodies the spirit of generosity and we will continue to safeguard and spread the message of love, so that more children can grow up healthy and happy with the support of Yum China."

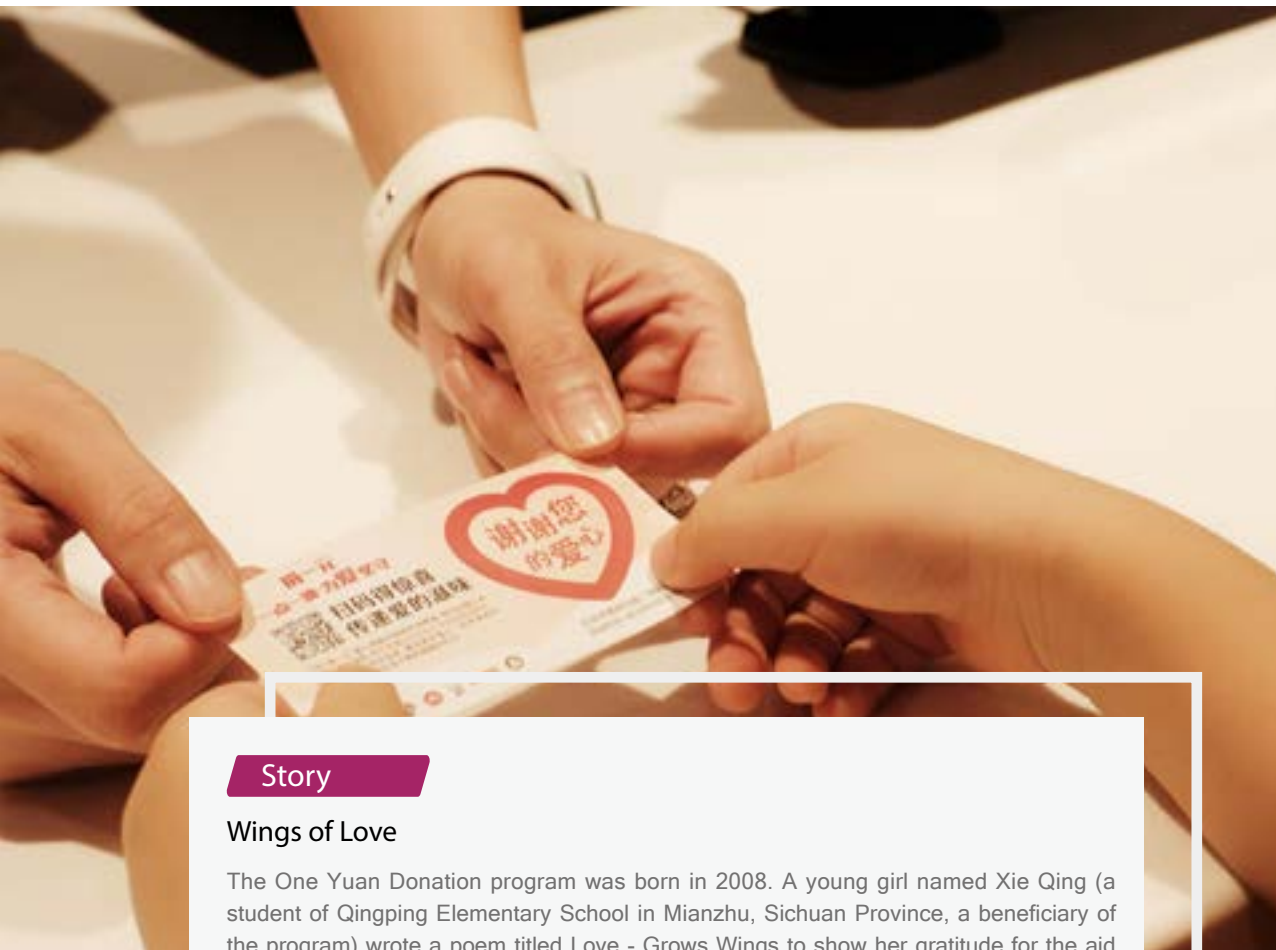
- Joey Wat, CEO of Yum China



"Advocating public involvement in charitable activities is a kind of love and in the 11 years of our continuous advocacy of "anyone can make an impact on society", more and more enterprises have joined us in this project. The influence of the program continues to grow, and its true value is even more than the donation amount itself."

- Alice Wang, Chief Public Affairs Officer of Yum China





### Story

#### Wings of Love

The One Yuan Donation program was born in 2008. A young girl named Xie Qing (a student of Qingping Elementary School in Mianzhu, Sichuan Province, a beneficiary of the program) wrote a poem titled Love - Grows Wings to show her gratitude for the aid she received. In 2018 the poem was adapted into Wings of Love, the theme song for the One Yuan Donation program and touched the hearts of countless people.

As one of the first group of children to receive assistance from the program, Xie Qing is now a university student in her twenties and will soon enter the workforce. Her dream is to one day return to the mountains and become a kindergarten teacher. She said: "I want to show the people who helped me all those years ago that their compassion did not go to waste. The little girl they helped is grateful and she will give back to society all the love that was given to her. She will use her love to water the future flowers of the nation."



#### One Yuan Donation Program Theme Song: Wings of Love

一滴露珠  
折射太阳的光辉  
一片绿叶  
显示大地的年岁  
翅膀载着善和暖  
向着未来而起飞  
一份营养餐  
给了我前进的希望  
让我个子长高  
让我身体变强壮  
让我更智慧  
奔向未来的曙光  
全世界的爱乘着翅膀  
飞进我的心田  
让我们的心凝聚在一起  
从此不再迷惘  
感谢让我们懂得生命的可贵  
牛奶面包汇成爱的丰碑  
爱飞进我的心中  
“捐一元”飞进我们每个孩子的心中



## 1 Pizza Hut Grow Local Initiative: Introduce a New Model for Targeted Poverty Alleviation

In May 2018, Yum China combined its own resources and strengths to support "ingredient development" and "targeted poverty alleviation" to explore the development potential of high-quality local produce and support the sustainable development of local industries. This provided an opportunity for an innovative application of "teach a man to fish and you feed him for a lifetime."

The first phase of the project focused on the truffle resources of Yongsheng County in Yunnan Province. In February 2018, Yum China partnered with the Chinese Academy of Sciences, nutrition experts and agricultural service companies to provide farmers with training courses on the scientific harvesting of truffles. By September 2018, a total of 860 farmers had been trained and online courses were recorded to facilitate training of even more farmers.

As a milestone for the Grow Local Initiative Yunnan truffle project, Yum China issued one of the first scientific training manuals on sustainable truffle farming in Yunnan Province. It was published by Yunnan University Press, enabling the local government and Agriculture and Rural Affairs Office to provide farmers



A local truffle farmer consults the Sustainable Truffle Farming Manual

in Yunnan Province with much-needed training. The poverty alleviation program led to increased government awareness of the importance of truffle protection and supervision and an official notice for the protection of truffles was subsequently issued by the People's Government of Yongsheng County, Yunnan Province, on September 28, 2018.

In April 2018, Pizza Hut introduced a range of Pizza Hut truffle pizzas featuring high-quality truffles from Yunnan Province at over 2,200 restaurants throughout China. Pizza Hut is also planning to use Yum China's Super APP, with hundreds of millions of active users, as well as other online resources to provide a stable and sustainable e-commerce sales platform for specialty agricultural produce that meet quality standards. In the future, the Pizza Hut Grow Local Initiative will be gradually rolled out throughout Yunnan Province and other parts of the country.



Local farmers in Yunnan's Yongsheng County take truffle farming courses and receive in-person training



*"Poverty alleviation is one of the key areas we have been focusing on as part of our corporate social responsibility efforts, and it is where we believe our expertise and scale can make the greatest impact. We are in a unique position to leverage our supply chain management capabilities to make a significant contribution to communities across China. By helping local farmers improve farming techniques and connecting them to Yum China's customer base, we are confident that the Grow Local Initiative will help stimulate local economies and support the sustainable expansion of promising agricultural products."*

- Joey Wat, CEO of Yum China









## 1 KFC Vcare: Be There for Kids After School

KFC is committed to being a good neighbor in the community and helping to innovate social governance. One way which we do this is by helping to solve the problem of unattended care after school for elementary school students who come from underprivileged families, migrant worker families, or families that have two working parents. Starting in 2016, the KFC Vcare School After 4:30pm program includes childcare-themed restaurants that serve the local communities. Dedicated spaces where students can read and write have also been established in some restaurants. KFC restaurants and online channels are used to recruit volunteers to organize a wide variety of extracurricular activities. The basic child-care service has therefore been enhanced by free specialty courses and mentoring in art, dance and science. The children are provided with a place to gather for learning and socializing after school. It has also created a platform for mutual assistance and learning between children.

By the end of 2018, KFC had organized 588 "School After 4:30pm" events at 17 restaurants in Shenzhen, Zhengzhou and Wuhan.



3

Shenzhen, Zhengzhou  
and Wuhan



17

17 restaurants



588

588 events

(As of the end of 2018)



University students Xianyu Leyang and Zhou Chuangyu from Zhongnan University of Economics and Law received scholarships from the KFC First Light Fund. Here they have volunteered to teach children how to play with traditional Chinese puzzle toys.

### Story

In November 2018, KFC's Vcare "School After 4:30pm" program arrived in Wuhan. With the help of the Wuhan City Civil Affairs Bureau and China Charity Federation, KFC used its stores in the three districts of Wuhan to work with local communities and build a volunteer service platform. The platform not only provides after-school care to children that need it but also offers consumers and employees interested in supporting education a platform for volunteering their services.



KFC's mascot Qiqi is the mystery guest joining the children in play



## 2 Pizza Hut Public Reading Program

On April 23, 2018, Yum China formally launched the Pizza Hut Public Reading program at Pizza Hut restaurants throughout the country. Book donations and exchange centers, shared book stalls and reading bases have been set up using Pizza Hut store resources as part of a plan to gradually build a national platform for public reading services. A series of offline and online activities and cross-channel partnerships also serve to provide people with a love of good food and reading with an experience that combines both.

By the end of December 2018, the Pizza Hut Public Reading program had been launched at 14 themed restaurants in 13 cities including Shenzhen, Beijing, Guangzhou, Qingdao, Haikou, Nanning, Wuhan, Zhengzhou, Tianjin, Hangzhou, Harbin, Chongqing and Xiamen. The restaurants now have a combined collection in excess of 19,000 books.



13

13 cities



14

14 themed restaurants



19,000+

Combined collection in excess of 19,000 books

(As of the end of 2018)

▼ Pizza Hut Wenyi Restaurant, Hangzhou



▼ Pizza Hut Fortune Centre Restaurant, Chongqing



▲ Pizza Hut Gucheng Restaurant, Nanning



◀ Yum China launches the Pizza Hut Public Reading program across China on World Book Day in 2018



▲ Donation of Red Library to Qionghai Hongjun Elementary School by Pizza Hut



▲ Pizza Hut TOP Restaurant, Qingdao

“

"Pizza Hut is committed to launching public reading activities in different cities across the country and to developing a national reading service. It is in line with the purpose, philosophy and practice of the Jinlin Charity Foundation and aligns with the national push to promote public reading and build a learning society."

- Yang Jinlin,

famous journalist and founder of Jinlin Charity Foundation



### 3 Pay Tribute to Frontline Workers

Whether it is a freezing cold day or the middle of summer, sanitation workers, public security officers and other frontline workers work tirelessly at their respective jobs. Yum China has launched a series of community activities to pay tribute to frontline workers and workers in special occupations. To thank them for their hard work, KFC and Pizza Hut restaurants throughout China expressed their gratitude by offering drinks and hot meals.

#### Journalist Friendly Restaurants

Journalists must work fast to keep up with the latest developments. They are always in a hurry to find the next big story, on the way to an interview, or using their professionalism and expertise to file stories before a tight deadline.

Yum China's Pizza Hut and KFC brands have opened journalist friendly restaurants in Nanchang and Shanghai. The restaurants offer dedicated seating for journalists equipped with USB ports and power sockets as well as the "Uncrowned King" package to provide busy journalists with a premium service and exclusive discounts.

The restaurants also showcase exhibitions of outstanding journalism and have subscriptions to magazines and newspapers for free use by journalists.



Pizza Hut Greenland Center Journalist Friendly Restaurant, Nanchang



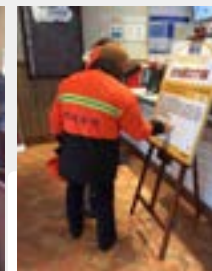
KFC Wujiang Road Journalist Friendly Restaurant, Shanghai

#### Story

##### "Morning Dream": Warm the Heart with a KFC Breakfast

The work that sanitation workers do to beautify the city is very tough and time-consuming. When winter arrives and temperatures plummet, sanitation workers must still get up for work early in the morning. For these hard workers, sometimes even a drink of hot water might seem like a luxury. KFC restaurants everywhere are now acting to show they care about sanitation workers.

On January 6, 2018, the "Morning Dreams" program co-organized by Henan Traffic Radio and Zhengzhou KFC was officially launched. Over the following month, customers buying breakfast at one of the 17 designated KFC restaurants in Zhengzhou could also purchase any number of KFC breakfasts for sanitation workers. They received a "Dream Breakfast Sticker" that they could stick to the "Dream Breakfast" poster, after which any sanitation worker could then take a "Dream Breakfast Sticker" and redeem it for a free breakfast paid for by a KFC customer.







## 4 Disaster Relief and Donation

With more than 8,400 restaurants throughout China, Yum China is well-equipped to support emergency rescue and post-disaster reconstruction efforts. In addition to the donation of money and supplies, emergency assistance plans are immediately activated after a disaster. The plans include providing food and rest spaces for rescue workers at designated restaurants on a 24-hour basis. Free umbrellas are also available for local residents to borrow.

### Story

On September 16, 2018, the super typhoon "Mangkhut" made landfall in south-eastern China, causing many areas in Guangdong Province to be hit by violent storms. Traffic was blocked, trees dumped, and water and power cut off. The repair personnel on the roads, traffic police, sanitation workers, and volunteers worked tirelessly to clean up obstacles and quickly restore order. Once KFC restaurants in locations such as Guangzhou, Zhuhai and Shenzhen reopened, they immediately began preparing large batches of food and liaised with their local street and city management departments to provide hot food to all the city and sanitation workers working on emergency repairs in Guangzhou, Yiangjiang, Jiangmen, Kaiping, Zhuhai and Shenzhen. Nearly 2,000 meals were sent out in appreciation for their hard work in restoring order to the city.



## Child and Youth Development Through Education and Empowerment







## 1 KFC Little Migratory Birds Fund: Provide Support for Left-Behind and Migrant Children

In 2016, Yum China's KFC brand partnered with the China Children and Teenagers' Foundation (CCTF) to launch the KFC Little Migratory Birds Fund for left-behind and migrant children. The mission of the Fund is to look after the emotional and mental well-being of left-behind and migrant children in China through reading, sports and art activities. The Fund enriches the spiritual life of left-behind and migrant children by establishing reading corners, hosting restaurant story sessions, and organizing themed literary, sports, arts and family-bonding activities. The Fund also helps their families regain high-quality companionship and communication.

In addition, during Chinese New Year, Children's Day and the summer and winter breaks, KFC arranges for left-behind and migrant children to visit nearby restaurants to take part in a variety of activities such as storytelling, learning of traditional culture, drawing and singing. The "Little Migratory Birds" are provided with companionship during these periods.



By the end of 2018, KFC had donated more than RMB 9 million to the Little Migratory Birds Fund and had donated 1,598 reading corners to communities and schools with a high concentration of left-behind and migrant children. The reading corners are provided with a hand-picked collection of high-quality illustrations and story books. They also provide audio books, multimedia equipment and organized reading activities. Over 300 "Little Migratory Birds Story Club" sessions and related activities were also held for "Little Migratory Birds" at more than 100 KFC restaurants in 22 provinces throughout China. KFC "Story Tellers", other KFC staff and volunteers, have contributed more than 30,000 hours of volunteering time. Since its establishment, the Little Migratory Birds Fund has assisted approximately 1.5 million left-behind and migrant children.



9,000,000+

Donated more than RMB 9 million



~1,500,000

Assisted approximately 1.5 million left-behind and migrant children



1,598

Donated 1,598 reading corners



30,000+

Contributed more than 30,000 hours of volunteering time

(As of the end of 2018)





## Little Migratory Birds Fund Nationwide Developments in 2018

4

Expanded into Sichuan, Tibet, Qinghai and Inner Mongolia

601

Added 601 new book corners

~135,000

Distributed approximately 135,000 new books

601

Distributed 601 Bluetooth speakers

100

Distributed 100 Little Migratory Birds reading buckets

~900,000

Assisted approximately 900,000 left-behind and migrant children

5,880,000

KFC donated RMB 5.88 million in 2018

- A total of 115 KFC restaurants in 19 provinces hosted 203 "Little Migratory Birds" events during 2018
- Around 1,000 staff were involved in these events
- The staff contributed 19,242.5 hours of service
- Events inspired the participation of 644 volunteers
- Contributed 3,907 hours of volunteering time



## 2018 Awards for the KFC Little Migratory Birds Fund



"Corporate Social Responsibility Annual Responsibility Case Study Award" by Southern Weekly



"Public Welfare Communication Award" at Jiemian.com's "China Outstanding Communication Award" for "Return of Migratory Birds - Say it with Love"



"Role-Model Award" (Public Welfare Category) at the 3rd ci "Value Co-Creation" Awards



In 2018, KFC restaurants in Chongqing and Hunan continued to run the Mom Restaurants for Little Migratory Birds themed restaurant program whereby open job vacancies would be provided to the mothers of left-behind and migrant children. Basic welfare support and a flexible work schedule at the restaurants give mothers a chance to work near their children, so they can look after their family and children.



The "Little Migratory Birds Reading Bucket" is a reading toolbox specially developed with a partner of the Little Migratory Birds Fund to systematically guide village teachers on how to provide reading guidance to children. After a year-long trial, the 2018 Little Migratory Birds report found that 86.3% of the teachers at schools provided with the reading buckets saw that students began borrowing more books after reading bucket activities were introduced. More than 95% of the teachers said that students were far more motivated to express themselves during reading classes than other classes as reading gives children unprecedented self-confidence and happiness.



## Story

### "Little Migratory Birds" Visit Shanghai

On the afternoon of June 3, 2018, a flight carrying 16 "Little Migratory Birds" from Henan took off from Zhengzhou for Shanghai. The "Henan-Shanghai Young Companion Project" flight was intended to expand the horizons of local "Little Migratory Birds" of good character and academic performance in Henan by introducing them to the high technology and fashion of Shanghai. To help reduce the anxiety felt by many of the "Little Migratory Birds" during their first flight on a plane, an experienced KFC "Story Teller" not only comforted the children but also told the classic fairy tale story of "Pinocchio" during the flight. Once they reached Shanghai, handicraft classes and technology shows were waiting for them thanks to KFC restaurants in Shanghai. The "Little Migratory Birds" were transformed into "Ready Player One" and "Handicraft Experts" at the restaurant. The "Little Migratory Birds" were also treated to a custom "KFC Junior Geek Children's Programming Class" and chicken nuggets and fries from KFC restaurants were used to introduce them to the fun of programming, challenge their minds and improve their thinking skills.





## 2 KFC Kid's Book Club

Yum China and its brands not only provide children with nutritionally balanced meals, but also work to provide children with a happy and enjoyable reading experience. Children can read for knowledge as well as to develop intelligence and enrich their minds.

In addition, we work with communities to organize family reading sessions to help them discover the beauty of reading together as a family, convey the joy of reading and communication between parents and children and promote harmony in the family. Local families are provided with assistance on how to strengthen family bonds through reading.



Since 2015, KFC has partnered with the publishing industry to select high-quality books from China and abroad. More than 50 million books have been given away with Kid's Meals. At the same time, we actively use restaurant resources around the country to promote reading. Free Kid's Book Club weekend story sessions and various reading activities are now held in each restaurant every week. More than 500,000 sessions have been hosted to date.

While recommending high-quality children's books, KFC is also using new media technologies to instill in every child a passion for reading in a way that is easy for them to accept. Immersing the children in stories can help to unleash their imaginations. The KFC Super APP, with its large user base, now has a "Kid's Book Club" audio bookshelf where classic Chinese animated stories such as "Havoc in Heaven" and "The Legend of Nezha" can be found.

### KFC Kid's Book Club Developments in 2018



18,500,000

Distributed 18.5 million books  
with Kid's Meals



200,000

200,000 story sessions during  
the year

### The Kid's Book Club on the KFC Super APP







### 3 KFC First Light Fund



In partnership with the China Youth Development Foundation (CYDF), KFC China established the First Light Fund in 2002 to help students from underprivileged family backgrounds, with good academic performance, to continue their education development. The program created a three-in-one funding model that combines financial support, practical work placement and community service to support students in need.

Selected university students receive scholarships from the Fund to ease their financial burden and help them complete their studies. Additionally, we provide students with the opportunity to gain practical work experience in KFC restaurants where they receive the same pay and opportunities as normal staff, and through their own hard work they can improve their financial situation. Finally, we provide funding and training to students so that they can launch their own community service projects- embedding in them the spirit of giving back to society and helping others.

By the end of 2018, Yum China had donated more than RMB 100 million in funding to the First Light Fund. The program now covers 68 universities across 30 cities in China and has helped more than 14,000 university students. During the course of the 2017 to 2018 school year, the First Light Fund provided assistance to 1,702 university students from 32 universities in 22 provinces across China with total funding of nearly RMB 9 million.

#### Story

#### Sixteen Heart-Warming Years - First Light Scholars Fulfill Their Dreams Together

To celebrate Youth Day on May 4, 2018, the "Sixteen Heart-warming years - First Light Scholars Fulfill their Dreams Together" themed campaign co-hosted by the China Youth Network and Yum China was officially launched online. Nearly 100 past and present First Light Scholars nominated by the 30 cities covered by the First Light Fund were invited to share their stories and participate in the online survey. The campaign attracted widespread interest from netizens. Their enthusiastic participation generated more than 1.07 million visits to the online survey. After reviewing the online survey results, a panel of judges agreed upon ten recipients to receive the title of "First Light Fund Outstanding Students". Five representatives including Song Huitao who volunteered to look after the elderly living alone and orphans before becoming a teacher in Tianjin, and Li Xiaokang, a post-graduate student who spent his time supporting education on the highlands, attended the ceremony to share their own stories of growing up and their experiences. Song Huitao offered the following summary of what he gained: "The First Light Fund not only illuminated my path, but also allowed me to share hope with many other people."



The five representatives of KFC First Light Fund Outstanding Students and guests at the event: Liao Chengqi, Vice President of China Youth Network (first on the left, rear row), Alice Wang, Chief Public Affairs Officer of Yum China (second from the left, rear row), Zhang Junhu, Deputy Secretary-General of China Volunteer Service Federation and Deputy Secretary-General of Chinese Young Volunteers Association (third from the left, rear row), Zhao Li, General Manager of KFC Beijing (fourth from the left, rear row), Shang Xiaohui, founder of Yushu and the young entrepreneurs' representative (fifth from the left, rear row).



100,000,000+

Donated more than RMB 100 million



68

Covers 68 universities across 30 cities



14,000+

Helped more than 14,000 university students









## 1 15 Years of the KFC 3x3 Basketball Championship: 15 Years of Unwavering Commitment to Helping Young People Realize their Basketball Dreams

In 2004, KFC China joined forces with the Chinese Basketball Association (CBA) to establish the KFC 3x3 Basketball Championship with the aim of promoting a healthy mind, body and character in young people. The promotion of 3x3 Basketball with its elements of cooperation, collaboration and competition among the young people of China inspires them to "achieve the extraordinary from the ordinary."

As a promoter and facilitator of domestic 3x3 Basketball games, the championship has provided millions of young people with a platform for fulfilling their basketball dreams over the past 15 years. Asia Games champions Xiao Hailiang and Huang Wenwei, current CBA player Liu Xiaoyu, as well as the players from First Urumqi High School, that were the men's division champions of the 3x3 U18 Asia Cup last year, have all taken part in the KFC 3x3 Basketball challenge. There they proved to themselves their basketball abilities and ultimately became up and coming basketball stars. The basketball stories of these players from ordinary backgrounds prove that the KFC 3x3 Basketball Championship is more than just a leading basketball competition, it is also a path for young people to pursue their dreams.

In 2018, the KFC 3x3 Basketball Championship joined the FIBA Event Maker, which further enhanced the standard of the tournaments. The 2018 competition encompassed 51 cities in 2018, attracting 60,000 teams and over 250,000 players.



### 2,600,000+

Attracted more than 2.6 million participants over 15 years

As one of the longest-running 3x3 Basketball competitions in China, the championship has attracted more than 2.6 million participants over its 15-year history. The frequent appearance of "star players" at KFC 3x3 Basketball Championships in recent years shows that the very high standard of the competition is contributing to Chinese basketball by helping to identify and cultivate more talented basketball players.



### The KFC 3x3 Basketball Championship in 2018:



### 51

51 cities



### 60,000

60,000 teams



### 250,000+

Over 250,000 players



Johnson Huang, General Manager of KFC China, presents the award for MVP

“

*Xiao Hailiang: "The KFC 3x3 Basketball Championship was where my basketball dream really took off. My experiences from the 2014 competition have continued to inspire me because it gave me the chance to step up on to the international stage, enter professional basketball, and represent my country at international competitions. Thanks, 3x3 Basketball for helping other young basketball players like me pursue their dreams."*

“

*Huang Wenwei: "I was just an ordinary young boy who loved basketball when I took part in the KFC 3x3 Basketball Championship in 2014. At KFC 3x3, I met other basketball enthusiasts from around the country and improved greatly as a result. It also inspired me to train harder and play in more competitions. Eventually, I was able to fulfill my dream of representing my country on the international stage."*





## 2 Marathon: Run for a Healthy and Active Lifestyle



Yum China actively promotes a healthy and active lifestyle. We not only encourage employees to engage in physical exercise but also advocate exercise for consumers as well. We formed the KFC K-Run Team in 2016 to promote marathon running throughout the country. Yum China called upon KFC employees and consumers to join K-Run teams and participate in full marathons. Their families were also encouraged to participate through family running teams.

Having introduced the theme of "Running and Not Stopping" in 2017, KFC chose the theme "Run, Now" for 2018 to encourage more people to take up marathon running. KFC also sought to promote a lifestyle of balanced diet and exercise among more people. By the end of December 2018, KFC had supported 45 marathons, with more than 5,500 people participating in the K-Run Team and over 9,000 families taking part in the family runs. KFC took part in 24 marathons during 2018 and over 3,400 people joined the KFC K-Run Team and more than 6,700 teams ran in the family runs.

In addition, a K-Run section was introduced on KFC's Super APP in 2017, to make it easier for consumers to achieve "balanced diet and exercise" through running and marathon competitions. The K-Run section of the KFC Super APP was used for online recruiting at 14 marathons in 2018. Nearly 7,000 people used the platform to register for local marathon races.



45

45 marathons



5,500+

More than 5,500  
people participating  
in the KFC K-Run Team



9,000+

Over 9,000 families  
taking part  
in the family runs

(As of the end of 2018)



24

24 marathons



3,400+

More than 3,400  
people participating in  
the KFC K-Run Team



6,700+

Over 6,700 teams  
taking part  
in the family runs

(In the year of 2018)

### Story

#### KFC "Hares" Help Wheelchair Athletes to Participate in the Shanghai Marathon

On the morning of November 18, 2018, the 2018 Shanghai Marathon started with more than 40,000 participants from around the world. KFC showed its support for the event by once again entering a K-Run team. KFC also recruited 6 pacers colloquially known as "hares" to run at a fixed pace to help other racers achieve their target of completing the marathon within a set time. Li Wenchao, the first wheelchair runner to complete the full length of the marathon, joined a second marathon with help from KFC. Upon learning of Lin's wish to complete the race in 4 hours, KFC provided him with a dedicated "hare" to help him achieve his goal. 2017 was also the second time that the KFC K-Run team provided pacers for visually impaired runners. We believe an active and healthy lifestyle is something that everyone should be encouraged to enjoy.





# Appendix 1: Assurance Report



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## Independent practitioner's assurance report

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

We have been engaged to perform a limited assurance engagement on the selected 2018 key data as defined below in the 2018 CSR and Sustainability report ("CSR report") of Yum China Holdings, Inc. (the "Company").

### Selected key data

The selected key data in the Company's 2018 CSR Report that is covered by this report is as follows:

- Total electricity consumption
- Total water consumption
- Energy Indirect Greenhouse gas (GHG) emissions (Scope 2)
- Female share of total workforce

Our assurance was with respect to the year ended 31 December 2018 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2018 CSR Report.

### Criteria

The criteria used by the Company to prepare the selected key data in the 2018 CSR report is set out in the definitions of the key data in Appendix 1: Basis of key data of the 2018 CSR report (the "basis of reporting").

### Management's Responsibilities

Management of the Company is responsible for the preparation of the selected key data in the 2018 CSR report in accordance with the basis of reporting. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the selected key data in the 2018 CSR report that is free from material misstatement, whether due to fraud or error.

### Our Independence and Quality Control

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

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

普华永道中天会计师事务所(特殊普通合伙)  
PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center  
Link Square 2, 602 Hu Bin Road, Huangpu District, Shanghai 200021, PRC  
T: +86 (21) 2323 8888, F: +86 (21) 2323 8886, www.pwccn.com



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## Practitioner's Responsibilities

It is our responsibility to express a conclusion on the selected key data in the 2018 CSR report based on our work.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3400, "Assurance Engagements on Greenhouse Gas Statements". These standards require that we plan and perform our work to form the conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Company's 2018 selected key data in the 2018 CSR report has been prepared, in all material respects, in accordance with the basis of reporting. Our work involves assessing the risks of material misstatement of the selected key data in the 2018 CSR report whether due to fraud or error, and responding to the assessed risks. The extent of procedures selected depends on our judgment and assessment of the engagement risk. Within the scope of our work, we have performed the following procedures in the Headquarter of the Company. We have not conducted work on other locations.

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

### Inherent Limitation

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



## Appendix 1: Assurance Report



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### Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the 2018 selected key data in the 2018 CSR report is not prepared, in all material respects, in accordance with the basis of reporting.

### Restriction on Use

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

  
PricewaterhouseCoopers Zhong Tian LLP  
PricewaterhouseCoopers Zhong Tian LLP

Shanghai, China

28 May 2019





## Appendix 2: Basis of Key Data

### 01 Energy Indirect GHG Emissions (Scope 2)

Energy indirect Greenhouse Gas (GHG) emissions (Scope 2) of Yum China in 2018 were the GHG emissions generated by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2018. The restaurants did not generate direct GHG emissions (Scope 1) because they did not consume any fossil fuels such as petroleum and natural gas in 2018. All the energy indirect GHG emissions (Scope 2) are derived from electricity consumption, which is calculated by multiplying each restaurant's electricity consumption by the average carbon dioxide emission factors of regional power grid. The average carbon dioxide emission factors of regional power grid refer to the emission factor of 2012 in the "Average Carbon Dioxide Emission Factors of China's Regional Power Grids in 2011 and 2012" issued by the National Development and Reform Commission.

### 03 Total Water Consumption

Total water consumption of Yum China in 2018 was the water consumed by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2018. 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.

### 02 Total Electricity Consumption

Total electricity consumption of Yum China in 2018 was the electricity consumed by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2018. Electricity consumption refers to the data on the restaurants' electricity bills.

### 04 Female Share of Total Workforce

Female share of total workforce of Yum China in 2018 was the percentage of female employees out of all employees of Yum China at the end of 2018. 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 2018, 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 2018, including office staff and restaurant staff.



Yum China Holdings, Inc.  
[www.yumchina.com](http://www.yumchina.com)