

Accelerating Employee Growth to Achieve Company Vision

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

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

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

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



Ensuring Fair Protection of Employees' Legitimate Rights and Interests

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

Guided by our principle of "Fair, Care and Pride", we ensure employees' legal rights are well protected, including proper labor contracts, all legally required social insurance and housing funds, and equal pay for equal work.

We adopt strict policies and prohibit any harassment based on gender, race, nationality, religion and other factors, including any slander, prejudicial jokes, intimidation, or any other verbal or physical attacks on others based on race, religion, or country of origin. We also prohibit sexual harassment including unwelcome sexual provocation or other sexual verbal or physical acts. Employees can anonymously report such issues if they choose to. We prevent retaliation against honest reporting to make sure that whistleblowers are well protected.

We firmly prohibit any kind of child labor or forced labor. Employee working hours are set in accordance with national regulations and any overtime work shall be agreed to by the employees themselves and approved by the head of department in advance.

Indicators

2020

Total number of employees		400,000+
Number of employees by type of employment	Full-time	34 %
	Part-time	66 %
Number of employees by gender	Male	36 %
	Female	64 %
Number of employees by age group	Under 30	60 %
	31-40	23 %
	41-50	15 %
	Over 50	2 %
Employee turnover rate	Restaurant General Managers (RGMs)	9.2 %



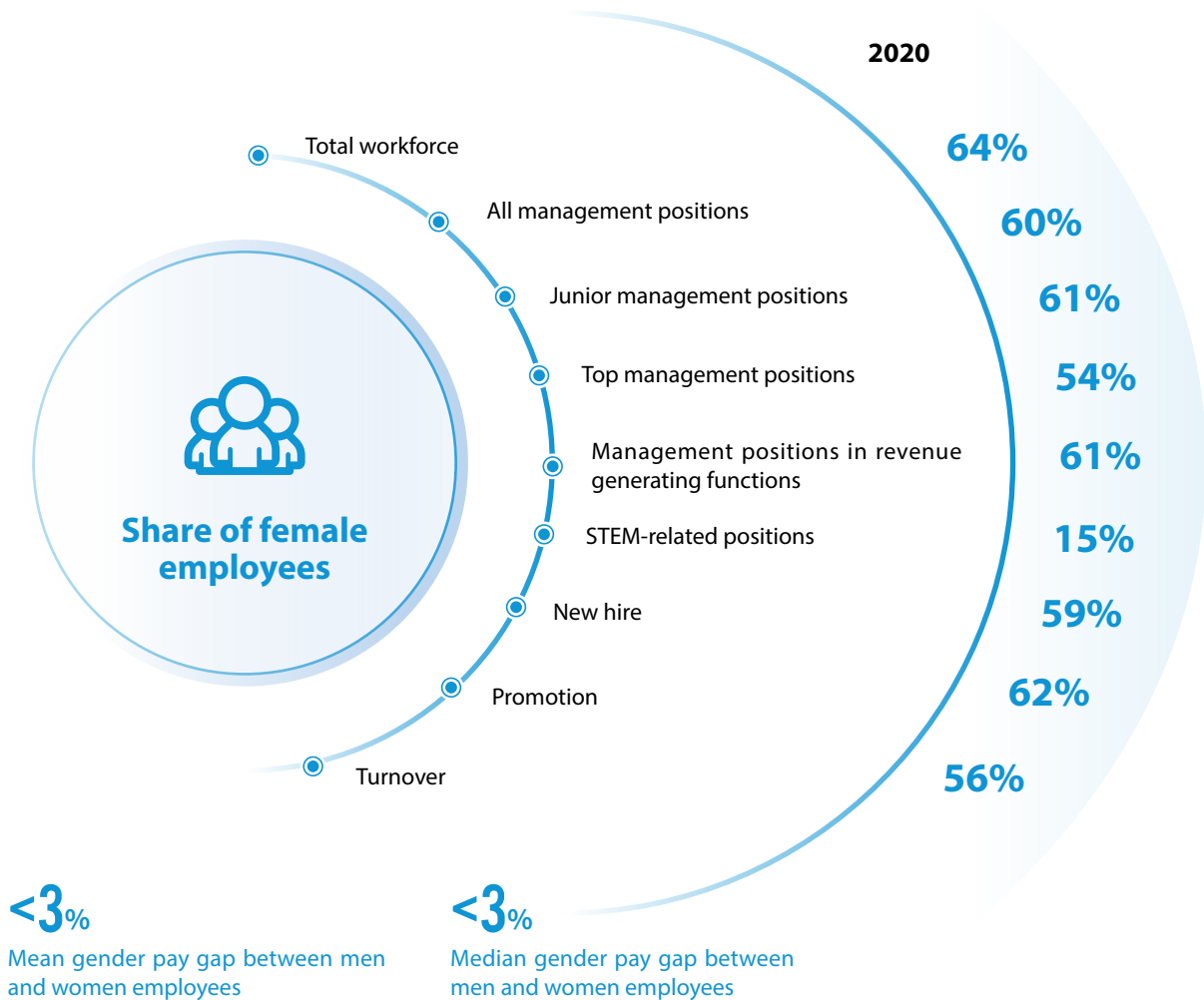
Diversity and Equal Opportunity for Employees' Self-Actualization

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

Promoting Gender Equality

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

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



Illustration

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

On January 28, 2021, Yum China announced that it had been included in the Bloomberg Gender-Equality Index (GEI) for a third consecutive year, the only one from mainland China. The index honors enterprises that are working to improve transparency in gender reporting and promote equality for women. In 2021, 380 companies in 11 industries from 44

countries and regions were subject to selection. Thanks to our excellent performance in female leadership and talent cultivation, equal pay, gender balance, and policies against sexual harassment, our GEI scores are much higher than the average.

Illustration

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

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

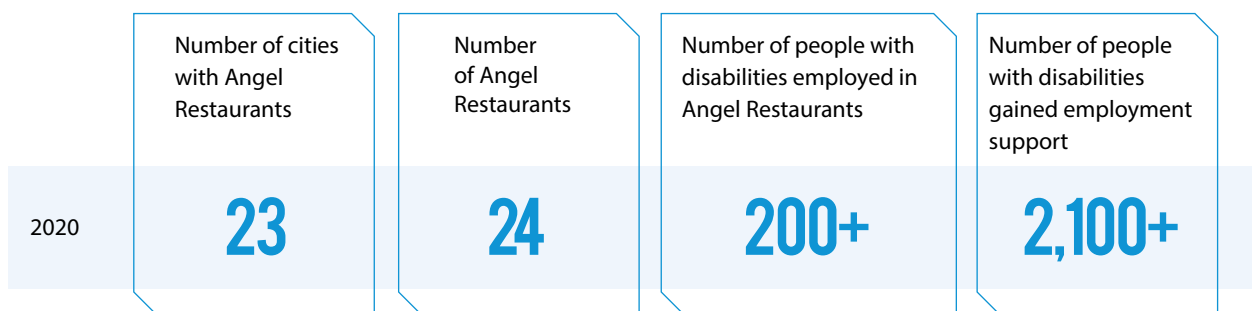
The program was expanded to over 480 KFC restaurants in Hubei, Henan and Hunan provinces and Chongqing Municipality. It provided employment opportunities for mothers who had been away from their children and aspired to come back. The complete welfare and flexible working schedules that we provided enabled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



Creating an Inclusive Workplace for People with Disabilities

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

Support for people with disabilities



Illustration

Promoting the Angel Restaurant and Building a Diverse Workplace

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

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



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



Unlocking Talent Potential through Innovative Training Systems

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

2020



Amount spent on training and development

266,000,000

RMB

Total expense on training and development

1,308

RMB

Average expense per Full-time Equivalent (FTE) on training and development



Training and development hours

8,600,000

hours

Total training and development hours

42

hours

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



Number of employees trained by type of employment

136,000 Person

Full-time

270,000 Person

Part-time



Promotion rate

36%

Promotion rate for restaurant management team

8%

Promotion rate for office employees



Employees participating in training by gender

36%

Male

64%

Female

Accelerating Training and Development Programs to Build Talent Pipeline

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

KFC Business School

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

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

KFC Preparatory Courses

The program helps restaurant management trainees to grow into competent RGMs by providing them with diversified and digital training modules.

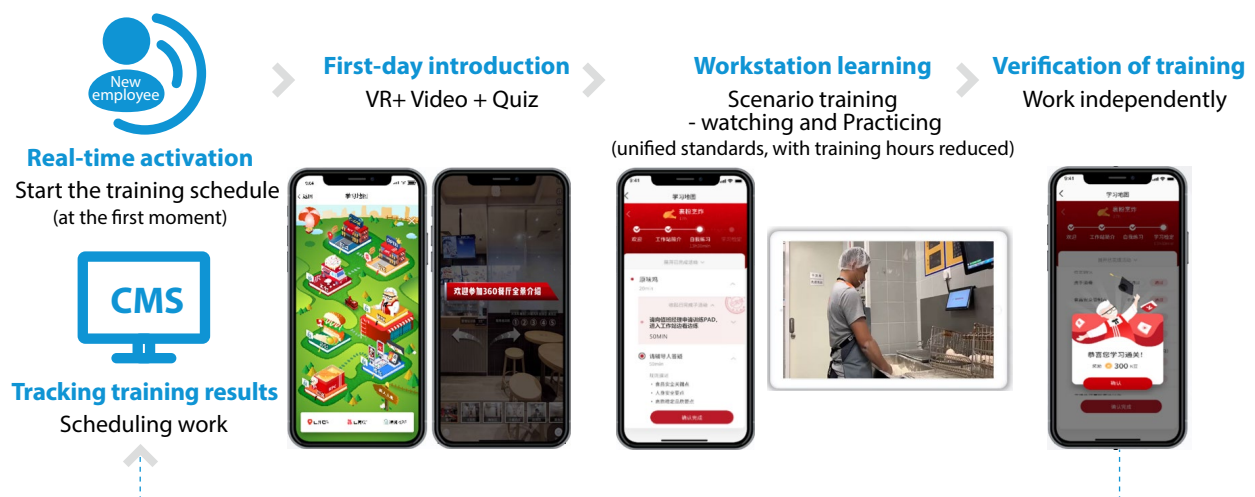
Program for Training Professionals in the Restaurant Industry

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

Program for Training Leaders for Retail Business

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

Intelligent Service Team Training Cycle



Pizza Hut Management Institute

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

Live training on new products

Participants
5,000+

Short-video training on services

Participants
230,000+

Training on promoting new business

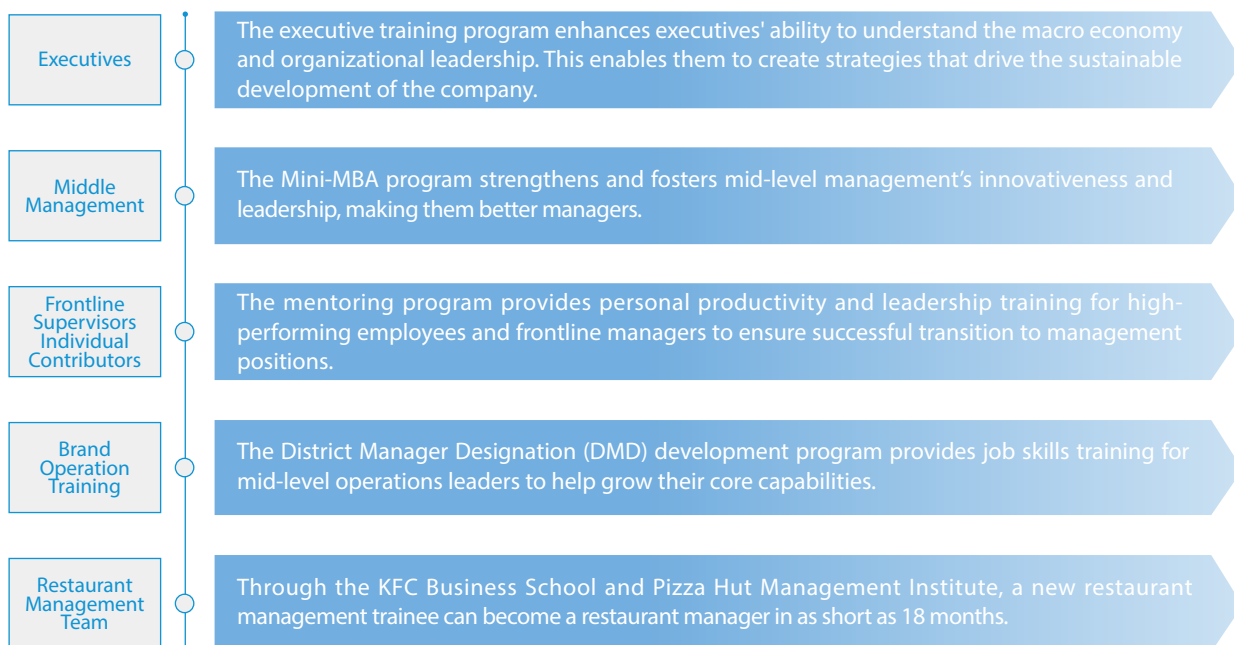
Participants
16,900+

Online courses during the pandemic

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

1,151

employees participated in online management courses



• Yum China Training System

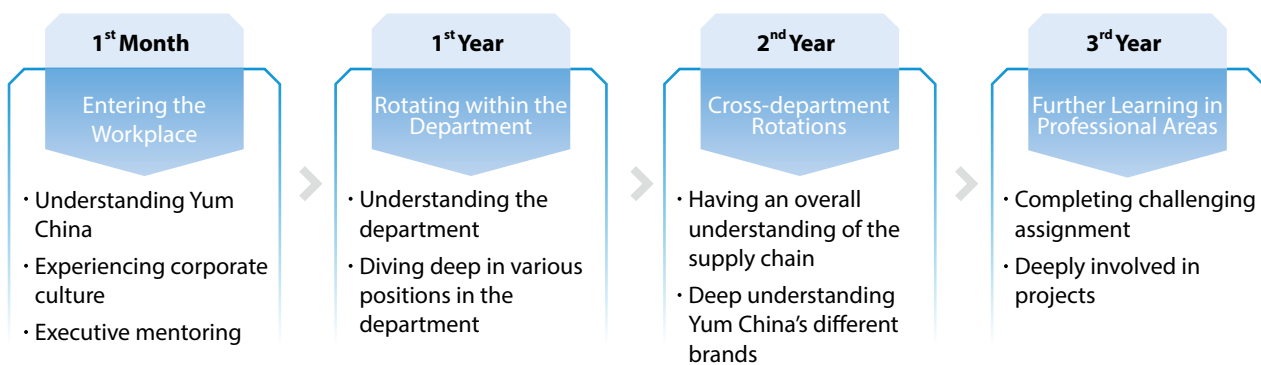
Digitally-powered Training Platform to Enable Agile Learning

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

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

Career Journey for Fresh Graduates

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



Building Employability and Innovation Capability in Three Years

- Development Path for Supply Chain Management Trainees



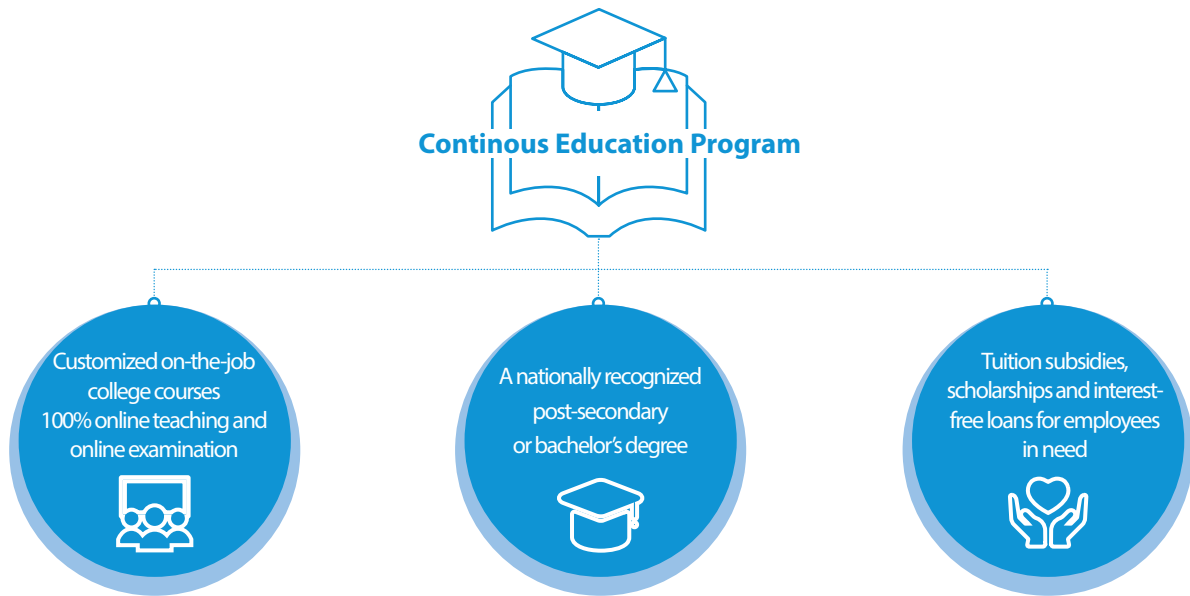
Building Employability and Game Changing Value in Two Years

- Development Path for Marketing Management Trainees

Continuous Education for Sustainable Career Development

We encourage employees to further their education and upgrade their professional skills. In cooperation with the Open University of China, Yum China launched the YUMC College program, which introduces a new corporate -university cooperation model combining academic education with vocational training.

The YUMC College program offers employees continuous education opportunities to obtain a nationally recognized post-secondary or bachelor's degree, which ultimately improves their employability. By the end of 2020, the program had been rolled out in cities including Zhengzhou, Fuzhou, Beijing, Suzhou, Nanjing, Wuxi, Xi'an, Tianjin, Guangzhou, Changsha, Harbin, Qingdao, Wuhan, Shenzhen, Shanghai, Hangzhou, Chengdu, and Shenyang with thousands of employees participating.



Illustration

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

In September 2020, Yum China launched the Continuous Education Program in Henan Province in cooperation with Henan Provincial Radio and Television University of the Open University of China.

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



Embarking on the Fast Track for Boundaryless Career

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

We strive to empower employees to realize their full potential by providing development tools that clarify their personal development needs. The tools include People Planning Review, mentoring, job rotations, bench designate programs and mini-MBA.

We adopt policies to ensure that almost all employees in operating positions can be promoted. Last year, about 36% of the restaurant management team was promoted.



Management Trainee



Assistant Manager



Senior Deputy Manager



Restaurant General Manager

• Career Development Path for Restaurant Management Team

Illustration

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

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

People Planning Review

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

Personal Development Planning

• Target setting

Help employees set individual goals and targets according to the business goals of the Company and functions.

• 360° feedback

Offer employees the opportunity to gain comprehensive, and constructive feedback.

• Individual development plan

Formulate a specific development goal, based on feedback from all channels to create practical development plans.

• Performance appraisal

Provide an objective and fair evaluation of employees' performance, facilitate timely performance feedback, and coaching. Provide employees with practical and continuous learning and growth opportunities.





Sharing Company Success through Competitive Rewards

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

We promote Founder's Mentality and share the Company's success with employees through equity incentive plans such as the CEO Grant Award and Restaurant General Manager (RGM) Restricted Stock Unit.

After becoming an independent listed company in 2016, Yum China announced that it would award RSUs valued at

US\$2,000 to every qualified RGM. The first batch of RSUs were granted in February 2017, allowing the recipients to participate in the growth of the company as our stock price increased from the grant date to the end of 2020. By the end of 2020, the scheme covered 9,700 RGMs. Following our secondary listing in Hong Kong, we began to award additional RSUs to all eligible RGMs. The first batch of 3,500 RGMs received an additional RSUs valued at US\$3,000 on top of the original \$2,000 RSUs. This also exemplifies our RGM No.1 culture. Our belief is RGM is the most important leadership role within Yum China and competent and engaged RGMs are key contributors to the Company's long-term success.



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

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

Upgrading Family Care for Restaurant Management Team

Yum China is committed to reducing employees' burden in taking care of their family especially in crises such as COVID-19. We launched the "Family Care Fund for Restaurant Management Team (RMT)" to provide RMT members with additional protection for their family including critical illness insurance coverage for their parents and accident insurance coverage for their spouse and children on top of the existing commercial insurance.

Yum China has enhanced the coverage above the industry standard terms. The age limit for coverage for parents and children was extended to 75 and 22 respectively. In December 2020, we expanded this project to cover restaurant crew team leaders, providing them with critical illness insurance. By the end of 2020, the fund had benefited more than 20,000 employees in the restaurant team and 40,000 family members.

By the end of 2020, the fund

had benefited employees

20,000+

had benefited employees' family members

40,000+

Three-Year Care Program for RGMs

We provide our RGMs with the Three-Year Care Program, a highly competitive program in the industry. RGMs who have completed one year in the role will receive one-time YUMC restricted stock unit (RSU) valued at US\$2,000. In the second year, they can enroll in the Family Care Program,

which provides additional critical illness coverage for their parents and additional accident coverage for their children and spouse. Those with a three-year tenure in the role can apply for Supplementary Housing Subsidies, which provides interest-free loans for repaying mortgages.



Flexible Benefits for Office Employees

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



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

——Aiken Yuen, Chief People Officer of Yum China

In December 2020, our Family Care Fund Program was selected from 78 entries as 2021 Best Total Rewards Innovation Plan.





A Healthy and Safe Workplace through Physical and Mental Wellbeing Programs

Having created the “Safety Mania” concept, Yum China abides by laws and regulations on employee health and safety to provide them with a healthy and safe working environment. We design, build, maintain and operate facilities that protect employees and physical assets. To heighten employees’ awareness in safety, we not only implement stringent management and inspection, but also strengthen risk and compliance management as well as building a safety culture.

We provide employees with protective equipment and measures. Through regular inspection and workplace safety audit to ensure our employee follow the safety standards, we not only upgrade their protective equipment, but also

conduct regular employee training on correct equipment operating procedures and related safety precautions. Our certification and subsequent analysis did not reveal major risk of occupational disease at Yum China.

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

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

- 
Providing all restaurant employees with masks.

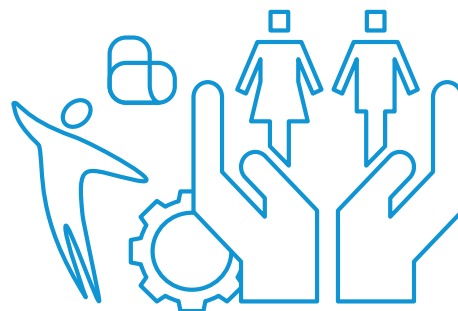
- 
Conducting comprehensive training on safety protection measures.

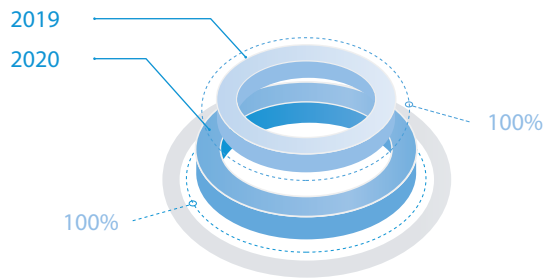
- 
Measuring employees’ temperatures before starting work. Employees will be required to seek medical consultation if abnormality is found.

- 
Initiating more frequent cleaning and disinfection of offices and restaurants.

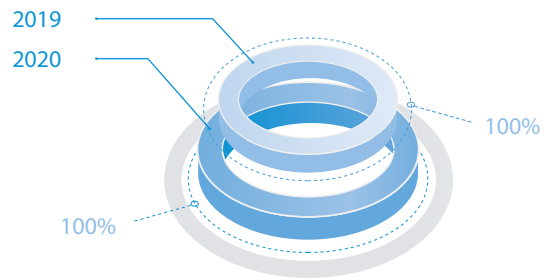
- 
Requiring all employees to wash and disinfect their hands before starting work and at regular intervals.

- 
Providing antibacterial hand sanitizer for customers to use.



Annual physical examination coverage of restaurant management team and office employees



Health certificate coverage of restaurant employees

Indicators	Unit	All employees
Lost-Time Injury Frequency Rate (LTIFR) per million hours worked	n/million hours worked	1.34

For over 30 years, Yum China has always followed people-first philosophy. It is a remarkable achievement for us to be certified as a Top Employer for three consecutive years. The pandemic has deepened our belief that health and wellbeing of our employees is very important. In 2020, one of our top priorities is to protect the health and livelihoods of our 400,000 employees.

—Joey Wat, CEO of Yum China



Engaging Employees through Transparent Communication

We value employees' feedback and hence we constantly expand communication channels so that we can hear their comments and questions promptly.

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

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

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

Other Channels to Communicate with Employees



Engagement
surveys

We collect feedback from employees through structured questionnaires, as frequent as needed.



Filing
complaints

Employees can file complaints to their direct supervisors, departmental heads, and our HR department. Follow-up will be handled by authorized personnel.



Hotline

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



Employee
meetings

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

Pizza Hut Employee Opinion Survey Program

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

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

2020

We allow front-line employees to give full feedback through regular and ad-hoc employee surveys

with an average response
rate of

62%

an average score of

4.55 out of 5

Labor Union and Employee Representative Council

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

In 2020 the labor union engaged in our pandemic prevention and control campaign

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