



百胜中国控股有限公司
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Notification of Yum China Supplier CSR Audit
July, 2023

Dear Suppliers,

Yum China is committed to driving responsible sourcing practices and building a responsible supply chain in collaboration with our supplier partners. We require the suppliers to take responsibility for their employees, customers, communities and environment, in addition to profit making and legal obligations for their shareholders. Subject to the existing laws and regulations, the suppliers should also emphasize the human values throughout production and the contribution to environment, customers and society. Therefore, it is our suppliers' responsibility to be assessed by Corporate Social Responsibility (CSR) audit. The framework and evaluation criteria of CSR audit are approved and endorsed by Yum China Chief Supply Chain Officer and Sustainability Committee.

Yum China engages the third party auditing firms to carry out the CSR audit which is tailored to manage the suppliers.

1. Audit scope:

- 1) Attendance records and payrolls kept for the last 12 months, health & safety system documents, system maintenance documents and records etc.
- 2) All the facilities under the same factory boundary or business license.

2. Audit contents:

- 1) Audit framework and evaluation criteria are developed with reference to applicable national laws and regulations and international standards.

Agenda	Priorities
Child labor / young labor	No enrollment or use of child labor; Employment of young labor in compliance with the local laws and regulations, including registration at the authority, health check, no exposure to toxic and harmful jobs, no overtime and no night shift etc.
Forced labor	Labor contract management; No deposit, involuntary overtime or forced work





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Health & Safety	Health & Safety policies; Responsible personnel for Health & Safety; Fire safety; Machinery safety and special equipment management; Electrical safety; Chemical management; Occupational health; Personal protective equipment management; Work-related injury management; First-aid measures; Dormitory and canteen management
Discrimination	No discrimination on gender, pregnancy, marriage status, race, region, trade union, and political party etc.; No sexual harassment; Grievance mechanism in place.
Disciplinary Practice	No mental or physical punishment; No unreasonable money deduction; Grievance mechanism in place.
Working Hours	Working hours policies; Weekly normal working time no more than 40 hours; Daily overtime no more than 3 hours; Monthly overtime no more than 36 hours or in compliance with Flexible Working Hour System Approval; One rest day per week; Total weekly working time no more than 72 hours
Wages & Compensation	Wages & Compensation system in place; In compliance with the local legal minimum wage; Overtime compensation, social securities and welfares compliance with the regulatory requirements; Payment period within 1 month
Environment	Responsible personnel for Environment; Environmental Impact Assessment Report and Approval; Environmental Protection Acceptance; Management of effluent, air emissions, noise and solid waste
Security	Check-in-and-out management; Factory boundary security control.

The details refer to Yum China CSR Audit Checklist.





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3. Audit preparation

- 1) The auditing firms and the suppliers make an agreement on audit date and time. The detailed audit preparation and procedure are provided by the auditing firms to the suppliers in written form.

4. CSR program training

- 1) In order to help suppliers understand Yum China's CSR Audit Program, training sessions are provided. Suppliers are encouraged to join the training and take continuous efforts to enhance own management system.

5. Audit result and period of validity

- 1) The audit report is available in 5 working days after the audit is completed. The grading – A, B or C is generated based on the severity of the issues identified through auditing.
- 2) 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.
- 3) If the follow-up audit is still graded C, Yum China will carefully review the partnership with the supplier.

6. Corrective and prevention Action Plans (CAPAP)

- 1) After receiving a rating based on non-compliance issues identified during the audit, suppliers are required to submit detailed corrective and preventive action plans (CAPAP) for continuous improvement.

Please address at the relevant buyer of Yum China for any question you may have.

Thank you,

Vice President, Procurement Management
Yum China Holdings, Inc.

