

Yum China Holdings, Inc.

Environmental Management System

At Yum China, we are committed to creating a sustainable ecosystem through building sustainable restaurants, creating a sustainable supply chain with partners, and building sustainable communities with all stakeholders. We recognize our responsibility to be stewards of the environment and spare no efforts to improve the food we eat, the water we drink, and the air we breathe.

SCOPE

The Environmental Management System applies to all of Yum China's operations, including offices, equity and franchised restaurants, logistics centers, and will also apply to any future mergers & acquisitions.

Yum China also expects suppliers and business partners, including but not limited to joint venture partners and outsourcing partners, in value chain to comply with all applicable laws and regulations, promotes sustainability and shares best practices with them to elevate their ability to bring positive change to their own operations and business relationships.

OVERSIGHT ROLES AND RESPONSIBILITIES

- **Board of Directors.** The Food Safety and Sustainability Committee assists the Board in its oversight of the Company's practices, policies, procedures, strategies, and initiatives relating to sustainability, including environmental, supply chain, and food nutrition and health.
- **Yum China Management Team.** Yum China Sustainability Committee is a management committee responsible for evaluating sustainability risks and monitoring the implementation of key initiatives and regularly reports to the Food Safety and Sustainability Committee.
- **Sustainability Task Force.** Yum China's Sustainability Task Force includes a sustainability team and cross-functional teams. It is responsible for developing sustainability action plans and promoting the implementation of key projects.
- **Operations Teams.** The Operations Teams are responsible for carrying out sustainability projects and initiatives.

GOVERNANCE PRINCIPLES

- Comply with all applicable laws, rules and regulations where Yum China operates to secure legal compliance.
- Recognize the importance of international environmental sustainability initiatives such as the long-term targets set by the United Nations Sustainable Development Goals.



- Follow Yum China Sustainability 4R Principles – Reduce, Reuse, Recycle and Replace – to guide our environmental initiative priorities and goal setting.
- Conduct regular third-party corporate social responsibility (CSR) audits of our suppliers to monitor their social & environmental compliance.
- Set and review environmental performance objectives.

ENVIRONMENTAL STEWARDSHIP

- GHG / Energy Efficiency – Leverage energy-saving technology and strengthen management to continuously reduce electricity consumption and greenhouse gas (GHG) emissions.
- Water Management – Leverage water-saving technology and strengthen water management to continuously reduce average restaurant water consumption.
- Green Building – Constantly update and implement Yum China’s Green Building Standards.
- Sustainable Packaging – Drive for reduction of single-use packaging, and promote the use of reusable and eco-friendly packaging materials.
- Waste Management – Adopted innovative technologies and scientific management methods to reduce food loss and waste across our entire value chain, while actively seeking waste recycling opportunities.
- Responsible Sourcing – Ensure social and environmental compliance at supply chain through annual Corporate Social Responsibility (CSR) audits to suppliers. Suppliers are also offered with training and support on corrective and preventive action plans (CAPAP) for continuous improvement. All buyers and relevant functions receive regular trainings for their roles in CSR audit program.
- Sustainable Sourcing – Continue to promote sustainable sourcing practices of key raw materials.
- Public Awareness and Education – Provide training for employees to understand the impacts of their work activities on the environment, and advocate environmental protection in society.

STAKEHOLDER ENGAGEMENT

- Raise awareness among our employees, suppliers and business partners to take action on environmental protection.
- Promote the application of innovative initiatives and technologies, and provide our employees with the frameworks and tools to reduce our reliance on natural resources.
- Engage our customers in public welfare and environmental protection activities.
- Raise awareness with capability building among our suppliers for environmental compliance and stewardship.
- Be an environmental responsible neighbor in our local communities.
- Regularly report our environmental performance to Yum China Leadership Team and Board of Directors at a minimum of once per year.
- Transparently communicate our environmental goals and progress to our external stakeholders on a regular basis, through our annual Sustainability Report and other external communication.



VERIFICATION

The Restaurant Audit Program is conducted by internal specialists from our Restaurant Support Center. This program encompasses criteria related to the environmental management system and is applicable to all restaurants.

OUR GOALS AND COMMITMENTS

Climate Action

- Near-term science-based emissions reduction targets approved by SBTi¹:
 - Reduce absolute Scope 1 and 2 GHG emissions 63% by 2035 from a 2020 base year
 - Reduce Scope 3 GHG emissions from purchased goods 66.3% per ton of goods purchased by 2035 from a 2020 base year
- Reach net-zero value chain GHG emissions by 2050.

Packaging

- 30% reduction on non-degradable plastic packaging weight by 2025 as compared to the 2019 baseline.
- 100% of customer-facing plastic packaging is recyclable.

Water

- 10% reduction of average restaurant water consumption by 2025 as compared to the 2017 baseline.

Food loss & waste

- Drive towards a 10% reduction of our food waste per restaurant by 2030 as compared to the 2020 baseline to support UN SDG Target 12.3.

Green Building

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

Supply Chain Environmental Impact

- Drive towards zero-deforestation supply chain.
- 100% of FSC² -certified paper packaging by 2025.
- 100% of purchased palm oil is RSPO³ certified.

¹ Science Based Target initiative (SBTi)

² Forest Stewardship Council (FSC)

³ Roundtable on Sustainable Palm Oil (RSPO)



DATA DISCLOSURE (supplement)

GHG Emissions⁴

	Unit	2022	2021	2020
Direct (Scope 1) GHG Emissions	tCO ₂ e	165,197	158,887	140,233
Energy Indirect (Scope 2) GHG Emissions	tCO ₂ e	1,740,134	2,158,856	1,903,178
Total Scope 1 + Scope 2 GHG Emissions	tCO₂e	1,905,331	2,317,743	2,043,411

Other indirect (Scope 3) GHG Emissions Composition	Unit	2022	2021	2020
Purchased goods and services	tCO ₂ e	6,194,518	6,366,184	5,345,233
Upstream transportation and distribution	tCO ₂ e	407,801	463,074	370,911
Franchises	tCO ₂ e	207,745	258,095	213,019
Others	tCO ₂ e	1,388,743	1,521,510	1,216,017
Total Scope 3 GHG Emissions	tCO₂e	8,198,807	8,608,863	7,145,181

Packaging

Packaging Materials in 2022	Coverage (% of cost of goods sold)	Total Weight (tons)	Recycled and/or Certified Material (% of total weight)	Recycled and/or Certified Material Target for 2022 (% of total weight)
Wood/Paper fiber packaging	100%	90,409	21%	20% FSC Certified
Metal packaging	100%	650	0%	1% Recycled

Plastic Packaging	FY 2019	FY 2020	FY 2021	FY 2022	Target for 2022
Total weight (tons) of all plastic packaging ⁵	23,531	23,209	21,399	20,076	21,399
Percentage of recyclable plastic packaging (as a % of the total weight of all plastic packaging)	99.6%	99.5%	100%	100%	100%
Percentage of compostable plastic packaging (as a % of the total weight of all plastic packaging)	0.73%	2.46%	17.12%	18.8%	15%

⁴ The scope of GHG emissions includes company-owned restaurants across all brands, office buildings and logistics centers within our operational control, as well as 12 out of 15 relevant Scope 3 categories.

⁵ Refer to customer-facing plastic based packaging



Food loss & waste

We established a robust process to measure and monitor food loss and waste at the back of the house. Our staff records daily food loss data. Weekly and monthly reports are generated to analyze trends in food loss and waste for continuous improvement.

Food loss & waste (tons)	FY 2019	FY 2020	FY 2021	FY 2022
Total weight of all food loss & waste	91,086.49	94,068.68	97,440.49	82,251.42
Total weight of food loss & waste volumes used for alternative purposes	36,119.19	36,169.28	38,077.71	34,536.68
Total discarded	54,967.31	57,899.40	59,362.78	47,714.75
Food loss & waste intensity	11.55	12.79	10.94	9.08
Coverage	89.53%	89.68%	84%	87.74%

Certifications of Animal Products

Animal products	Certification	% have Certification
Aquaculture products	BAP, ASC	41%
Cattle products (excl. dairy)	ISO9000/HACCP/FSC22000/ISO22000/BRC/ GLOBAL G.A.P/BAP	100%
Dairy products	Global G.A.P ⁶	36.1%
Swine products	ISO9000/HACCP/FSC22000/ISO22000/BRC/ GLOBAL G.A.P/BAP	100%
Poultry products	Global G.A.P	6.9%
Wild fisheries products	MSC	3%

Supplier Screening

	FY 2022
Total number of critical suppliers in Tier-1	247
Total number of critical suppliers in non Tier-1	1,072

⁶ Good Agricultural Practices

