

# 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 and climate-related issues, 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 – Implement Yum China’s Green Building Standards and keep it updated as appropriate.
- Sustainable Packaging – Drive for reduction of single-use packaging, and promote the use of reusable and eco-friendly packaging materials.
- Food Loss & Waste Management – Establish a robust process for tracking and measuring food loss and waste in the back of house by recording daily data, generating regular reports to monitor trends. Adopt innovative technologies and scientific management methods to reduce food loss and waste across our entire value chain, while actively seeking waste recycling opportunities.
- Air Emission & Wastewater Management: Implement measures at the facility level focused on managing kitchen fume emissions and improving wastewater quality to comply with applicable environmental regulations.
- 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 trainings on environmental protection for employees to understand the benefits of reducing energy consumption, water consumption, and waste generation across operations. We also 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.

We review and analyze energy efficiency, water usage, and waste generation in our operations to identify significant consumption and waste areas and find opportunities for improvement.

## OUR GOALS AND COMMITMENTS

### Climate Action

- Near-term science-based emissions reduction targets approved by SBTi<sup>1</sup>:
  - 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.

<sup>1</sup> Science Based Target initiative (SBTi)



### Supply Chain Environmental Impact

- Drive towards zero-deforestation supply chain.
- 100% of FSC<sup>2</sup> -certified paper packaging by 2025.
- 100% of purchased palm oil is RSPO<sup>3</sup> certified.

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<sup>2</sup> Forest Stewardship Council (FSC)

<sup>3</sup> Roundtable on Sustainable Palm Oil (RSPO)



YumChina



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## DATA DISCLOSURE (supplement)

### GHG Emissions<sup>4</sup>

	Unit	2023	2022	2021	2020
Direct (Scope 1) GHG Emissions	tCO <sub>2</sub> e	187,156	165,197	158,887	140,233
Energy Indirect (Scope 2) GHG Emissions (Market-based)	tCO <sub>2</sub> e	2,020,460	1,740,134	2,158,856	1,903,178
<b>Total Scope 1 + Scope 2 GHG Emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>2,207,616</b>	<b>1,905,331</b>	<b>2,317,743</b>	<b>2,043,411</b>

Other indirect (Scope 3) GHG Emissions Composition	Unit	2023	2022	2021	2020
Purchased goods and services	tCO <sub>2</sub> e	7,753,718	6,194,518	6,366,184	5,345,233
Upstream transportation and distribution	tCO <sub>2</sub> e	464,087	407,801	463,074	370,911
Franchises	tCO <sub>2</sub> e	249,021	207,745	258,095	213,019
Others	tCO <sub>2</sub> e	1,635,236	1,388,743	1,521,510	1,216,017
<b>Total Scope 3 GHG Emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>10,102,062</b>	<b>8,198,807</b>	<b>8,608,863</b>	<b>7,145,181</b>

### Packaging

Packaging Materials in 2023	Coverage (% of cost of goods sold)	Total Weight (tons)	Recycled and/or Certified Material (% of total weight)	Recycled and/or Certified Material Target for 2023 (% of total weight)
Wood/Paper fiber packaging	100%	105,212	28.5%	25% FSC Certified
Metal packaging	100%	844	/	/

<sup>4</sup> 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.



Plastic Packaging	FY 2020	FY 2021	FY 2022	FY 2023	Target for 2023
Total weight (tons) of all plastic packaging <sup>5</sup>	23,209	21,399	20,076	24,805	/
Percentage of recyclable plastic packaging (as a % of the total weight of all plastic packaging)	99.5%	100%	100%	100%	100%
Percentage of compostable plastic packaging (as a % of the total weight of all plastic packaging)	2.46%	17.12%	18.8%	29.8%	20%

### Food Loss & Waste

Food loss & waste (tons)	FY 2020	FY 2021	FY 2022	FY 2023
Total weight of all food loss & waste	94,068.68	97,440.49	82,251.42	93,267.34
Total weight of food loss & waste volumes used for alternative purposes	36,169.28	38,077.71	34,536.68	39,471.49
Total discarded	57,899.40	59,362.78	47,714.75	53,795.85
Food loss & waste intensity	12.79	10.94	9.08	9.03
Coverage	89.68%	84%	87.74%	86.98%

<sup>5</sup> Refer to customer-facing plastic based packaging



### Certifications of Animal Products

Animal products	Certification	% have Certification
Aquaculture products	BAP, ASC	56%
Dairy products	Global G.A.P <sup>6</sup>	27%
Poultry products	Global G.A.P	4.5%
Wild fisheries products	MSC	9%

<sup>6</sup> Good Agricultural Practices

