Yum China Holdings, Inc.

Net Zero Transition Plan

Yum China firmly supports the long-term goals of the Paris Agreement to limit the global average temperature increase to 1.5°C above pre-industrial levels and fully endorses the Chinese government's commitment to reach peak carbon emissions by 2030 and achieve carbon neutrality by 2060. In 2021, we submitted our Business Ambition for 1.5°C Commitment Letter to the Science Based Targets initiative (SBTi), demonstrating our determination to reach net-zero value chain GHG (greenhouse gas) emissions by 2050.

Overview of net zero transition plan

- Base year: 2020
- Target year: 2050
- Target scope & related emission reduction target: we aim to achieve net zero emissions by 2050. Based on SBTi guidance, we expect to achieve following minimum percentage reduction of base year emissions
  Scope 1: 90%
  Scope 2: 90%
  Scope 3 Non-FLAG: 90%
  Scope 3 FLAG: 72%
- Aligned with Paris Agreement: our commitment to achieving net-zero value chain GHG emission by 2050 is aligned with Paris Agreement.

Overview of GHG Reduction Approaches and Key Actions

Scope	Approaches	Key Actions
Scope 1	Reduce fugitive emission	• Apply low global warming potential refrigerant • Improve operation and maintenance to reduce refrigerant leakage
Scope 2	Improve energy efficiency	• Energy retrofit to improve equipment efficiency • Optimize equipment control • Install high efficiency new equipment for new stores
	Use renewable energy	• Green Power Trading • Distributed Photovoltaic Deployment • External Collaboration with landlords and other stakeholders
Scope 3	Regenerative Agriculture	• Eliminate deforestation

		• Reduce methane emission • Improve feed efficiency • Apply environmentally friendly compost • Agriculture waste reuse
	Improve energy efficiency	• Engage value chain to improve energy efficiency
	Use renewable energy	• Engage value chain to use renewable energy
	Circular Economy	• "4R" principal, reduce, reuse, recycle, replacement

Internal Carbon Pricing

As a part of SBTi validated GHG emission target management, we introduced internal carbon pricing mechanism to comprehensively assess GHG emission reduction initiatives.

- Aligned with Paris Agreement: the internal carbon pricing principles is a part of Yum China SBTi validated GHG emission target management and is aligned with Paris Agreement.
- Purposes of internal carbon pricing: The purposes of internal carbon pricing include measuring cost-benefit, driving energy efficiency and low carbon investments, capturing low carbon opportunities, informing strategy and financial planning, navigating climate-related regulations, reducing upstream value chain emissions, setting climate related policies and targets, and assessing resilience of low carbon investment.
- Internal carbon price: RMB 1,413/tCO2e. The internal carbon price may be assessed and updated by Yum China sustainability team from time to time
- Coverage: Scope 1 & 2, and Scope 3 (encourage value chain partners to use our internal carbon price to guide their emission reduction initiatives)
- Internal carbon price type: Shadow price, and implicit carbon price
- Application: decision making for emission reduction initiatives implementation

Engagement with stakeholders

- Value chain partners: We established Yum China Value Chain Green & Low Carbon Alliance to promote net zero transition across our value chain partners.
- Industry peers and associations: Our near term GHG reduction target is validated by SBTi. Meanwhile, we continue to track the latest SBTi standard updates, maintain active engagement with the organization, and explore further opportunities for climate transition.
- Government and public sector: We follow latest regulations when implementing our net zero transition plan. Examples include following latest green power trading policies when purchasing renewable energy, engaging local public utility providers to enable green power trading. Meanwhile, we collaborate with the government authorities to explore innovative green power trading model.

Social implications of the transition plan

Based on our current assessment, we expect our net zero transition activities will not cause any material social risks. Suppliers that proactively adopt regenerative agriculture practices and higher-efficiency and lower-emission processing/production/transportation methods can strengthen their resilience to climate shocks, lower disruption risks, secure the quality and long-term stable supply of key raw materials at source, and support our business expansion and demand for high-quality products.