



YumChina

Creating A
Responsible
Ecosystem

2020 Sustainability Report



YumChina



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Remarks by Yum China CEO

“

We strive to establish a responsible ecosystem by building sustainable restaurants, creating a sustainable supply chain with partners, and building sustainable communities with all stakeholders. Easy to say, but making real-world progress involves dealing with highly complex interactions.

”

Joey Wat
Chief Executive Officer
Yum China Holdings, Inc.



With more than thirty years of operations in China, our culture and our values have been built on a solid foundation of caring – for our customers and employees, and for our society at large. The United Nations 2030 Sustainable Development Goals (SDGs) inspire us to broaden the focus of our commitment still further: to the sustainability of our planet for the sake of generations far into the future.

2020 was an extraordinary year, in which the world faced unprecedented disruption from the COVID-19 pandemic. We determined very early to do our best to continue to serve: our customers with healthy, nutritious meals and our people with employment security. To those ends, we pioneered contactless delivery and takeaway services, and we provided donations, free meals, and voluntary services to medical workers on the front lines. I take great pride in how our people responded to help the communities we serve get through an incredibly trying time.

As the world recovers, we are excited to turn our capabilities to the broader challenges of the future. In 2020, we engaged internal and external stakeholders – shareholders, suppliers, customers, industry associations, franchisees, directors, management, and employees – for a comprehensive materiality review. Which is to say, we started by listening. Processing what we learned, we resolved to focus our efforts around three pillars: Environment, Food, and People. Within these, we identified 23 material issues in our value chain to work on as our initial sustainability priorities. All these, and more, are covered in detail in the report that follows.

We strive to establish a responsible ecosystem by building sustainable restaurants, creating a sustainable supply chain with partners, and building sustainable communities with all stakeholders. Easy to say, but making real-world progress involves dealing with highly complex interactions. Yet progress we must: our responsibility to future generations demands it. So, while the myriad components of the sustainability equation may be complicated, the bottom line is simple:

- We commit to a series of public goals for sustainability priorities, including our latest commitment to the Science-Based Target initiative that we announced earlier to address climate change.
- We commit to reaching science-based net-zero emissions by 2050.

Meeting these commitments will be anything but straightforward. Not only will we have to deploy every capability in our arsenal, but we will also have to innovate, because much of what needs to be done, we simply do not know how to do today, and some high-impact initiatives will require very difficult tradeoffs.

We are working on multiple fronts, and we are starting to see some results. A few example initiatives:

Modern Kitchen. We have been deploying our restaurant site development expertise to modernize school kitchens in rural areas of China since 2010. The key is converting them from wood or coal to electrical power. We work with local authorities to upgrade water and power feeds, then donate and install modern kitchen equipment (including huge woks that can serve 200!). Children get better cooked, healthier meals; energy consumption is reduced by 50-75%; and there is less air pollution. As of the end of 2020, we had donated modern kitchen equipment to close to 1,200 schools in 13 provinces, serving nearly 400,000 children.

Food Bank. We work hard to reduce food waste, and technology has helped us significantly. But our scale is such that even a tiny percentage adds up to quite a lot of food. We have begun to freeze food that has been cooked and has gotten cold. We place the frozen food in a freezer outside the restaurant and invite needy residents to help themselves (in cooperation with local authorities to ensure that it goes to the truly needy in an orderly way). We piloted the program in Shenzhen KFC restaurants in September 2020 and have already expanded it to 45 restaurants in 13 cities as of the end of May 2021.

Angel Restaurant. We have long believed that everyone who wants to work hard deserves an opportunity – including those with special needs. We piloted our first Angel Restaurant in 2012, using modified equipment, operational processes, and training to assist “angel employees” – those with special needs – to perform the full range of jobs. By the end of 2020, we had opened 24 Angel Restaurants in 23 cities, providing jobs for over 200 young people with special needs each year. And one of our angels has been promoted to restaurant manager!

Conversion of Used Cooking Oil (UCO). This waste recycling initiative is an innovative program that delivers great environmental and social impact beyond regulatory compliance. Firstly, biodiesel converted from UCO can be utilized in aviation fuel and other purposes, contributing to the circular economy with potential significant GHG emissions reduction. Secondly, the ISCC certification process helps prevent UCO returning back to dining table through online data collection & tracking system developed along with the pilot in Chengdu.

So, it won’t be easy but the stakes are enormous and future generations depend on our succeeding. We are fully committed.

I sincerely want to thank everyone who has contributed to our progress to date, and I encourage all our employees, customers, partners, shareholders, and other stakeholders to join us on this journey to drive meaningful change and create a better future for our planet.

About this Report

Yum China Holdings, Inc. ("Yum China") publishes an annual Sustainability Report (the "Report") to communicate with stakeholders about our management and practices in sustainable development. This is the fourth report since 2018.

Reporting Period

The reporting period covers January 1 to December 31, 2020, though some facts and figures may fall outside of the period if necessary.

Reporting Cycle

The Report is published annually.

Reporting Scope

Yum China Holdings, Inc. and its subsidiaries and branches.

Basis of Preparation

The Report is prepared in accordance with the Global Reporting Initiative (GRI) *Sustainability Reporting Standards (GRI Standards)* issued by the Global Sustainability Standard Board (GSSB). It also refers to the rating requirements of the Dow Jones Sustainability Indices (DJSI), rating requirements of MSCI, GB/T 36000-2015 *Guidance on Social Responsibility*, the *UN 2030 Agenda for Sustainable Development*, relevant regulatory requirements and other relevant international and Chinese standards and guidelines for sustainable development.

Preparation Process

- | | |
|---|---------------------------------|
| 1 Kick-off | 5 Report design and translation |
| 2 Materiality identification and update | 6 Data assurance by 3rd party |
| 3 Data collection | 7 Report release |
| 4 Opinion solicitation and review | |

Data Source

Relevant information, data and cases are collected from Yum China. The Sustainability Committee has reviewed and approved the Report.

Reference

"Yum China Holdings, Inc." in the Report is also referred to as "Yum China", "YUMC", "We" and "the Company".

"China" in this Report refers to the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

Report Access and Feedback

The Report is available in Chinese and English, in print and electronic formats. If you have any suggestions, please contact us at:

- E-mail: CSR@yumchina.com
- Address: 6F-16F, Yum China Building, 20 Tian Yao Qiao Road, Shanghai 200030, China

Note

The data on greenhouse gas (GHG) emissions (page 46), energy consumption (page 47), water consumption (page 51), and green building standards (page 53) in the Report includes data from all company-owned and unconsolidated affiliate restaurants of the KFC and Pizza Hut brands, accounting for about 84% of the total number of Yum China's restaurants as of December 31, 2020. Other data and targets in this Report cover all business operations of Yum China.

Data and figures are shown in RMB unless otherwise stated.

In this report, description of "Yum China is the largest restaurant company in China" is based on the 2020 system sales.

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q) for additional detail about factors that could affect our financial and other results.

Our Vision: To Be the World's Most Innovative Pioneer in the Restaurant Industry

Yum China is the largest restaurant company in China in terms of 2020 system sales. Our growing restaurant network consists of flagship KFC and Pizza Hut brands, as well as emerging brands such as Little Sheep, Huang Ji Huang, COFFii & JOY, East Dawning, Taco Bell and Lavazza. At the end of December 2020, Yum China had 10,506 restaurants in over 1,500 cities with over 400,000 employees.

Overview



Over the past three decades, we have built a significant lead not just in scale, but also in brand loyalty, development capabilities, innovative product offerings, industry-leading digital and delivery capabilities, a robust supply

chain management system, a strong financial profile, a highly-talented workforce and a seasoned and passionate management team.



Yum China became an independent publicly traded company on November 1, 2016 on the NYSE, and was secondary-listed on the HKEX on September 10, 2020.

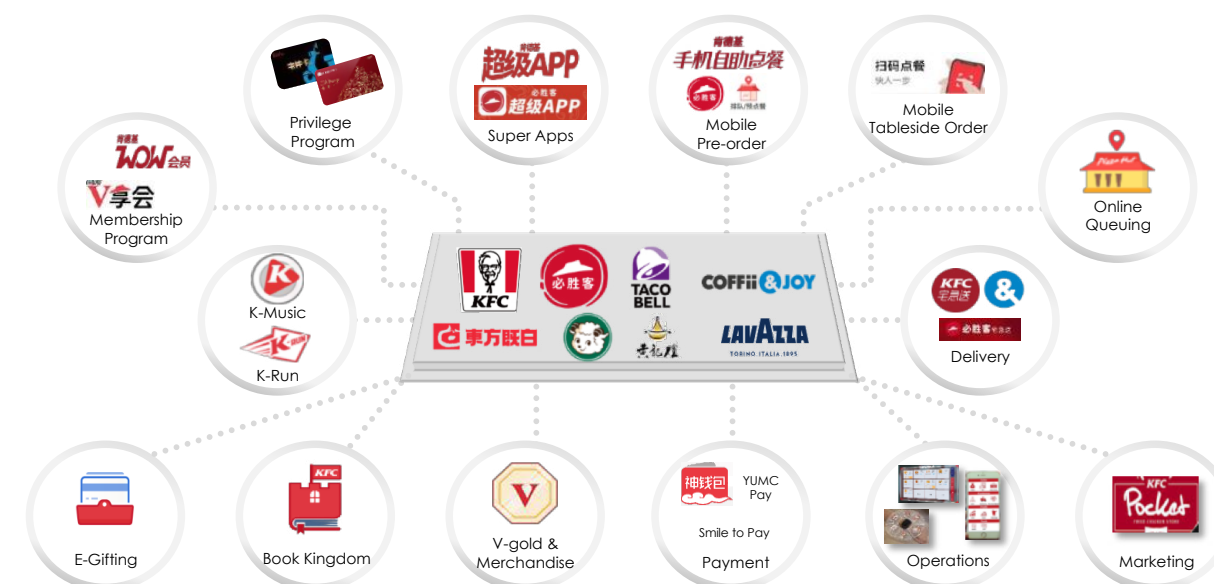
Growth Powered by Innovation

Yum China's vision is to become the world's most innovative pioneer in the restaurant industry. We are dedicated to adopting innovations in our business model and restaurant operations in the areas of menu innovation, digitalization and delivery:

- introducing new menu items that meet evolving consumer preferences and local tastes;
- seeking to apply tech-enabled enhancements to provide guests with a personalized and enriched dining experience and to increase our operational efficiency across the board; and
- continuing to optimize our delivery services by creating synergies between brick-and-mortar restaurant units

and delivery services, taking advantage of our extensive restaurant network in China to improve efficiency and increase margins.

We believe we are a pioneer and first-mover among restaurant brands in China in utilizing and investing in emerging digital technologies to modernize our business operations and accelerate our growth, which is critical to empower and maintain our competitive advantage in China. In recent years, we have stepped up our investment in digitalization, embarking on end-to-end digitalization of our business operations. We will continue investment in digital, technology and supply chain to fortify our competitive advantages.








• Yum China Digital Ecosystem



* As of December 31, 2020

Sustainability Highlights

We prioritize and track sustainability goals and commitments in three strategic areas: Environment, Food, and People.

Material Topic	Goals and Commitments	Progress in 2020
 Climate Action	<ul style="list-style-type: none"> Commit to setting science-based emissions reduction targets, in line with SBTi criteria Reach net-zero value chain GHGs emissions by 2050 	<ul style="list-style-type: none"> Achieved the 10% GHG emissions reduction goal as compare to 2017 baseline ahead of schedule The total amount of GHG emissions in 2020 was 2,009,372 tons of CO₂ equivalent
 Water	<ul style="list-style-type: none"> Reduce average restaurant water consumption by an additional 10% by 2025, as compared to the 2017 baseline 	<ul style="list-style-type: none"> Reduced average restaurant water consumption by 2,710 tons, representing a 22% reduction from 2017
 Packaging	<ul style="list-style-type: none"> Reduce non-degradable plastic consumption by 30% by 2025, as compared to the 2019 baseline All customer-facing and plastic packaging is recyclable 	<ul style="list-style-type: none"> Used recyclable plastic materials for all newly developed plastic packaging items Saved 1,200 tons of plastic packaging by the end of 2020
 Green Building	<ul style="list-style-type: none"> All newly-built restaurants fully comply with the <i>Yum China Green Building Standards</i> 	<ul style="list-style-type: none"> 100% complete
 Supply Chain Social Impact	<ul style="list-style-type: none"> Yum China CSR audit covers all critical suppliers 	<ul style="list-style-type: none"> 100% complete
 Supply Chain Environmental Impact	<ul style="list-style-type: none"> Purchase RSPO*-certified palm oil only 100% of FSC**-certified paper packaging by 2025 Build a zero-deforestation supply chain 	<ul style="list-style-type: none"> 100% of palm oil was RSPO-certified
 Food Safety and Quality	<ul style="list-style-type: none"> Food safety and quality audits cover 100% restaurants and logistics centers Food safety and quality training and assessments cover 100% of employees in restaurants and logistics centers 	<ul style="list-style-type: none"> 100% complete
 Diversity and Equal Opportunity	<ul style="list-style-type: none"> At least 50% of our employees are female. At least 50% of all employees who are hired, trained, promoted and retained are female. Over 1.5% of full-time jobs is offered to people with disabilities. 	<ul style="list-style-type: none"> 64% of total workforce 59% of employees hired 64% of employees trained 62% of employees promoted
 Community Care	<ul style="list-style-type: none"> Our employees volunteer no less than 1.5 million hours per year 	<ul style="list-style-type: none"> 100% complete

* Roundtable on Sustainable Palm Oil (RSPO)

** Forest Stewardship Council (FSC)

External Recognition





Our ESG efforts are highly recognized.

<p>Yum China was named the Industry Leader for the Restaurant & Leisure Facilities Industry in the 2020 Dow Jones Sustainability Indices</p>	
<p>Yum China was certified as a Top Employer China for the third consecutive year by the Top Employers Institute in 2021</p>	
<p>Yum China was named to the Bloomberg Gender-Equality Index (GEI) for the third consecutive year and was the only company in mainland China included in 2021 GEI</p>	
<p>Yum China was awarded the Harvard Business Review Ram Charan Management Practice Award and Fighting against COVID-19 Action Award</p>	
<p>Yum China was selected as one of the Top 10 Innovators on Fast Company's Annual List for 2020</p>	
<p>Yum China won the Annual Responsible Exemplary Enterprise Award and Special Contribution to Poverty Alleviation Award in the 2020 Responsible Practice List</p>	
<p>KFC China's "Mom Restaurants for Little Migratory Birds" program was recognized at the inaugural UN Women China WEP (Women's Empowerment Principles) Awards in 2020</p>	
<p>Yum China's One Yuan Donation program won the Evergreen Award in China CSR Excellence Award in 2020</p>	
<p>Pizza Hut Public Reading Program won the 2020 China CSR Excellence Award at the China Corporate Social Responsibility Summit Forum</p>	
<p>Yum China was awarded the Omni-Experience Innovator and Digital Trailblazer in the Retail Industry and 2020 IDC China Digital Transformation Award</p>	
<p>Yum China's IoT cold chain logistics monitoring platform won the Smart Logistics Technological Innovation Award at the Smart Logistics Equipment Upgrade Seminar in 2020</p>	

Corporate Governance

The business and affairs of the Company are managed under the direction of the Board of Directors (the “Board”). The Board believes that good corporate governance is a critical factor in achieving business success and in fulfilling the Board’s responsibilities to stockholders. The Board believes that its practices align management and stockholder interests.

The Board has adopted Corporate Governance Principles, which are intended to embody the governance principles and procedures by which the Board functions. The Board has standing Audit Committee, Compensation Committee, Nominating and Governance Committee and Food Safety and Sustainability Committee. The committees operate pursuant to their respective written charters. Corporate Governance Principles and committee charters are available on the Company’s Investor Relations website at ir.yumchina.com.

	Director Independence <ul style="list-style-type: none">Independent Board Chairman9 of 10 directors are independent
	Director Elections and Attendance <ul style="list-style-type: none">Annual election of all directorsMajority voting policy for elections of directors in uncontested electionsProxy access for director nominees by stockholders97% director attendance at Board and committee meetings in 2020
	Board Refreshment and Diversity <ul style="list-style-type: none">Directors with experience, qualifications and skills across a wide range of public and private companiesDirectors reflect a diversity of gender, race and ethnicityAverage director age of 55 as of April 15, 2021Independent and non-management directors may generally not stand for re-election after age 75
	Other Governance Practices <ul style="list-style-type: none">Active stockholder engagementNo shareholder rights plan (also known as a poison pill)Director and executive officer stock ownership policiesPolicy prohibiting hedging or other speculative trading of Company stockPolicy regarding resignation if any director experiences a significant change in professional roles and responsibilitiesBoard access to senior management and independent advisors

• Corporate Governance Policies and Practices of Yum China

* For more information about corporate governance, please refer to the Investor Relations website of Yum China and the *Yum China 2021 Proxy Statement*.

Business Ethics

Yum China Holdings, Inc. Code of Conduct (“*Code of Conduct*”) was adopted to emphasize the Company’s commitment to the highest standards of business conduct. The *Code of Conduct* also sets forth information and procedures for employees to report ethical or accounting concerns, misconduct or violations of the *Code of Conduct* in a confidential manner. The *Code of Conduct* applies to all directors and employees of the Company. All employees of the Company are required, on an annual basis, to complete the *Yum China Code of Conduct Questionnaire* and certify in writing that they have read and understand the *Code of Conduct*. Yum China also requires each supplier to sign the *Supplier Code of Conduct* to ensure that their businesses comply with all legal norms and business ethics.

We conduct conflict-of-interest checks every 6-12 months to identify and avoid misconduct that would conflict with the Company’s interests, such as related party transactions. Our internal audit function reviews and handles business ethics issues at all levels and investigate reports and complaints from all parties. We encourage our employees and suppliers to participate in building our business ethics and compliance culture. We provide employees and suppliers with various complaint and reporting channels to identify non-compliant behaviors promptly. Material business ethics incidents will be reported to the Company’s senior management and the Board.

		
Telephone Hotline	Web Platform	Mail
China: 400-8-801-346 US: 1-800-241-5689	Employee Complaint and Integrity Compliance Reporting System www.yumchina.com/compliance Whistleblowing Supplier Reporting Platform www.yumchina.com/chuishaoren	Submit directly to the relevant department or person in charge

• Yum China Complaint and Reporting Channels for Non-compliance



Sustainability Management

As China's largest restaurant company, Yum China's business operations have a significant economic, social, and environmental impact. The communities in which we operate increasingly expect us to integrate sustainability into business growth. We are also aware of the profound responsibilities and opportunities brought by global challenges including climate change and plastic pollution. We are committed to providing safe and nutritious food for customers and contributing to social and environmental

sustainability. We spare no effort to improve the food we eat, the water we drink, and the air we breathe. Making sustainable development an integral part of our corporate strategy helps us identify sustainable development opportunities and promote product and business innovation. It also helps us to build mutually beneficial relationships with stakeholders, thereby enhancing the Company's long-term value.

Sustainability Strategies



Business Integration

Our sustainability strategy is effectively integrated with the company's long-term business growth strategy - "Sustainable Platform for Growth". We focus on innovative initiatives that are scalable, sustainable and mutually beneficial for Yum China and society at large. In 2020, we revisited the material topics based upon emerging industry challenges and linked our strategic action and priorities to the UN Sustainable Development Goals (SDGs).



Ecosystem Enabler

We strive to establish a responsible ecosystem and advance sustainability issues from our three strategic pillars: Environment, Food, and People. We drive relevant strategies, goals, and initiatives by building sustainable restaurants, creating a sustainable supply chain with partners, and building sustainable communities with all stakeholders.

In the Environmental pillar, we focus on environmental protection and our responsibilities. We devote ourselves to reducing our environmental impacts through 4R (Reduce, Reuse, Recycle, and Replace) Principles.

In the Food pillar, we are committed to providing safe, healthy, and delicious food for every customer.

In the People pillar, we focus on all stakeholders in the value chain, including our employees, customers, and the communities where our restaurants are located. We share our culture of "Fair, Care, Pride", endeavoring to provide support and care and create a positive social impact for partners and communities in the value chain.



Proactive Leading

We are well-positioned to address emerging challenges, capture potential opportunities, and set long-term goals that are consistent with the domestic and international landscape as well as the UN SDGs.

Sustainable Platform for GROWTH



Environment

We CARE about our environment and minimizing our footprint



Food

We CARE about our customers with safe & nutritious foods



People

We CARE about our people with "Fair, Care and Pride"

Sustainable Restaurants

- Packaging
- Water
- Food Loss & Waste
- Climate Action
- Green Building
- Restaurant Food Safety & Quality
- Nutrition & Health
- Occupational Health & Safety
- Human Rights & Labor Practice
- Information Security & Data Privacy
- Employee Training & Development
- Diversity & Equal Opportunity

Sustainable Supply Chain

- Supply Chain Environmental Impact
- Supply Chain Food Safety & Quality
- Animal Welfare
- Genetically Modified Organisms
- Supply Chain Social Impact

Sustainable Community

- Community Care
- Poverty Alleviation
- Public Awareness & Education
- Care for Special Groups

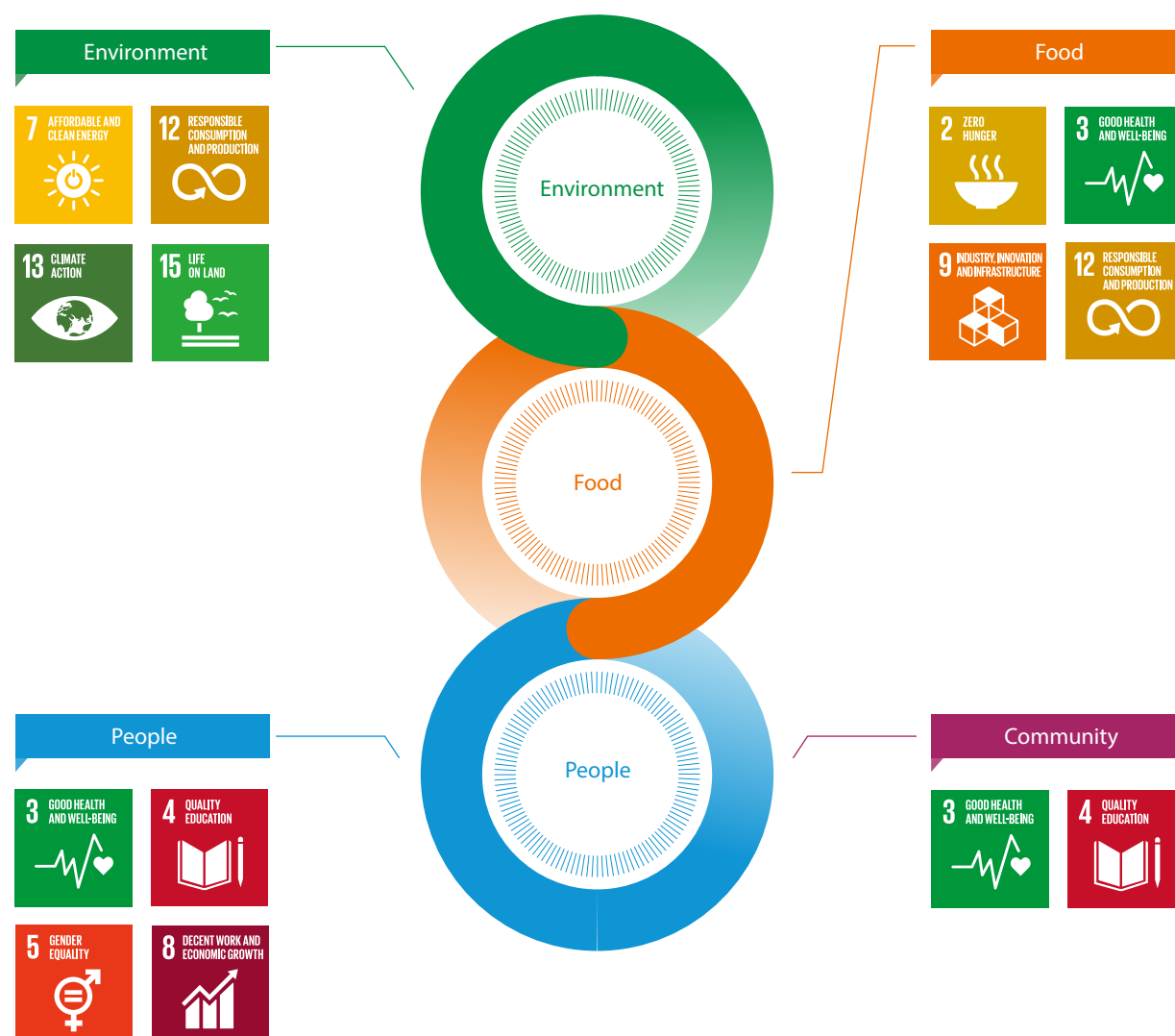
Corporate Governance and Culture

- Business Ethics
- Customer Relationship Management

Contribution to the SDGs

The SDGs are a collection of 17 global goals that balance the environmental, social and economic dimensions of sustainable development. The SDGs define the UN 2030 Agenda for Sustainable Development, providing a strategic framework for enterprises meeting the requirements of the SDGs and integrating sustainable development into their operations.

In 2020, Yum China analyzed the correlation between our material topics and the SDGs from the strategic standpoint of our Environment, Food, and People pillars to identify how we could contribute to the SDGs on which we have the most significant impact. As a responsible company, Yum China will continue to work towards developing our targets and actions designed to support the UN 2030 Agenda.



Sustainability Governance

Since its listing on the NYSE in 2016, Yum China has established sustainability management mechanisms all the way from the Board to the frontline restaurant teams. We have appointed a sustainability officer and established a professional sustainability team.

At the Board level, 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. The Food Safety and Sustainability Committee monitors trends, issues and concerns affecting the Company's sustainability practices, policies, procedures, strategies and initiatives. The Food Safety and Sustainability Committee obtains reports from management as the Committee deems necessary or desirable.

Yum China also established a Sustainability Committee comprised of selected Leadership Team members, the sustainability officer, and cross-functional teams. The Sustainability Committee members meet quarterly to track the implementation of material topics, evaluate sustainability risks, and develop risk management strategies and measures. Working with other functions and external resources, our Sustainability Task Force will assess internal and external challenges to understand stakeholders' concerns, develop Yum China's sustainability action plans and promote the implementation of key projects in line with the SDGs.



Board of Directors
The Food Safety and Sustainability Committee



Oversee practices, policies, procedures, strategies and initiatives relating to sustainability (including environmental, supply chain and food nutrition and health)



Yum China Management Team
The Sustainability Committee



Track the implementation of material issues, evaluate sustainability risks, and develop risk management strategies and measures



Sustainability Task Force
Sustainability Team and Cross-functional Teams



Understand the concerns of stakeholders, develop sustainability action plans, and promote the implementation of key projects



Market Operations Teams



Carry out sustainability projects/initiatives and improve sustainability/ESG performance

• Yum China's Sustainability Management Structure

Stakeholder Engagement

Identifying and engaging stakeholders is fundamental to Yum China's sustainability development. We incorporate stakeholders' expectations and focal areas into our sustainability development planning for performance improvement.

Yum China uses a variety of engagement practices for eight key stakeholder groups:

Stakeholder Groups	Engagement Approaches	Expectations and Concerns
Franchisors, Shareholders, and Investors Yum! Brands, institutional investors, ESG rating agencies, etc.	» Annual Shareholder Meetings » Annual and Quarterly Reports » Press Releases » Investor Conferences » Emails and Telephone Communications » Investor Survey	• Returns on Investment • Information Disclosure • ESG Management and Performance
Governments and Regulators Food safety regulators, central and local government, etc.	» Regular Conferences » Seminars » Written Replies to Public Inquiries	• Food Safety and Quality • Environmental Compliance • Contribution to the Development of Healthy China • Poverty Alleviation • Industrial Development • Support Vulnerable Groups
Customers Organizations and individuals who purchase products from Yum China	» Direct Communications in Restaurants » Customer Satisfaction Surveys and Feedback » Customer Service Centers » Social Media » Online Service	• Safe, Reliable, and Delicious Food • Good Dining Experience and Food Service
Board, Management, and Employees	» Board Meetings » Management Meetings » Employee Communication and Feedback Platforms » Employee Engagement Surveys » RGM Conventions » Founders' Day	• Group overall Sustainability Performance • Fair Working Environment • Capability Improvement and Development Opportunities • Welfare and Security • Flexible Working Time
Supply Chain Partners Suppliers, logistics service providers, construction service providers, etc.	» Business Review Meetings » Management Team Dialogues » Supplier Visits » Supply Chain Partners Conventions	• Business Development • Management Capability Building • Fostering Development of the Industry
Franchisees Yum China's brand franchisees	» Business Review Meetings » Annual Franchise Conventions	• Capability Building and Development Support • Brand Development
Associations and NGOs Industry associations, institutes, universities and NGOs	» Working Committees, Groups, and Meetings » Seminars and Lectures » Duties in Associations	• Fostering Industry Development
Communities The communities where Yum China operates	» Community Visits » Regular Dialogues » Volunteer Activities	• Contribution to Communities • Employee Volunteers

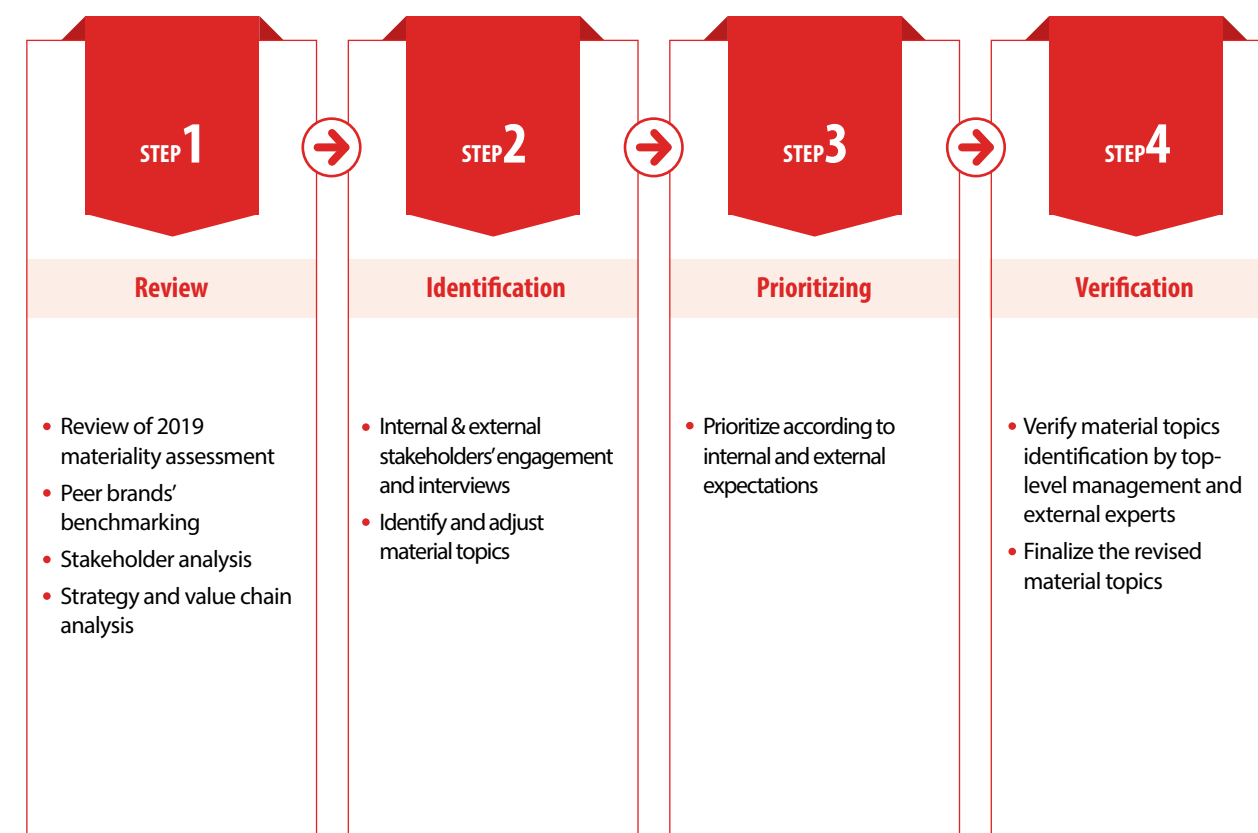
• Yum China's Stakeholder Engagement System

Materiality Assessment

We prioritize our impact on the economy, society, and environment amid a wide range of sustainability topics. We engage stakeholders throughout the materiality assessment process which helps determine the key topics under our pillars of Environment, Food, and People in our value chain to support long-term sustainability.

Methodology - Materiality Assessment

In 2020, referencing to the SDGs, the *GRI Standard* issued by the Global Sustainability Standard Board, *SASB standard* issued by the Sustainability Accounting Standards Board, the three ESG ratings, DJSI, MSCI, ISS, and relevant regulatory requirements, we reviewed and analyzed the material topics identified in the previous evaluation in combination with peer best practices. We sent on-line questionnaires to stakeholders including Franchisors, shareholders and investors, the Board of Directors, management members, employees, customers, supply chain partners, franchisees, associations and NGOs with 4,400 valid responses. We concluded the final material topics after analyzing, prioritizing and verifying the results of the questionnaires.



• Assessment Process of material topics

Results - Materiality Assessment

Through preliminary analysis, prioritization and verification, we have confirmed 23 key material topics in the areas of Environment, Food, and People, and defined the content and boundary of each material topic. Compared with the last materiality assessment results, we adjusted the importance of the following five issues, namely Supply Chain Environmental Impact, Climate Action, Human Rights and Employee Management, Occupational Health and Safety, Diversity and Equal Opportunity, and added two new issues, Customer Relationship Management, and Information Security and Data Privacy Protection.



Food

- 1 Restaurant Food Safety & Quality
- 2 Supply Chain Food Safety & Quality
- 3 Nutrition & Health
- 4 Genetically Modified Organisms
- 5 Animal Welfare

Environment

- 6 Packaging
- 7 Supply Chain Environmental Impact
- 8 Food Loss & Waste
- 9 Water
- 10 Climate Action
- 11 Green Building

People

- 12 Business Ethics
- 13 Supply Chain Social Impact
- 14 Human Rights & Labor Practice
- 15 Employee Training & Development
- 16 Occupational Health & Safety
- 17 Information Security & Data Privacy
- 18 Diversity & Equal Opportunity
- 19 Customer Relationship Management
- 20 Poverty Alleviation
- 21 Community Care
- 22 Public Awareness & Education
- 23 Care for Special Groups



01

Food

Serving great tasting food is the cornerstone of Yum China's success in China. As China's largest restaurant company, we have made food safety a top priority since the first KFC store opened in China over 30 years ago and are committed to providing our customers with safe, nutritious, and healthy food of the highest quality. With food safety weaving through the entire value chain, we constantly adapt our management processes and use technologies to manage risks from suppliers and logistics centers to restaurants and delivery. We advocate a balanced diet and healthy eating habits, and we lead by example to contribute to nutrition and health in China through product innovation and other relevant measures. We foster healthy industry development by collaborating with various stakeholders, promoting mutually beneficial co-operation, and participating in social governance in food safety, nutrition and health.



YUMC



FOOD



ENVIRONMENT



PEOPLE



COMMUNITY



APPENDIX

Sustainable Development Background



- Food safety attracts wide attention in China and internationally. The *Food Safety Law* intensifies government supervision and companies' responsibilities in food safety.
- The *Outline of Healthy China 2030 Plan*, *National Nutrition Plan 2017-2030*, *Chinese Dietary Guideline (2016)* and other policies and guidelines advocate balanced and nutritious diets and healthy lifestyles.
- Investors have higher expectations of disclosures and information transparency for food quality, safety, and nutrition.
- Customers have a growing demand for safe, healthy food, and balanced diet.

Contribution to the SDGs



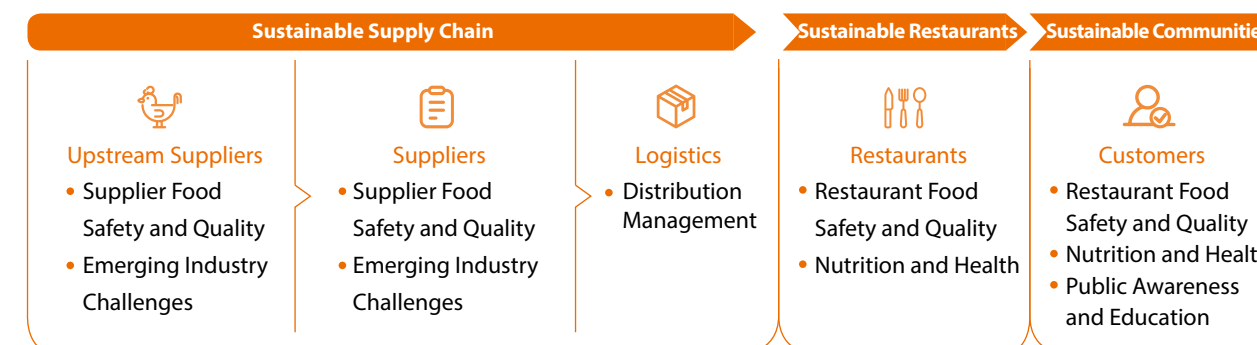
High Relevance



Medium Relevance



Key Material Topics Across the Value Chain

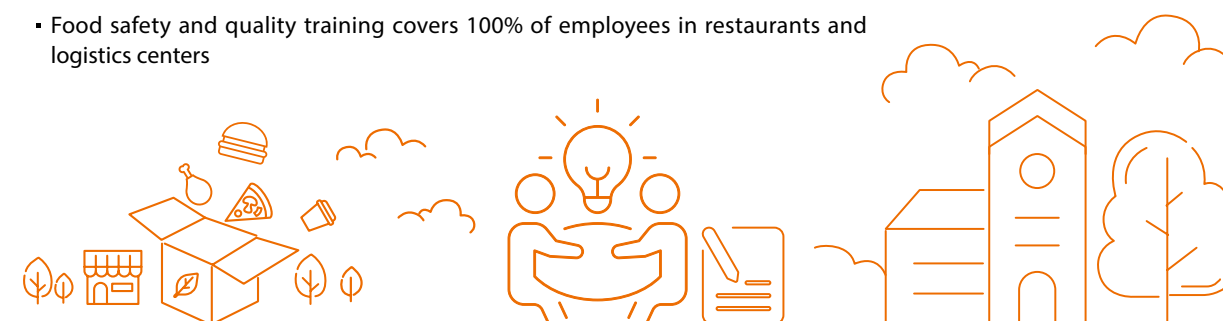


Our Goals and Commitments



Food Safety and Quality

- Food safety and quality audit covers 100% of restaurants and logistics centers
- Food safety and quality training covers 100% of employees in restaurants and logistics centers



Our Roadmap

Our Management Approaches

Building a Value Chain that Protects Food Safety

Holistic Governance and Oversight: We have established a comprehensive and holistic governance system that extends from the Yum China Food Safety and Sustainability Committee of the Board to various functions to oversee the execution of processes, measures, and standards to ensure food safety and compliance.

Starts with Corporate Culture: Food safety is an integral part of our corporate culture and requires the participation of all employees, franchisees, and suppliers.

Management Across the Entire Value Chain: We embed food safety and quality management from upstream suppliers, suppliers through logistics centers to restaurants and delivery, paying special attention to key trending issues.

Preventing and Mitigating Risks: We have established a risk monitoring and advance alert mechanism on regulation and policy changes and industry risks; and to mitigate risks through preventive actions.

Technology Enabled Food Safety Management

iFS: Intelligent food safety risk detection and control using Knowledge Graph of Artificial Intelligence (AI) technology.

eQA: Online food safety management system from farm to fork.

iQA: End-to-end quality management processes digitalization, real-time data connectivity, risk detection and rectification.

IoT Cold Chain Monitoring: Cold chain logistics real time monitoring to protect last-mile food safety.

Multi-dimensional Product Innovation

Product Innovation: Customer needs drive our food innovation effort to continuously create and to increase choices of products, flavors, and categories. Build new brands and channels.

Upgrading Recipe: We follow the 'three reductions' principle to optimize products formulation critical to a healthy diet.

Cooking Methods: We use multiple cooking methods to ensure premium flavor and consistent quality, and to provide wider food choices for our customers.

Abundant Ingredients: We aim for a balanced meal option with increased use of ingredients such as cereals, fruits, and vegetables.





Kids Meals: We offer nutritionally balanced meals through the combination of different ingredients.

Actively Promote Industry Development

Contributing to the Industry: We promote industry development by taking-up key roles in industry associations, participating in conference and sharing our expertise.

Regulatory and Standard Recommendations: We provide professional opinions on food-related laws and regulations, participate in the development of relevant industry group standards.

Partnering with Institutions: We collaborate with scientific institutions such as China Nutrition Society (CNS), to set-up Dietary Health Foundation, support scientific researches, and promote dietary health.

Material Topics	Our Directions	Progress in 2020
 Restaurant Food Safety & Quality	Implement standardized food safety system at every restaurant	<ul style="list-style-type: none"> Conducted over 16,200 Operations Excellence Compliance (OEC) on restaurants throughout China Conducted 3,690 product checks on key menu items in restaurants Microbiological testing of nearly 71,000 samples in restaurants
 Supply Chain Food Safety & Quality	Ensure suppliers and upstream suppliers comply with relevant laws, regulations and Yum China food safety standards	<ul style="list-style-type: none"> Conducted over 400 food safety and quality audits, and over 200 unannounced inspections on suppliers Conducted food safety sampling tests on over 300 key raw materials, involving 144 suppliers
 Nutrition and Health	Diversify menus with more choices of delicious and nutritious food	<ul style="list-style-type: none"> We purchased over 55,000 tons of fruits and vegetables in 2020, up 5.8% from 2019 KFC, Pizza Hut and Taco Bell introduced plant-based protein products In 2020, we launched about 500 new or upgraded products
 Animal Welfare	Continuous improvement of animal welfare in our supply chain and in the industry	<ul style="list-style-type: none"> Established a series of <i>Yum China Animal Welfare Policies</i> and implemented animal welfare audits for broiler breeding and slaughtering
 Genetically Modified Organism	Ensure regulatory compliance	<ul style="list-style-type: none"> Closely monitor China GMO-related policies and regulations, and require suppliers to comply
 Public Awareness and Education	Promote food safety management, support education and research in the restaurant industry, and build public awareness of food safety, nutrition, and healthy diet	<ul style="list-style-type: none"> In 2020, Yum China participated in and contributed to 23 food safety related regulations and standards The China Nutrition Society (CNS) -Yum China Dietary Health Foundation supported 7 projects

Building a Value Chain that Protects Food Safety

As the largest restaurant company in China, Yum China is committed to food safety assurance, covering suppliers, logistics, restaurants, and delivery. We have developed a comprehensive food safety management system and work with upstream and downstream business partners to build a multi-tier food safety culture in our endeavor to provide consumers with food they can trust.

Food Safety Commitments



Food safety is Yum China's top priority.



We are dedicated to building an advanced food safety system and strive to provide consumers with safe food.



We take on additional social responsibilities; to play a leading and exemplary role in the industry.

Holistic Governance and Oversight

Yum China adopts a management mechanism ranging from the Board of Directors/Food Safety and Sustainability Committee to functional management teams. This mechanism supervises the development and effective implementation of food safety management processes and standards.

Board of Directors / Food Safety and Sustainability Committee	<ul style="list-style-type: none"> The Board of Directors oversees the Company's risk management framework Food Safety and Sustainability Committee under the Board of Directors: <ul style="list-style-type: none"> Established in 2017 and currently comprising four directors assisting the Board of Directors in its oversight of the Company's food safety and sustainability related practices, programs, processes, and initiatives
Yum China Management Team	<ul style="list-style-type: none"> Compliance Oversight Committee: <ul style="list-style-type: none"> The committee comprises leaders from multiple functions, such as Legal, Supply Chain Management, Public Affairs, Information Technology, Finance and Human Resources The committee meets regularly to assess risks, monitor internal controls and determine strategy/approach to promote compliance
Supply Chain Management Team	<ul style="list-style-type: none"> Supply Chain Risk Assessment Meeting: <ul style="list-style-type: none"> Comprising members from Quality Assurance, Food Safety, Procurement Management, and when necessary, involve other functions Assess risk in areas such as suppliers, logistics, restaurants and formulate preventive measures
Quality Assurance Team	<ul style="list-style-type: none"> Conduct food safety audits on suppliers, logistics centers and restaurants
Brand Restaurant Operation Teams	<ul style="list-style-type: none"> Restaurant duty manager inspections District manager patrol inspections
Yum! Brands / Yum China Audit Teams	<ul style="list-style-type: none"> Food safety/quality audit

Yum China Food Safety Advisory Committee

Experts from various fields are invited to share best practices to drive continuous improvement of Yum China's food safety management processes

Yum China's development is supported by an in-house and integrated supply chain management team that includes Food Safety, Quality Assurance, Engineering, Procurement Management, Logistics and Supply Chain System. As of the

end of 2020, the supply chain had more than 1,300 professionals.

	Food Safety	Quality Assurance	Engineering	Procurement Management	Logistics	Supply Chain System
Roles & Responsibilities	<ul style="list-style-type: none"> Food safety and compliance management Regulations and standards enforcement Risk monitoring, risk alerts and assessments 	<ul style="list-style-type: none"> Supplier food safety and quality management for food ingredients, packaging and smallwares Logistics center food safety audit and management Restaurant food safety audit and management 	<ul style="list-style-type: none"> Equipment innovation Packaging innovation Back of house model innovation 	<ul style="list-style-type: none"> Raw material (food and non-food) and services procurement Supplier recruitment and management 	<ul style="list-style-type: none"> Inventory ordering and management Warehousing cold chain logistics 	<ul style="list-style-type: none"> Supply chain financial and management reporting Supply and demand forecasting Supply chain digitalization projects

Starts with Corporate Culture

Yum China's corporate culture places a high emphasis on food safety. Internally, we build and improve employee and franchisee food safety awareness through food safety training, assessment, as well as reward and penalty mechanisms. Externally, we champion a food safety culture among our suppliers and guide them to integrate food safety philosophy into their employees' conduct, laying a solid foundation for food safety management.

Yum China Food Safety Culture

We see to it that every employee identifies with the value of food safety and takes concrete actions to uphold that value. We require new employees to read and sign *Yum China Code of Conduct Confirmation Letter* (applicable to office employees), and *Employee Manual Confirmation Letter* (applicable to restaurant employees), to take online courses on food safety, and to understand food safety laws and regulations and food safety policies and requirements of Yum China.

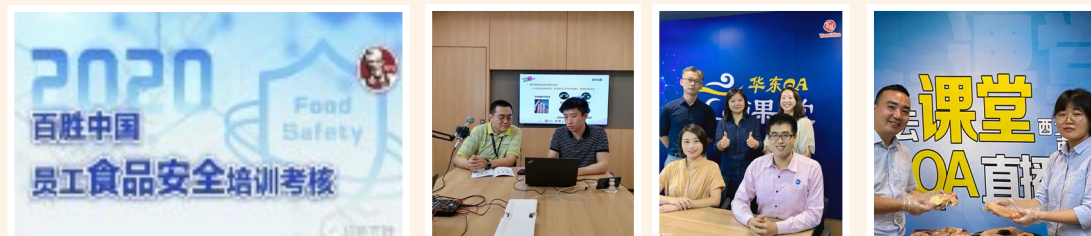
As restaurants operation play a key role in protecting food safety and implementing safety requirements, we require new restaurant employees to watch the video on employee compliance, to take online courses on food safety, to undergo stringent on-job training and to follow Yum China's food safety operation standards. Existing restaurant employees are required to take online food safety assessments every year.



Illustration

Food Safety Live-streaming Classes

In 2020, the Quality Assurance function launched live-streaming classes, with over 200 live broadcasts on 12 major topics throughout the year, covering more than 25,000 employees. The Company also conducts online food safety assessments twice a year, with participants exceeding 600,000 restaurant employees count. By linking the OEC to the performance of the restaurant management team, we reinforced the implementation of food safety responsibilities among restaurant operation team members.



In 2020, Yum China established the Quality Assurance Management Institute, which is a comprehensive and systematic food safety and quality training platform to develop our talent pipeline and foster professional quality management skills among our supply chain team members. We provide technical and professional consultation for suppliers and industry peers upon request to improve their management expertise and leadership.

Franchisees are Yum China's critical business partners. In light of this relationship, we request and guide them to develop food safety culture in their organizations. Upon joining Yum China, franchisees must sign the *Franchise Policy Manual* and commit to comply with the *Operations Manual*, Yum China's *Code of Conduct* and safety and health standards. We conduct food safety training for each franchisee on food safety laws and regulations, Yum China's food safety policies, raw material standards, and restaurant food safety management.

Supplier Food Safety Culture

Yum China incorporates food safety culture into the *Yum China Food Safety and Quality Audit* and the *Yum China Supplier Manual*, requiring suppliers to establish food safety culture programs and commit to implementing and maintaining food safety culture at all levels. In 2020, we conducted over 20 quality management seminars to drive food safety and quality philosophy, to interpret regulations and standards, and to share best practices. The seminars also covered trending issues such as intelligent quality control, processes innovation, and effective crisis management protocol, to improve suppliers' management capabilities and raise productivity.

In 2020

20

Yum China conducted over 20 quality management seminars



Management Across the Entire Value Chain

Yum China focuses on the protection of food safety across the entire value chain. We apply advanced management concepts and technologies from suppliers and logistics centers to restaurants and delivery to build trust in every bite.

Supplier Management

We require our suppliers to follow relevant national laws, regulations, and standards to ensure product compliance and food safety, and to meet product specifications and management requirements as agreed in the contract with Yum China. Working together with suppliers, we strive to fulfill our food safety commitment from 'farm-to-fork'.



Supplier Assessments

- Yum China adopts rigorous vetting processes for new suppliers by conducting risk assessments, qualifications checks, and factory approval audits. We conduct regular reviews to verify whether the suppliers' food safety and quality management systems meet our requirements. In 2020, we conducted about 400 food safety and quality audits and over 200 unannounced supplier inspections.
- In 2020, we updated *Yum China's Supplier Tracking Assessment and Recognition (STAR)* audit standard by drawing on the Global Food Safety Initiative (GFSI) certification standard, extracting the essence of the audit requirements of Yum China, and integrating the supplier management specifications and special control requirements of each category. The updated quality audit standard will be fully implemented in 2021.



Supplier Performance Evaluation

- Yum China has developed a comprehensive management system to regularly assess suppliers' performance in food safety and quality. Based on the assessment results, we grade suppliers as T1, T2, T3, and T4, with T1 being the best tier. We reward T1 suppliers with incentives and provide coaching and support to T2 and T3 suppliers to improve their management capabilities. We suspend supplies or terminate contract with T4 suppliers, and these suppliers will only be allowed entry after vetting processes similar to new suppliers. For suppliers of raw materials with lower food safety risks (such as some ambient products and seasonings), we require them to obtain GFSI certification and / or assessment for food safety and regulatory compliance. We conduct quarterly reviews of supplier performance, formulate measures for suppliers to drive continuous improvement.



Supplier Capability Building

- Yum China is committed to transferring advanced food safety and quality management practices and expertise to suppliers. For over 10 years, we have offered STAR and other technical training to our suppliers to help improve their technical and management skills in areas such as food safety, farming techniques, animal welfare, production quality management, processes control, and regulatory compliance.



Food Safety Sampling and Inspection

- In addition to suppliers' self-testing, Yum China develops annual raw material sampling plan and conducts random tests to ensure compliance with relevant standards. In 2020, our sampling tests covered 106 food categories from over 144 suppliers, including over 300 main raw materials such as vegetables, fruits, meat products, aquatic products, and food packaging products.



Upstream Supplier Control

- Yum China requires its suppliers to establish effective processes for upstream suppliers' approval and control, to comprehensively identify and effectively control the risks associated with food safety of their raw materials.
- Poultry is an important raw material category for Yum China. We invested enormous effort in building a holistic control system for the broiler industry, from breeding to slaughtering and meat processing. We grade upstream suppliers' performance through unannounced farm inspection and raw material food safety monitoring tests. We have developed an electronic farm information system to register and monitor veterinary drugs and Yum China approved poultry farm information.
- For fruit and vegetable materials, we are working with our suppliers to build a sustainable agricultural eco-system and to drive improvements of farm management system. We require farmers and producers to implement systematic control measures, to effectively prevent potential food safety issues starting from the selection of planting locations, safety of soil and water, planting techniques, pesticide management, and prudent and responsible use of fertilizer.
- In 2018, we took the lead to promote the implementation of Yum China GAP (Good Agricultural Practice) in our vegetable bases, and had 100% coverage in our butterhead lettuce bases by the end of 2020. We are rolling-out GAP to other vegetable bases.

Logistics Management

With an advanced logistics system, enterprise management team and comprehensive distribution network, Yum China has the expertise to provide world-class logistics services for restaurants to protect food safety. By the end of 2020, we operated 25 logistics centers and 7 consolidation centers, forming a multi-temperature distribution network combining trunk and city distribution with product batch traceability from suppliers, logistics centers and restaurants.

Yum China conducts regular audits and daily inspections of logistics service providers (including warehousing and transportation) to verify that their food safety and quality management systems meet our requirements. In 2020, we conducted about 180 food safety and quality audits and over 1,700 daily inspections for warehousing and transportation service providers.



Restaurant / Delivery Management



Restaurant Operation Management

Yum China has established industry-leading processes to ensure that each restaurant implements consistent standards for food safety, quality, and taste. These processes cover raw material receiving, food and ingredient storage, shelf-life management, raw material thawing, cooking, personal hygiene, utensil and equipment cleaning and disinfection. During business hours, the restaurant duty manager and the area manager check the execution of food safety related standard and measures.

Yum China conducts risk assessments at its restaurants every year to identify potential food safety and quality risks, and takes effective measures to mitigate risks and eliminate hazards. We conduct risk assessments for new products, new restaurants layouts, equipment, and store operation to ensure compliance with food safety and quality requirements.



Restaurant Risk Control



Delivery Operation Management

Delivery orders are placed through our own platforms and third-party aggregators. We use our own dedicated riders to deliver orders exclusively for KFC or Pizza Hut stores. We have a comprehensive delivery management system covering product preparation processes, delivery time limits, food protection during delivery, and equipment cleaning and maintenance. We also require third party service providers to protect food safety by signing the *Commitment on the Food Safety and Quality Practice of Delivery Food*, which provides clear requirements for areas including regulatory compliance, personnel management, food preparation requirements, and delivery facilities and equipment.

The Quality Assurance function conducts regular unannounced OEC on all restaurants, covering food safety, product quality, and customer service. We also conduct regular quality assessments of key menu products and microbiological sampling and testing of food utensils, tableware, water, ice, and related products to ensure compliance. In 2020, the Quality Assurance function performed over 16,200 OEC, approximately 3,690 quality assessments on key products, and microbiological tests on nearly 71,000 samples.



Audits and Inspections

Illustration

Taking the Lead to Tackle Public Health Challenges from COVID-19

The COVID-19 pandemic dealt a heavy blow to the catering industry in 2020, during which protecting the health of both our employees and customers has become our top priority. We drew upon our experience to upgrade and implement sanitation and disinfection procedures at our restaurants in accordance to anti-epidemic guidelines from relevant government and health authorities. Our supply chain management team procured personal protection materials such as masks and hands sanitizers globally.

To ensure product quality, we raise suppliers' awareness of pandemic prevention and improved their incident management capability through the use of digital technologies such as cloud video conference, online training, and remote management. We also partnered with suppliers to protect food safety, from employee health monitoring, adequate stock of mask/sanitizer, equipment and facilities sanitation, to imported cold chain material disinfection, nucleic acid testing, regulated warehouse management, and traceability platform information disclosure.



Industry Trending Issues

Yum China's social responsibility includes providing animals with the necessary welfare ensuring their healthy growth, promoting sustainable development in the agriculture sector, and providing consumers with high-quality animal protein products.

We have built a collaborative platform comprising industry experts, associations, farming and food manufacturers, and subject matter experts from upstream and downstream industries to exchange ideas and share best practices on animal welfare improvement and management. Based on internationally recognized animal welfare principles, the "Five Freedoms", and in compliance with Chinese laws and regulations, we have compiled and established a series of *Yum China Animal Welfare Policies*, incorporating national conditions and industry characteristics, and implemented animal welfare audits for broiler farming and slaughtering.

"Five Freedoms" for Animal Welfare

1. Freedom from hunger, thirst and malnutrition;
2. Freedom from fear and distress;
3. Freedom from physical and thermal discomfort;
4. Freedom from pain, injury and disease; and
5. Freedom to express normal patterns of behavior.

Starting in 2016, Yum China studied antimicrobial drug use trend in the domestic broiler industry, and took the lead to remove the use of antimicrobial drugs important to human medicine as growth-promoting agents in broiler feed. In 2020, in line with the national plan to withdraw all forms of growth-promoting drug additives in feed (except traditional Chinese medicine) issued by the Ministry of Agriculture and Rural Affairs, we worked with our domestic broiler suppliers to be in full compliance ahead of the required deadline.

Since 2018, Yum China has developed a control program for domestic broiler suppliers to gradually reduce the use of other antimicrobial drugs by promoting scientific breeding, judicious use of veterinary drugs, and observing optimal intervals between doses.

Prevention of foodborne illnesses has always been an essential concern for the industry. With the release of the *Environmental Pathogen Monitoring Standard*, we guided our suppliers to establish preventive food safety programs, implement environmental pathogenic bacteria surveillance plans, verify factories' hygiene operation procedures and effectiveness of preventive controls, and shift the focus of hazard analysis from finished product tests to proactive environmental monitoring.

The management of food additives used by suppliers is also critical to Yum China. Relevant measures include:

- Suppliers must provide documentary evidences that the food additives in their products comply with national standards
- Reminding suppliers of new food laws, regulations, and standards to drive full and timely compliance
- Conducting sampling tests on relevant food materials to monitor compliance in the use of food additives

Yum China pledges to promote industry development and to constantly explore advanced agriculture management techniques with suppliers. We drive the implementation of *Yum China GAP* (Good Agricultural Practice) in upstream vegetable farms, develop a strict pesticide residue monitoring system and conduct regular pesticide residue tests on raw materials to ensure compliance with relevant national laws and regulations.

Yum China respects and supports Chinese agricultural development policies and complies with the relevant regulations issued by the Chinese government on the safety evaluation, approval, and management of genetically modified agricultural products. We will continue to follow new developments in international research on genetically modified organisms and foods, along with relevant regulations and standards. We require our suppliers to provide raw materials in compliance with all national regulations.



Preventing and Mitigating Risks

As a result of continuous efforts from the government, industry and society, the overall environment for food safety in China has improved considerably in recent years. That being said, the large and complex food supply chain means that potential risks remain.

Yum China has developed a unique and advanced food safety risk management principle that combines our years of management experience with use of technology. We define control points spanning suppliers, including upstream suppliers, logistics centers, restaurants, government inspection and consumers. We take preventive measures through information monitoring, risk identification, risk classification

and risk assessment.

By continuously monitoring industry emerging issues, Yum China remains vigilant on key challenges, creates supply chain management strategies, and identifies opportunities for improvement.

We actively follow national and local food related laws and regulations, as well as governing authorities' actions. After due analysis, we develop guidelines for implementation of new and updated regulatory requirements within the company. In 2020, the Food Safety Office followed up regulatory moves with over 60 internal notifications, a best practice critical to ensure regulatory compliance.



Technology Enabled Food Safety Management

We have made significant investment towards building an industry leading intelligent and digitalized supply chain. The use of cutting-edge technologies has allowed us to combine traditional control measures such as sampling audit, post audit rectification, performance assessments with technology enable real-time data collection and analysis, key processes visibility and deviation rectification to improve efficiencies and timeliness of Yum China's food safety management.



KG (Knowledge Graph) based food safety risk alert and assessment system

In 2020, we codified Yum China's more than 30 years of food safety and quality management experience, and integrated internal and external food safety big data to create the iFS. iFS is a scientific and machine learning based artificial intelligent tool that can significantly improve our ability to identify and classify potential risks. This system uses technologies and algorithms including Knowledge Graph, natural language processing, and named entity recognition. The system includes 8 functional modules, with unique capabilities in risk alert and assessments. As an illustration, 2 of the key functional modules are:

Risk Alert: This module monitors data including government tests, administrative penalties, media exposure, animal pandemics, and changes of laws and regulations on a daily basis. It then classifies relevant data by category, level of impact, and cross-reference to our supply chain data to identify potential risk.

Risk assessments: This module is used in four areas, namely: new suppliers, new products, new / existing suppliers with new products, and existing suppliers with existing products. It evaluates risks holistically and generates risk assessment reports within seconds with visualizations of risk and related information.



Online food safety and quality management system

Yum China's eQA enables online management of the entire process from farm to fork, which covers management of food safety and quality for upstream suppliers, suppliers, logistics centers, and restaurants on an integrated system. eQA is also capable of automatic verification of regulatory compliance for food additives used in raw materials for new products. As a data integration platform for food safety and quality management, it significantly improves our ability and efficiency to manage suppliers and their products.



End-to-end digitalized quality management system linking key production data

iQA is a key element of Yum China's vision of building an intelligent end-to-end supply chain that links key production data from suppliers' plant to Yum China's system. It divides the production process into seven data modules, defines control points within each module, and key data are transmitted to the system in real time during production cycle. In doing so, we realize our goal of data interconnectivity and visibility, intelligent real-time data collection, timely deviation rectification and efficient traceability of raw material in the value chain.



IoT cold chain monitoring with complete network coverage

Real-time product temperature monitoring in the logistics cold chain is crucial to guarantee cold chain integrity and to reduce energy consumption, which has been a persistent challenge for the industry.

Yum China logistics has built a complete cold chain temperature monitoring system, relying on IoT, big data, cloud computing, and other cutting-edge technologies. From real-time temperature monitoring in warehouses and compressors to real-time temperature monitoring of products in transit and vehicle conditions, our 7x24hr round the clock digitalized cold chain management system is actively using technology to safeguard food safety.



Multi-dimensional Product Innovation

Balanced nutrition is becoming an important consideration for food consumption. We are committed to offering delicious and nutritious food choices to our customers as well as to promote a balanced and healthy diet. In this endeavor, we are constantly researching into food innovation, upgrading our products offerings with recipe changes, using

ingredients combination and multiple cooking methods and enhancing kids meal nutrition, all while maintaining the quality and taste our customers expect.



Products for Festivals

Product Choices for Different Daypart

Expansion of New Product Categories

Disruptive Product Innovation

Great "Value for Money" Products

New Flavors for Signature Products

New Brands

Products and Services for Delivery



Product Innovation

We have dedicated Food Innovation Team (FIT) to develop new products. Our product innovation processes integrate innovation activities from product ideation to product launch and market feedback. The innovation processes also consider different elements such as ingredients, cooking methods, product specifications, and packaging materials.

Based on market feedback, we develop products for

different meal categories to enrich our menu choices and to constantly update our product offering. From breakfast, lunch, and dinner, to afternoon tea and take-out, from main dishes, drinks, and desserts, to snacks and salads, we cover a variety of dining scenarios to meet customers' needs.

We launch limited-time new products throughout the year according to seasons and festivals. We improve restaurant operation efficiencies with unmanned food carts and intelligent pick-up cabinets, combining technological innovation with daily operation.

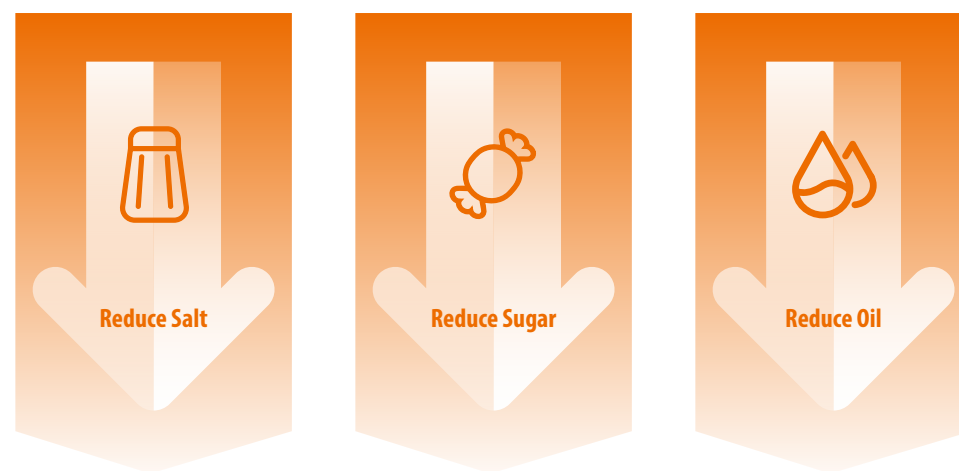
We continue to invest for growth by introducing new brands and building new sales channels, and to respond to customers' evolving preferences. We

opened the first Lavazza coffee store in China, as well as welcoming Huang Ji Huang (a leading simmer-pot restaurant brand) into the Yum China family. We also launched new categories including K-Coffee retail (e.g. concentrated coffee, instant coffee and coffee-tea beverage) and Pizza Hut retail (e.g. frozen ready to cook steak).

Upgrading Recipe

While satisfying customers' desire for great taste and flavor, we proactively explore ways to improve the nutritional value of our products. We adhere to "three reductions" principle by reducing the use of salt, sugar, and oil in new products where possible. We also conduct repeated sensory tests for salinity, sweetness, and texture to ensure the products' taste.

Three Reductions



For regular products, we conduct sensory tests and adjust the ratio of salt, sugar, and oil in our formulas where possible.

In 2020, Pizza Hut reduced the sugar content of some products. For example, removed sugar from Premium Silky Milk Tea. KFC

eliminated about 118 tons of salt from 2018 to the end of 2020 by optimizing ingredient usage in products such as bread. KFC also offers non-sweetened milk, sugar-free and fibre-rich Pepsi, as well as hot coffee beverages with sugar packs provided upon request.

Cooking Methods

We increase choices and nutrition through the application of multiple cooking methods, including frying, roasting, boiling, sautéing and grilling. By combining modern food

technologies with traditional cooking methods, we bring premium flavors and most consistent food quality to our customers.

Abundant Ingredients

High-quality food can only be made with high quality ingredients. We increase the use of grains, fruits and vegetables, beans, and nuts to create balanced food choices through ingredients mix and match.

In 2020, Yum China added fruit and vegetable ingredients such as strawberry, pineapple, enoki mushroom and green soybean, with annual fruit and vegetable purchases exceeding 55,000 tons, an increase of 5.8% from 2019.

We are witnessing an emerging trend on plant-based products and are responding to customers need in that category. In 2020, China KFC, Pizza Hut and Taco Bell launched various plant-based products, e.g. plant-based beef burgers and chicken nuggets for KFC, plant-based beef burger for Pizza Hut and plant-based beef and pork tacos for Taco Bell.



Kids Meals

Children's food nutrition is one of key focuses of the society. In 2017, the Chinese Nutrition Society released the *Nutrition Guidelines for Meals Offered by the Restaurant Industry to School-Age Children (the "Guidelines")*. The *Guidelines* specify that children eating out will consume more energy, fat, added sugar and sodium but less dietary fiber, vitamins, and minerals. To address this issue, the kids meals in KFC follow the *Guidelines* and use a variety of ingredients such as eggs, tomatoes, corn sticks, and milk to offer balanced diet.



Actively Promote Industry Development

As a responsible company, Yum China partners with suppliers and relevant stakeholders to promote social governance. Yum China follows government's lead to foster social progress by supporting public education of food safety and nutrition.

Contributing to the Industry

Yum China is involved in the sustainable development of the food industry through active participation in industry associations, bringing our expertise to industry conferences and seminars, and sharing our technical and management know-how.

Yum China holds key positions in many influential industry organizations such as the Chinese Institute of Food Science and Technology, the China Food Information Center, China Cuisine Association, China Chain Store & Franchise Association, and Shanghai Food Safety Work Federation. We collaborate with these associations to promote food safety and develop standards.

In 2020, we shared our experiences and practices in food

safety and supply chain risk management adapting to the new norm at industry conferences such as the National Animal Health and Food Safety Innovation Alliance, China International Food Safety and Quality Control Conference, and Consumer Goods Forum China Day.

Yum China also participated in special topic research related to food safety, including *Food Safety Traceability Regulations/Standards Collection and Analysis Report* by GFSI, and *Research Report on the Application of Laws to Implement the Main Responsibility of Food Production and Business Operators - Research on the Application of Article 136 of the <Food Safety Law>* by China Chain Store & Franchise Association.

Regulatory and Standard Recommendations

Yum China has joined forces with industry peers to provide professional opinions on food-related laws and regulations during the public consultation stage. We have also participated in the development of relevant industry group standards. This includes supporting the China Animal Agriculture Association to draft and develop animal welfare standards for broilers and egg chickens.

In 2020, Yum China participated in providing feedback on 15 laws, regulations, and national standards. These included food safety-related standards, quality and safety supervision-related regulations, and packaging-related specifications. We also contributed to eight industry and group standards covering areas including green catering, delivery and supply chain management.

Partnering with Institutions

The China Nutrition Society (CNS)-Yum China Dietary Health Foundation is a joint project established by the CNS and Yum China. It supports scientific research projects in restaurant nutrition and health, focusing mainly on dining out and urban resident health. By 2020, the Foundation has funded over RMB 19 million for over 80 scientific research projects.

Based on rigorous assessment and evaluation, the Foundation shortlisted seven projects among 50 applications in 2020, including *research projects on menu portions and low-sodium processing technologies*, to promote health and nutrition innovation in the catering industry.



02

Environment

Environmental issues such as climate change, deforestation, and pollution are growing challenges associated with societal development. As the largest restaurant company in China, environmental protection is a duty to be resolutely undertaken by Yum China. We strive to reduce the environmental impact of our business activities and incorporate sustainability into the daily operations of our restaurants, focusing our effort on climate action, water conservation, green building, use of sustainable packaging, waste management etc. We collaborate with supply chain partners to pursue a more sustainable business model and eventually fulfill our sustainability commitments to the global ecosystem. We take sustainable actions to address the challenges of climate change and make every effort to reduce our supply chain environmental impact. We are embarking on an ambitious journey to reach net-zero value chain GHGs emissions by 2050 and to drive towards zero-deforestation supply chain to contribute to environmental protection and make Yum China more sustainable.



Sustainability Background



- Climate change and extreme weather events have seriously affected socio-economic development, human health, migration, food security, and terrestrial and marine ecosystems.
- China pledges to have CO₂ emissions peak before 2030 and achieve carbon neutrality before 2060.
- According to the Food and Agriculture Organization (FAO), over 18 million acres of forests are destroyed every year. Sustainable sourcing requires enterprises to mitigate and even eliminate environmental impact across the supply chain through better management.
- The *Opinions on Further Strengthening the Treatment of Plastic Pollution* issued by the National Development and Reform Commission and other departments prohibits and limits the use of disposable plastic products in various sectors while proposing requirements for promoting alternatives, fostering and improving new business models, and enhancing the supply of green products.

Contribution to the SDGs



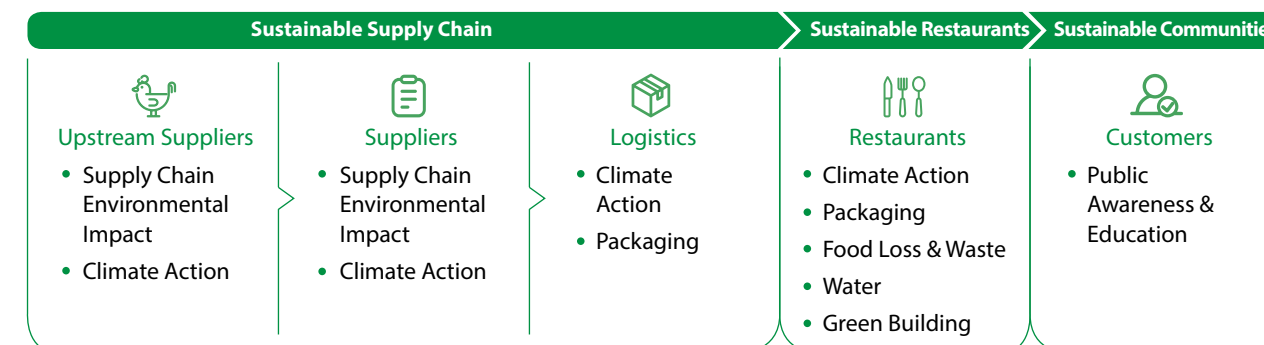
High Relevance



Medium Relevance



Key Material Topics Across the Value Chain



Our Goals and Commitments

Climate Action

- Commit to setting science-based emissions reduction targets, in line with SBTi criteria
- Reach net-zero value chain GHGs emissions by 2050

Water

- Reduce average restaurant water consumption by an additional 10% by 2025 as compared to the 2017 baseline

Green Building

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

Packaging

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

Supply Chain Environmental Impact

- Only purchase RSPO-certified palm oil
- 100% of FSC-certified paper packaging by 2025
- Drive towards zero-deforestation supply chain

Our Roadmap

Our Management Approaches

Honoring Environmental Commitments and Promoting Climate Action

Environmental Management Principles: Developed the *Yum China Environmental Management System* and determined the 4R Principles – Reduce, Reuse, Recycle, and Replace.

Climate Action: Climate action tops the Sustainability Committee's agenda for active identification, analysis, and control of climate-related risks. We are committed to setting science-based emissions reduction targets in accordance with the Paris Agreement*.

Practicing Green Operations to Build Green Restaurants

Energy Efficiency Management: Set energy-saving goals and performance KPIs. Use energy-saving technology and lean management processes to improve energy efficiency in restaurants, logistics, and warehouses.

Water Management: Analyze the water risks across our operational locations with World Resources Institute (WRI) tools. Promote the use of updated and upgraded water-saving equipment in our restaurants.

Waste Management: Explore innovative waste reduction methods at the point of use. Ensure proper waste disposal and identify recycling opportunities.

Green Building: Develop the Yum China Green Building Standards, integrate green concepts into restaurant design and minimize the environmental impact of restaurant construction.

Partnering with Suppliers to Build a Sustainable Upstream Ecosystem

Sustainable Agricultural Commodities: Drive towards zero-deforestation supply chain and continue to drive sustainable sourcing of commodities including palm oil, soy, cattle and timber.

Promoting Sustainable Packaging with Innovative Green Design

Packaging Management: Formulate *Yum China Packaging Strategies* and adhere to our 4R principles during packaging design, use, and disposal.







Plastic Reduction: Respond to the national plastic ban by reducing the use of non-degradable plastic products, and replacing environmentally unfriendly plastic products with degradable ones.

*The Paris Agreement is committed to limiting global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

Material Topics

Our Directions

Progress in 2020

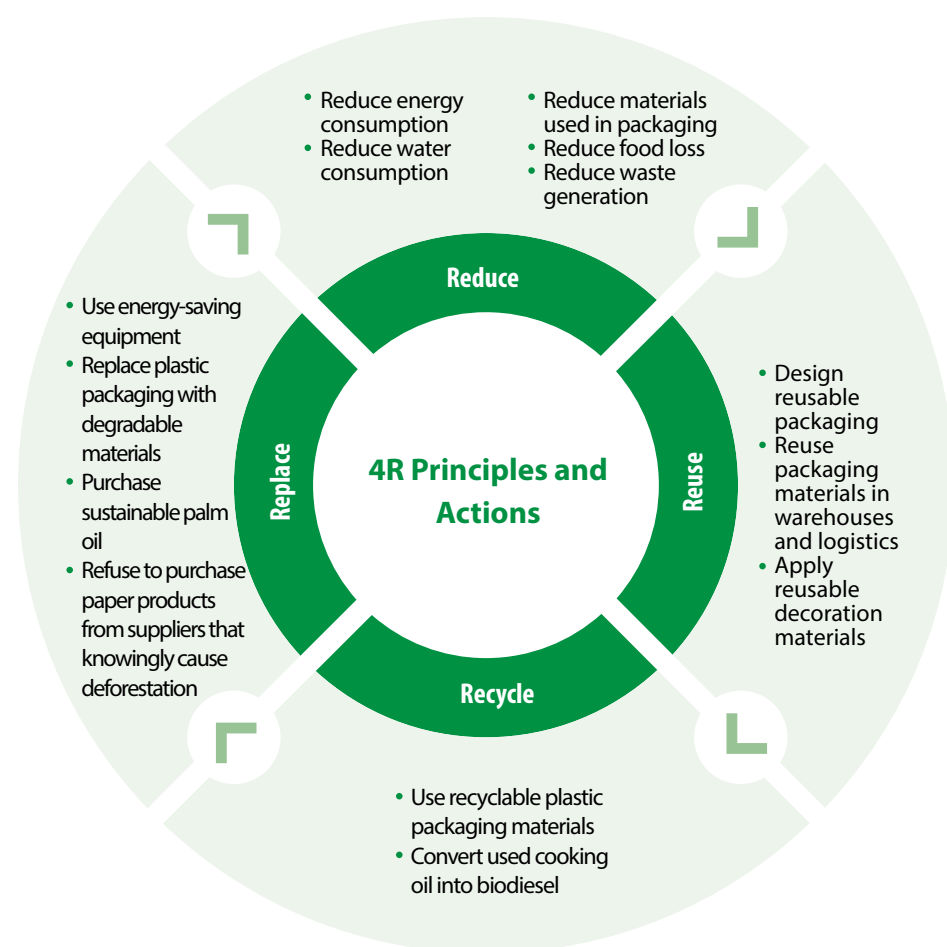
 <p>Climate Action</p>	<p>Set science-based emissions reduction targets, analyze and assess climate change risks, develop clear energy efficiency management systems, establish specific performance indicators, and track carbon footprints.</p>	<ul style="list-style-type: none"> Preparing for setting science-based GHG emissions reduction targets. Fulfilled our goal of reducing average restaurant GHG emissions by an additional 10% by 2025 as compared to the 2017 baseline ahead of time. Saved approximately 20,400 MWh electricity through the use of innovative equipment and energy management system.
 <p>Water</p>	<p>Analyze regional water resource risks, promote the application of water-saving technologies and equipment, and strengthen water management.</p>	<ul style="list-style-type: none"> Use WRI tools to analyze water risks. Installed over 700 dishwashers across the country, saving 0.9 ton of water per restaurant per day.
 <p>Food Loss & Waste</p>	<p>Reduce food waste and used cooking oil and other waste at the point of use, classify waste generated during restaurant operations and seek waste recycling opportunities.</p>	<ul style="list-style-type: none"> Installed assorted waste bins in restaurants in 46 key pilot cities. Piloted Food Bank project in 5 cities. Promoted used cooking oil recycling. Converted 701 tons of used cooking oil into biodiesel in Chengdu restaurants.
 <p>Green Building</p>	<p>Continuously update and promote the Yum China Green Building Standards.</p>	<ul style="list-style-type: none"> All newly built restaurants were in full compliance with the Yum China Green Building Standards.
 <p>Supply Chain Environmental Impact</p>	<p>Practice the principle of sustainable raw material procurement, set a zero-deforestation target, analyze and identify potential environmental risks such as deforestation in the supply chain, and strengthen the management of traceability in the upstream supply chain.</p>	<ul style="list-style-type: none"> 100% of palm oil purchased certified by RSPO. Improve soy raw material traceability. Set a goal of 100% of FSC-certified paper packaging by 2025.
 <p>Packaging</p>	<p>Drive for reduction of disposable packaging, and promote the use of reusable and eco-friendly packaging materials.</p>	<ul style="list-style-type: none"> Reduced the weight of 50 disposable packaging items, saving over 8,000 tons of paper and 1,200 tons of plastic. Stopped using non-degradable plastic straws in all Yum China restaurants in mainland China. Used paper bags or biodegradable plastic bags in restaurants in 36 cities. 100% of new plastic packaging items used recyclable materials.

Honoring Environmental Commitments and Promoting Climate Action

Environmental responsibility is deeply integrated into Yum China's value chain. We drive for a balance between economic and ecological benefits and take every effort to minimize environmental impact. In compliance with the *Environmental Protection Law of the People's Republic of China*, the *Opinions on Further Strengthening the Management of Plastic Pollution*, and other relevant national laws and regulations, we continuously develop relevant internal policies such as the *Yum China Environmental Management System*. We proactively incorporate 4R Principles and green philosophy into our value chain to address global environmental challenges such as climate change.

Sustainability 4R Principles

We are committed to using less energy and natural resources to minimize our environmental footprint. As part of our sustainability strategy, we develop and implement the 4R Principles (Reduce, Reuse, Recycle, and Replace) to guide initiatives across our value chain including raw material sourcing, logistics and warehousing, restaurant operations, and delivery services.



Promoting Climate Action

As the largest restaurant company in China, we promote energy saving and GHG emissions reduction in our operations, and respond to China's commitment to peaking carbon dioxide emissions and achieving carbon neutrality. We are committed to supporting the Paris Agreement by setting science-based emissions reduction targets and driving for a net-zero value chain GHGs emissions target by 2050.

Climate action is a material topic for Yum China. It is regularly reviewed by the Sustainability Committee and reported to the Food Safety and Sustainability Committee of the Board. We also include climate-related KPIs in performance evaluations of leadership team members.

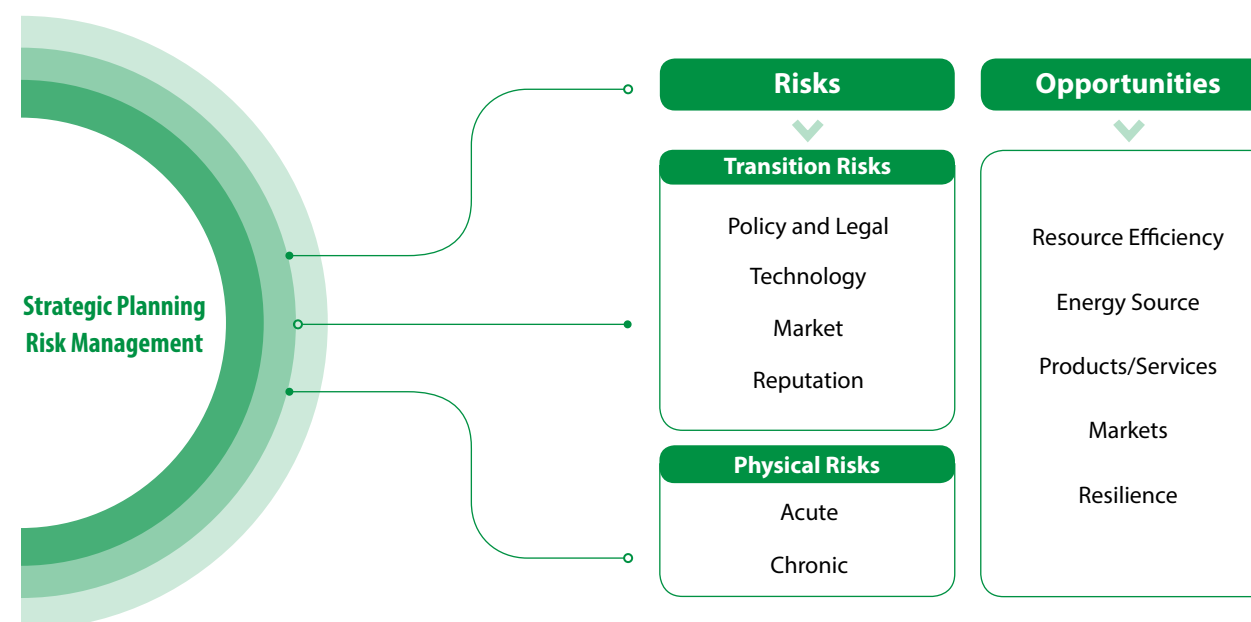
In line with the Sustainability Strategy and the 4R Principles, we identify potential climate risks and opportunities covering both low-carbon transition risks and physical risks, with reference to the climate risk framework provided by the Task Force on Climate-related Financial Disclosures (TCFD).

We established a management system with specific performance indicators to achieve energy-saving and emissions reduction targets and we track progress regularly. We also conduct extensive communication, sharing, and cooperation with supply chain partners to promote climate action. We include suppliers' energy saving and emissions reduction

performance in our supplier Corporate Social Responsibility (CSR) audit assessment criteria. We also encourage suppliers to build energy efficiency management systems to track and record their energy and resource consumption, and to apply energy-saving and emissions reduction technologies and facilities.

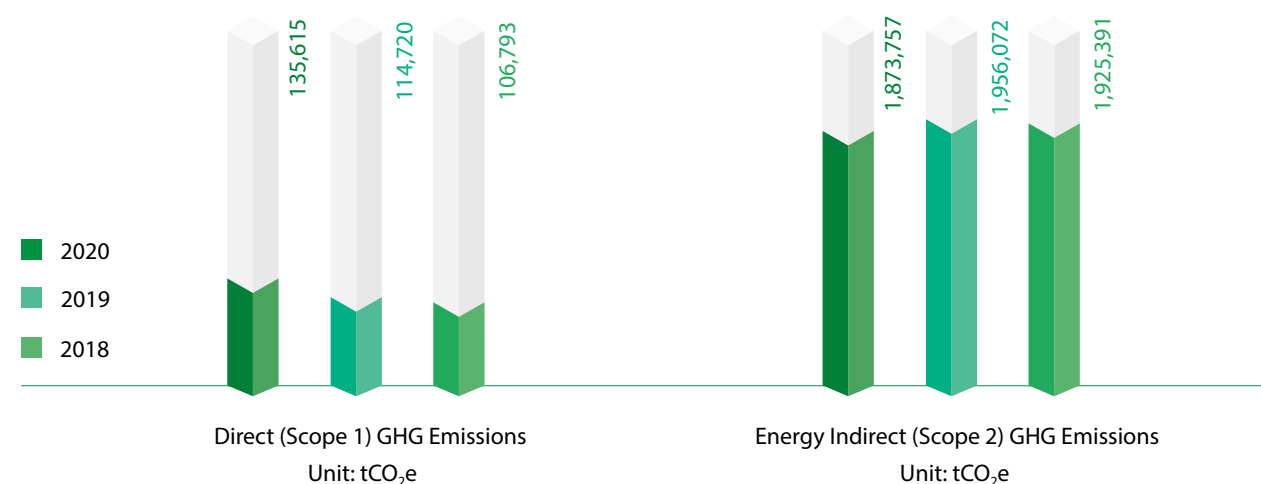
On June 8, 2021, we officially announced that we have signed and submitted the *Business Ambition for 1.5°C Commitment Letter* to the Science Based Target initiative (SBTi). We are committed to setting science-based emissions reduction targets, demonstrating our commitment to climate action and support of the Paris Agreement goal to limit global temperature rise to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

We are in the process of tracking and surveying GHG emissions for our entire value chain covering our own operations, upstream, and downstream, to establish a GHG emissions inventory in preparation for setting emissions reduction targets in line with SBTi criteria. We are striving to achieve the 2050 net-zero value chain GHGs emissions commitment through technology innovation and management reinforcement.



Risk Categories Diagram

Table: GHG Emissions of Yum China (2018-2020)



Note: We calculated direct (Scope 1) GHG emissions based on the usage of refrigerant in restaurants according to *ASHRAE 2017 Fundamentals Handbook* and *IPCC AR5 (2013)*. We calculated energy indirect (Scope 2) emissions based on electricity consumption according to *Baseline Emission Factors for Regional Power Grids in China 2017*.

We are proud to share that we completed our goal of “additional 10% reduction in average restaurant GHG emissions by 2025 as compared to the 2017 baseline” ahead of time. In the near future, we will follow SBTi criteria to set more aggressive science-based emissions reduction targets. While driving for energy saving and emissions reduction

in our own restaurants, we will start with data tracking and management of the GHG emissions in our supply chain to establish a complete management system for the entire value chain. We are in the process of developing a roadmap for GHG emissions reduction to achieve the science-based targets.



Practicing Green Operations to Build Green Restaurants

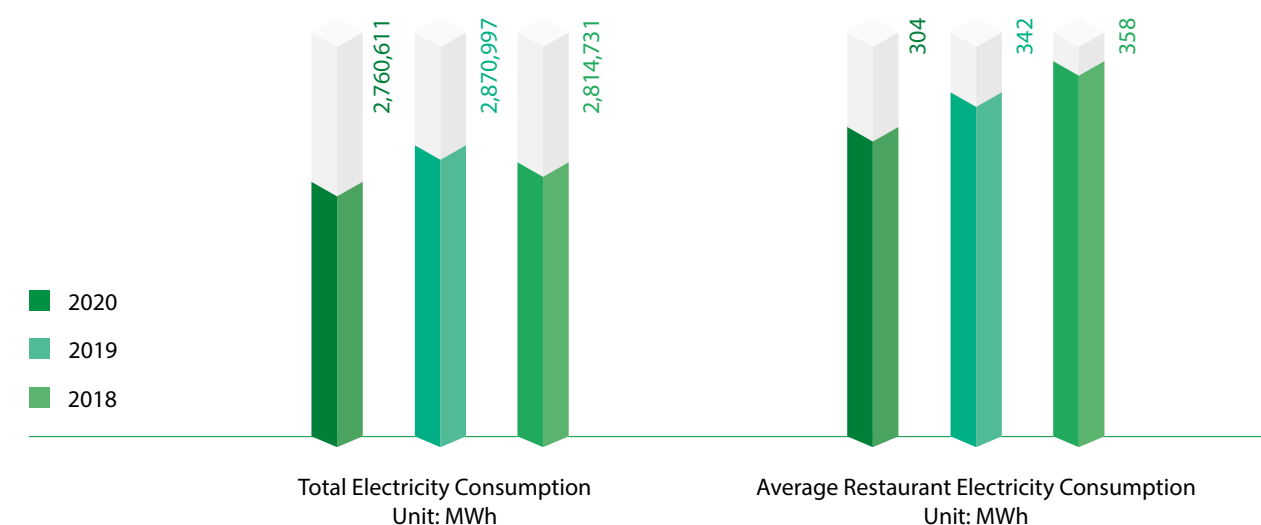
Sustainable development is deeply ingrained in our business operations. We explore energy-saving and environmental protection solutions in all aspects of restaurant design, construction, operations, logistics, and delivery services. Guided by our 4R Principles, we drive to reduce our environmental impact and natural resource consumption.

Energy Efficiency Management

Our strong equipment innovation capability and effective management practices help us to reduce energy consumption and GHG emissions in daily operation. This is a compa-

ny wide endeavor to achieve our energy-saving targets. We assess management team members and Restaurant General Managers on their performance against relevant KPIs.

Table: Energy Consumption of Yum China (2018-2020)



Energy Efficiency - Restaurant Operations

We continuously upgrade equipment and facilities in our restaurants with advanced technologies for energy saving and emissions reduction. In addition to conventional energy-efficient equipment including kitchen cooking fume exhaust control systems, heat pump water heaters, high-efficiency DC air conditioning systems, and LED lighting, we also innovate in digital, automatic, and intelligent restaurants for further energy efficiency improvement.

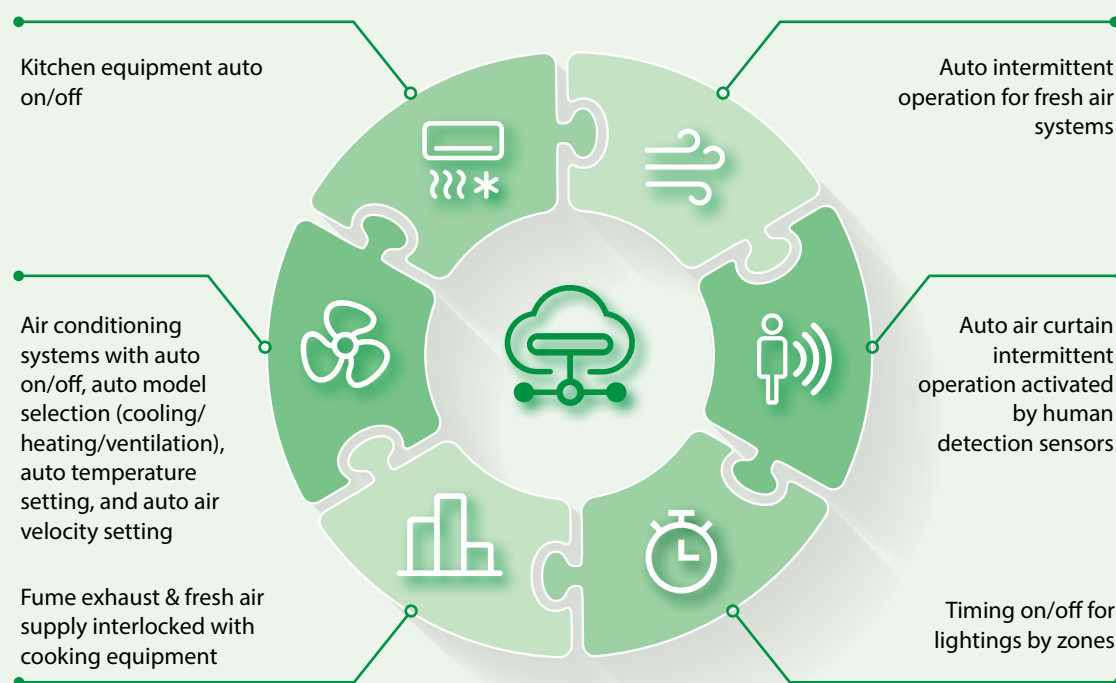
In 2019, Yum China introduced the VTA* system in newly built and remodeled restaurants. The system can monitor real-time CO₂ intensity and automatically control fresh air

volume to reduce air conditioning energy consumption while ensuring a comfortable environment. In 2020, the system was installed in over 700 restaurants with electricity savings of 6,000 MWh.

We also used advanced technologies including IoT, big data, and AI to drive additional kitchen efficiency improvement. We piloted 20 IoT-based intelligent restaurants in Ha'erbin, Shenyang, Wuhan, Hangzhou, and Shenzhen starting in February 2020, saving 5% of electricity consumption in each restaurant. Plans are in place to roll out this initiative.

Illustration IoT-based Intelligent Restaurants

Energy efficiency technologies:



*Value-added Technology Application

Table: Energy Saving Technology

■ Installations ■ Electricity Saved(MWh)

Kitchen cooking fume exhaust control system	~1,700 systems ~5,000
Heat pump water heater	~850 systems ~9,300
High-efficiency DC air conditioning system	~1,000 restaurants ~2,200
LED lighting	~1,300 restaurants ~2,100
VTA system	~760 restaurants ~6,300

Energy Efficiency - Logistics and Warehousing

We explored opportunities to reduce energy consumption and GHG emissions in logistics and warehousing. We developed the Transport Management System (TMS) to optimize the distribution network and route planning throughout the country, optimize vehicle loading rates, and shorten delivery mileage. We have also explored opportunities to use

New Energy Vehicles (NEVs) for refrigerated transportation and power our fleets with renewable energy. We have operated small NEV fleets on a trial basis in Shenzhen and piloted the use of biodiesel vehicles in Shanghai. In the future, we will seek more roll-out opportunities.



Water Management

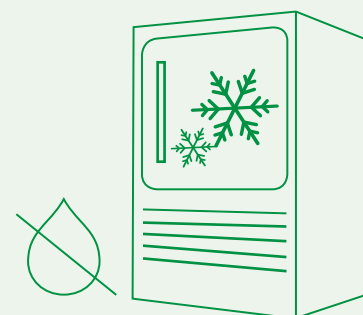
We prioritize our efforts on technology innovation, equipment upgrade, and operation optimization to enhance our water management and reduce water usage. In 2020, we applied the water risk mapping tools offered by the World Resources Institute (WRI) to assess and update water resource risk levels in the areas where our restaurants are located. Based on the assessment results, we prioritized the application of water-saving equipment in water-stressed or water-scarce areas.

Our detailed analysis shows that thawing and daily cleaning account for over 50% of total water consumption. In 2020, we developed a locally made thawing cabinet to replace traditional running-water thawing. We developed a tailor-made dishwasher in our KFC stores to replace manual cleaning. Both projects are proven to improve water efficiency.

Illustration

Thawing Cabinet

To reduce water consumption for thawing, we developed a new thawing cabinet using air circulation instead of running water, which delivers safer and faster thawing.



Illustration

Tailor-made Dishwasher

We replaced manual washing with dishwashers in KFC restaurants to reduce water consumption. Tests showed that the dishwasher saves about 0.9 ton of water daily per restaurant. By the end of 2020, we installed over 700 dishwashers across the country and will roll out in 2021.

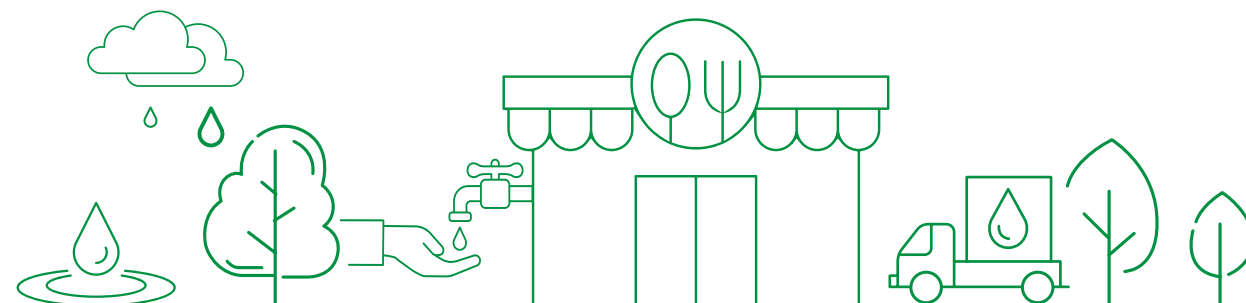
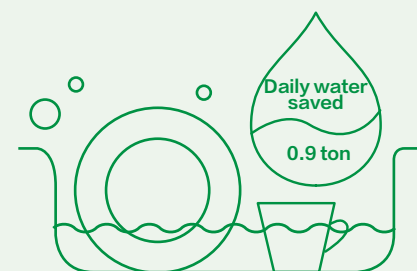
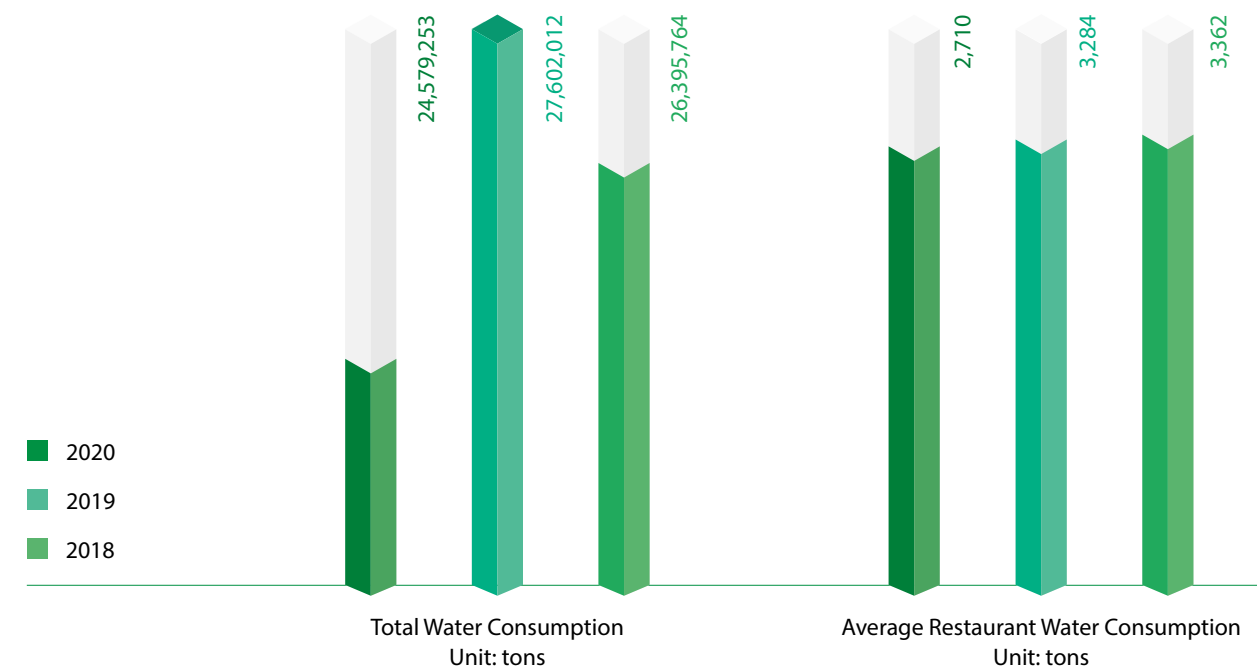
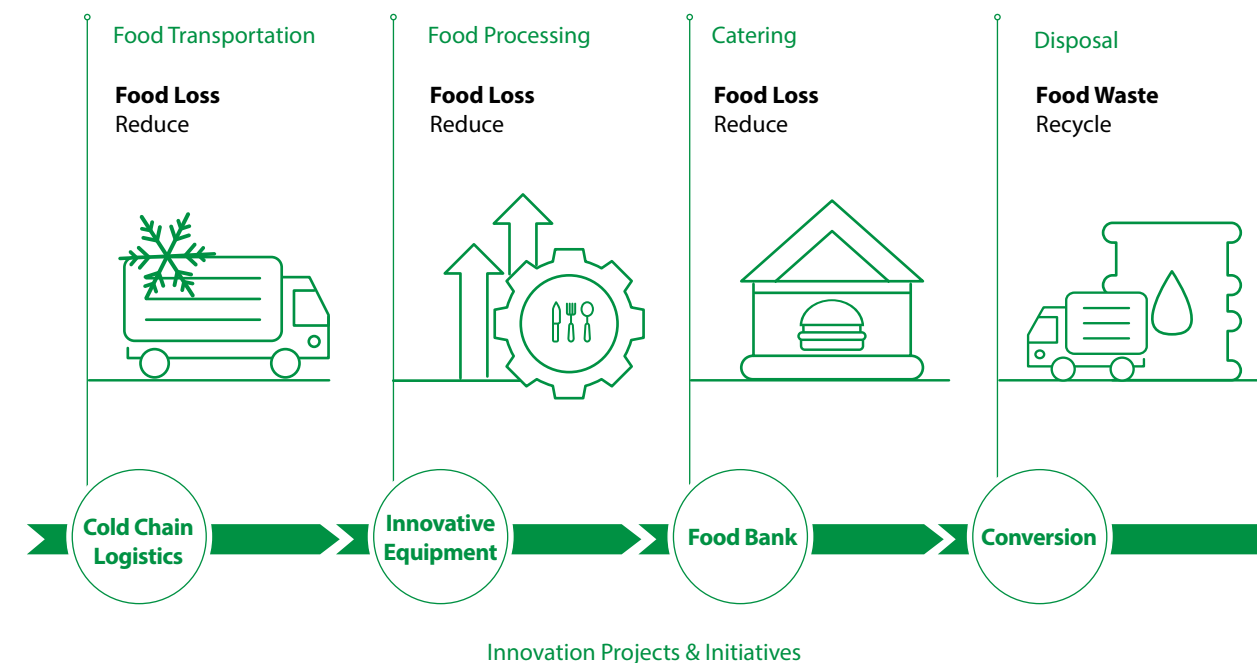


Table: Water Consumption of Yum China (2018-2020)



Waste Management

Restaurant operations inevitably produce different sorts of waste, generating environmental impact. In line with the 4R Principles, we are committed to reducing waste at the point of use through technology and management. We respond to the national call for waste classification and engage our customers and other stakeholders to address waste challenges.



We proactively explore opportunities for waste reduction. We increase the proportion of cold chain transportation to reduce food loss in our logistics. We apply AI/big data technology for planning and forecasting. We apply smaller fryers to avoid excessive cooking per batch and use oil-saving fryers to reduce our cooking oil consumption.

We ensure that our waste disposal and management processes comply with national and local laws and regulations. We enlist qualified third parties to properly dispose restaurant waste. We also respond to the government call for waste sorting, following the waste sorting policies in 46 pi-

lot cities. Our stores are equipped with assorted waste bins and we provide sorting guidance for customers.

We continue to expand our pilot project on used cooking oil recycling to cover more restaurants. This project uses advanced technology to convert used cooking oil into biodiesel. Relevant restaurants are certified by the International Sustainability and Carbon Certification (ISCC).

We also initiated a pilot food bank project in five cities beginning in September 2020, which provides unsold products to neighboring residents in need to reduce food loss. Please refer to page 107 for more details.



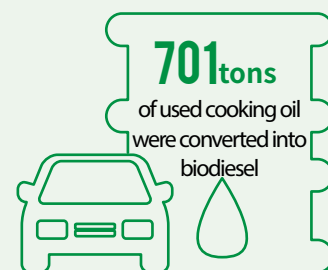
Illustration

Pilot Project for Converting Used Cooking Oil into Biodiesel

Our efforts to recycle used cooking oil started in 2018. Yum China established a comprehensive data recording and tracking system in accordance with the ISCC criteria and launched a small-scale pilot project in Chengdu to convert used cooking oil into biodiesel. In 2020, the project expanded to Pizza Hut restaurants in Chengdu. Over 100 KFC and 50 Pizza Hut restaurants were certified by ISCC. At Yum China's request, three waste oil collection and transportation services providers in Chengdu were certified by ISCC in August 2020.

In 2020, the amount of used cooking oil (UCO) converted into biodiesel in Chengdu biodiesel project was 701 tons.

The recycle used cooking oil project not only complies with relevant laws and regulations, but also strongly supports the national circular economy development strategy. We will continue to promote this project nationwide.



Green Building

We incorporate sustainable development in our restaurant design and construction to provide a safe, healthy, and comfortable space to our employees and customers.

For restaurant design, we created the Yum China Green Building Standards by referring to the Leadership in Energy and Environmental Design (LEED) criteria. We strive to build high-standard green buildings using environmentally friendly materials, energy-saving facilities, indoor air quality,

and thermal comfort control systems.

We implement various management programs in restaurant construction including noise and dust control to minimize environmental impact.

In 2020, all of our 1,165 newly built restaurants were compliant with the Yum China Green Building Standards.

Adopt fresh air volume standards that meet national requirements to ensure indoor air quality

All material suppliers are the leading providers in the industry and the selection standards for some materials are far superior to national standards

Choose top-branded DC variable frequency air conditioners with a high degree of comfort



Kitchen equipment noise levels meet the national standard

Ergonomics design consideration to ensure the comfort of employees and customers

LED lamps selected are top-branded quality products and photo-biosafety certified

Install insulation prior to construction for noise and dust control

Carry waste down instead of dropping from height

Regulate and publish construction time and period to minimize noise disturbance to the surroundings



Limit the use of noisy equipment such as cutting machines and compressed air electric pickaxes

Promote the use of pre-assembled components to reduce noise pollution

Limit the work with inevitable noise to an enclosed environment to prevent noise pollution

Partnering with Suppliers to Build a Sustainable Upstream Ecosystem

Forests play an irreplaceable role in slowing global warming and protecting biodiversity. Yum China complies with national laws, supports global forest protection initiatives, and identifies and explores opportunities to eliminate potential deforestation risks across our supply chain.

We source our materials responsibly to minimize deforestation risk. We encourage all suppliers to engage in and contribute to the sustainable development of agriculture and animal husbandry. The Yum China supplier CSR audit encourages suppliers to operate sustainably, especially with regards to waste and pollutant disposal, to avoid negative impact to the environment.

As the largest restaurant company in China, we have set an ambitious goal to achieve a zero-deforestation supply chain. We are exploring opportunities to enhance upstream traceability, identifying major agricultural commodities from high-risk region, and collaborating with supply chain partners to create a sustainable ecosystem.

We support sustainable agricultural development and take concrete actions to protect the environment, focusing on managing the procurement of agricultural commodities including palm oil, soy, cattle and timber.



Palm Oil

Palm oil is one of Yum China's key raw materials for cooking. We commit to only purchasing palm oil that meets the eight principles and criteria of the RSPO. This helps us to protect natural resources and biodiversity while supporting sustainable palm oil production in collaboration with peer companies, suppliers, NGOs, and other stakeholders.

We have been a member of the RSPO since 2017. 100% of our purchased palm oil was RSPO certified in 2020.



Soy

Soy is mainly used as chicken feed and in soy-based food in Yum China's supply chain. We strive to improve traceability in the complex soy supply chain to identify risks and increase the transparency of disclosure.

We are in process of developing soy traceability systems in collaboration with our upstream suppliers and leveraging best practices from external stakeholders.

All of the soy used to make soy milk powder in our restaurants comes from Northeast China. The planting and purchase of soy, managed by local farms, is traceable and environmentally friendly. We prioritize our efforts to audit poultry suppliers on their compliance with the *Amazon Soy Moratorium* and other international conventions and initiatives for tropical forest protection.



Cattle

We follow China's laws and regulations of imported meat products including the *List of Registered Meat Products Enterprises Exporting to China*.

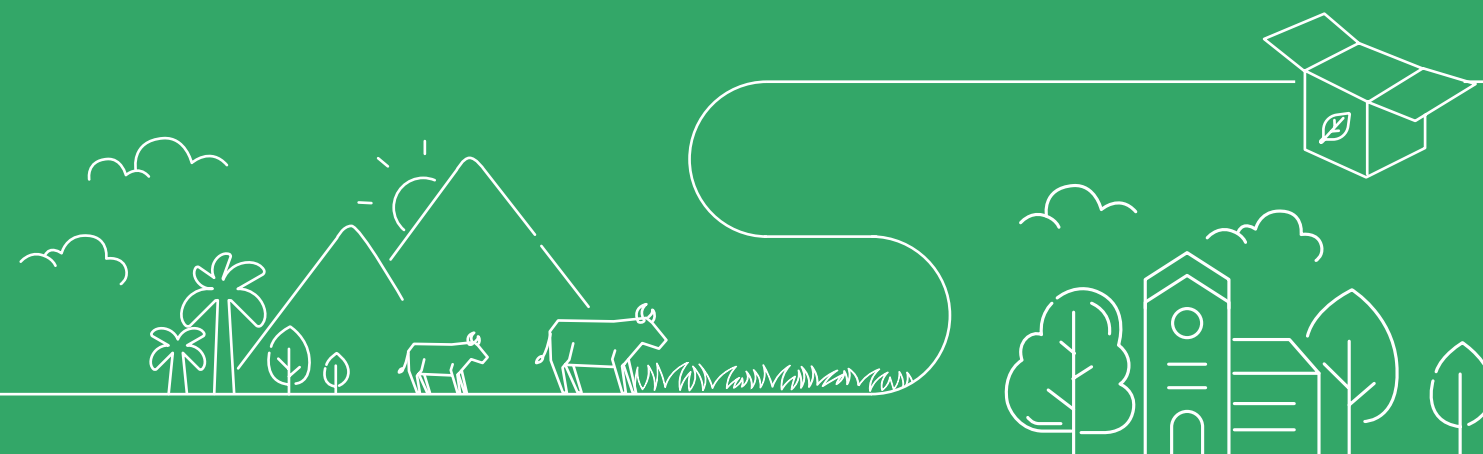
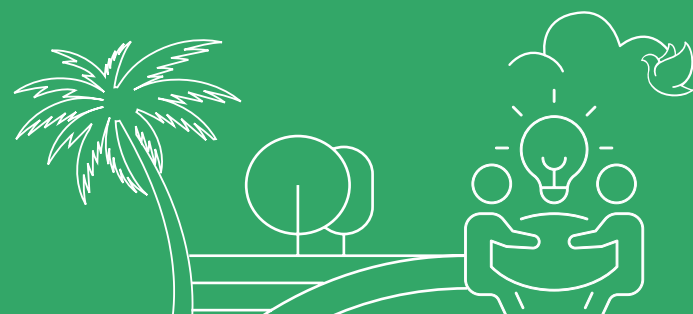
In collaboration with our suppliers, we are in the process of analyzing the potential risk in our cattle supply chain.



Timber

We care about the environmental impact of paper packaging in the sourcing process. We prefer to purchase forest-friendly products and refuse to purchase paper products from any suppliers that knowingly cause deforestation.

We are aggressively pursuing our goal of using 100% FSC-certified paper packaging by 2025.



Sustainable Sourcing of Raw Materials In 2020

100%

RSPO-certified palm oil

100%

Local soy for soy milk powder

100%

Refuse to purchase paper products from suppliers that knowingly cause deforestation

Promoting Sustainable Packaging with Innovative Green Design

Disposable packaging is a common challenge to the restaurant industry. Yum China complies with the national and local regulations on the use of packaging. Guided by 4R Principles and *Yum China Packaging Strategy*, we continue to explore sustainable packaging solutions to minimize the environmental impact caused by disposable packaging usage. In addition, we collaborate with our suppliers to develop eco-friendly packaging materials, striving for a sustainable packaging supply chain.

Yum China's Sustainable Packaging Commitments



100%

Of customer-facing plastic based packaging is recyclable



100%

Of paper packaging will be FSC-certified by 2025



30%

Reduction on non-degradable plastic packaging weight by 2025 compared to the 2019 baseline



Green Design

We apply new packaging solutions, new materials, and new technology to reduce the use of disposable packaging. By the end of 2020, annual saving of over 8,000 tons of paper and 1,200 tons of plastics were delivered through over 50 packaging weight reduction projects.

We began our Reusable Serving Basket program in KFC restaurants in 2019, replacing over 10 disposable packaging materials. In 2020, the project expand further with 5 new products covered.



Sustainable Use

Multiple approaches are in place to reduce disposable packaging in our operations. Since 2017, we have offered customers the option to omit the use of disposable cutlery for their orders in the KFC Super App. In 2019, nearly 400 KFC restaurants in Shenzhen, Zhuhai, and Hainan took the lead to pilot the on-request-only provision of disposable cup lids and straws to reduce plastic use. Yum China logistics centers also introduced reusable straps to reduce the use of plastic stretch films and avoid plastic waste.



Green Waste Disposal

We adopt a cradle-to-cradle philosophy, following national waste sorting policies to properly dispose of our packaging waste. We are also partnering with our packaging material suppliers to develop pilot projects for waste packaging material recycling, contributing to the circular economy.



Addressing Plastic Pollution

Yum China is deeply concerned about the environmental impacts of non-degradable plastics and attempts to reduce plastic usage from various perspectives.

Yum China has launched a series of plastic reduction and environmentally friendly packaging initiatives across its brands in line with the latest regulations in China, including to the *Opinions on Further Strengthening the*

Management of Plastic Pollution. This includes replacing existing plastic packaging with paper straws, paper bags, and biodegradable plastic bags for all brands in Yum China in 2020. As a result of these initiatives, Yum China expects a reduction of approximately 8,000 tons of non-biodegradable plastics annually starting from 2021, as compared to the 2019 baseline.

Illustration

KFC Launched A 'Be Natural, Be You' Sustainability Campaign

In December 2020, KFC China launched a 'Be Natural, Be You' sustainability campaign to enhance consumers' awareness of environmental protection and encourage more sustainable lifestyles, including reducing the use of disposable plastic packaging and better waste sorting.

KFC responded to the national plastic ban by launching a range of plastic packaging reduction initiatives nationwide since 2020. By the end of 2020, all KFC restaurants in China had stopped using plastic straws and over 90% of KFC restaurants had replaced disposable plastic cutlery with wooden cutlery for dine-in and takeaway. Over 50% of KFC restaurants had replaced non-biodegradable plastic bags used for delivery and takeaway with paper bags or biodegradable plastic bags. By the end of 2025, all KFC restaurants will phase out non-biodegradable plastic bags and cutlery in China.



“These new plastic reduction initiatives will strengthen our sustainability strategies and deliver positive change to society through packaging innovation and reduction. Yum China will continue to work together with stakeholders across the value chain to promote social, environmental, and economic development and drive a more sustainable future.”

—Joey Wat, CEO of Yum China

03

People

"People First" has always been Yum China's philosophy since entering the Chinese market over 30 years ago. Fulfilling the needs of our key stakeholders, including our employees, customers, suppliers and the general public, have always been at the top of our management agenda. We aim to provide our employees with a high-quality and fair platform for them to grow. We also hope to provide our customers with delightful services with a "Customer Mania" mindset.

We work with suppliers to build a responsible supply chain together and to promote development of the industry.



Sustainability Background



- Investors are interested in talent engagement, development and retention strategy of the company they invest in, which is a critical success factor for the company's long-term sustainable success.
- The pandemic has necessitated traditional business to adopt a digitalized operating model which will enhance a company's capability in managing systemic risks and build organizational resilience.
- The 2020 *White Paper on Chinese Restaurant Brand Power* highlighted irreversible trend that successful restaurant companies will shift to customer experience orientation from product and service orientation. They must leverage science and technology as an enabler to deliver best in class customer experience.

Contribution to the SDGs



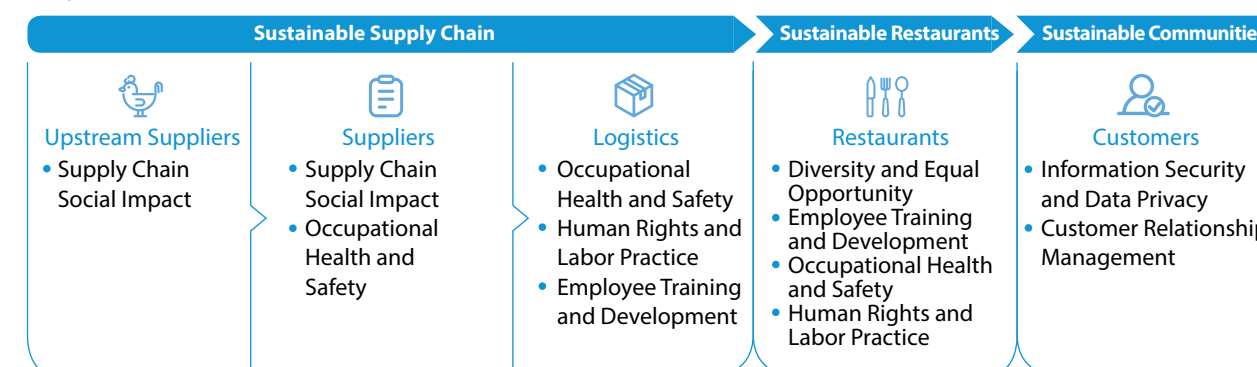
High Relevance



Medium Relevance



Key Material Topics Across the Value Chain



Our Goals and Commitments



Diversity and Equal Opportunity

- At least 50% of our employees are female.
- At least 50% of all employees who are hired, trained, promoted and retained are female.
- Over 1.5% of full-time jobs is offered to people with disabilities.



Supply Chain Social Impact

- All critical suppliers are subject to CSR review.

Our Roadmap

Our Management Approaches

The Power of An Innovative Pioneer in the Industry

Upholding Fairness and Impartiality to Protect Employees' Rights and Interests:

We abide by the Universal Declaration of Human Rights and other international conventions signed by the Chinese government to protect the legitimate rights and interests of employees. Guided by the idea of fairness and justice, we provide protection for employees' rights and interests, prohibit forced labor and other human rights violations.

Diversity, Inclusion and Equal opportunities:

A diversified workforce is fundamental to achieve corporate vision and value. We are committed to fostering a working environment that is professional, inclusive, and non-discriminatory, and providing fair opportunity for employees to realize their potential.

Inspiring potential for accelerated growth:

We drive innovation through our employee training system to develop the best talent in the industry and create structured, transparent and accelerated career path.

Performance incentives for shared success:

We provide employees with equitable and competitive remuneration and benefits, help them lighten financial burdens, and offer them a chance to share our success with stock incentive plans.

Caring for employees' health and safety:

We abide by relevant laws and regulations while providing employees with a healthy and safe workplace. For example, we offer enhanced insurance coverage and counseling program for employees during the COVID-19 pandemic to protect their physical and mental wellbeing.

Efficient and transparent two-way communications:

We believe that the more you know, the more you care. We constantly expand two-way communication channels with employees to understand their expectations and concerns.



"Customer Mania" Services

Empathetic listening and timely response:

We collect customer opinions via the Guest Experience Survey (GES) system and have built the Customer Service Platform (CSP) for customers to file complaints, ensuring a timely response.

Experience improvement with digital empowerment:

We have built a digital ecosystem to provide customers with digital experiences in intelligent marketing, supply chains, restaurants, and customer services.

Ensuring information security and privacy protection:

By improving our management of data security, we protect the personal information and privacy of customers.



Implementing Responsible Sourcing

Implementing Responsible Sourcing:

We continuously improve our supplier management. Suppliers are required to sign the *Supplier Code of Conduct*. We also implement effective measures for managing and reviewing their CSR.

Supplier CSR Audits:

We have upgraded the CSR audit framework by adding evaluation criteria. We require suppliers to submit detailed correction and prevention action plans, which we review along with a third party auditor.

Local Sourcing:

Yum China sticks to local sourcing through open and honest communication and win-win cooperation.



Material Topics

Our Directions

Progress in 2020

 Diversity and Equal Opportunity	<p>Strive to eliminate inequality and enable every employee to realize their value within our company, regardless of race, religion, color, age, gender or gender identity, disability, military or veteran status, sexual orientation, citizenship, or nationality.</p>	<ul style="list-style-type: none"> We signed the United Nations WEPs. We were selected for the Bloomberg Gender-Equality Index (GEI) for the third consecutive year. 64% of our workforce is female and 54% of top management is female We operate 24 Angel Restaurants in 23 cities. We provided jobs for over 2,100 employees with disabilities.
 Employee Training and Development	<p>Maximize employees' potential and cultivate talent by creating a structured, transparent and accelerated career path.</p>	<ul style="list-style-type: none"> We were certified as a Top Employer China for the third consecutive year by the Top Employers Institute. The average Monthly Active User (MAU) rate of the in-house mobile learning platform reached 84%. We delivered more than 8.6 million hours of training. Nearly 100% of operations positions are promoted from within. We promoted 36% of our restaurant management teams.
 Occupational Health and Safety	<p>Yum China adheres to the "Safety Mania" concept, and abides by laws and regulations on safety and health such as the Labor Law and Law on Prevention and Control of Occupational Diseases to provide employees with a safe and healthy working environment.</p>	<ul style="list-style-type: none"> Lost-Time Injury Frequency Rate (LTIFR) per million hours worked was 1.34 in 2020. No major risks of occupational diseases. 100% of employees had a health certificate. We provided 100% coverage of medical examination for management and office staff. We adopted contactless workflow with upgraded epidemic prevention and control measures.
 Human Rights & Labor Practice	<p>Protect employees' rights and interests based on compliance with international conventions as well as national laws and regulations. Strictly prohibit the use of child labor or forced labor and establish channels for employees' complaints.</p>	<ul style="list-style-type: none"> We strictly prohibited the use of child labor and protected minors' rights. We signed labor contracts with all full-time employees with five social insurance and one housing fund paid, ensuring equal pay for equal work. 100% of employees attended the compulsory training on the Yum China Code of Conduct.
 Information Security and Data Privacy	<p>Protect the legitimate rights and interests of Yum China and personal information in accordance with relevant laws and regulations, and reduce the risks to data security.</p>	<ul style="list-style-type: none"> Our information security management system has achieved ISO/IEC 27001:2013 certification since 2018. The KFC App and official website system complies with all the Ministry of Public Security's classified protection of information system. We upgraded the Information Security Management Platform (Zeus Platform) to version 2.0.
 Customer Relationship Management	<p>Always pursue 100% customer satisfaction and constantly improve service quality for customers.</p>	<ul style="list-style-type: none"> On a five point rating scale on overall dining experience, 86.9% and 88.2% of KFC and Pizza Hut customers respectively gave a top score of 5. Launched the contactless delivery service and contactless order and takeaway service during the pandemic
 Supply Chain Social Impact	<p>Drive responsible sourcing and collaborate with business partners to build a responsible supply chain.</p>	<ul style="list-style-type: none"> 100% of suppliers signed the Yum China Supplier Code of Conduct. About 400 suppliers completed CSR audits, including 100% of critical suppliers. 100% of suppliers submitted correction and prevention action plans after the CSR audits.

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	9.2 %
	Managers (RGMs)	

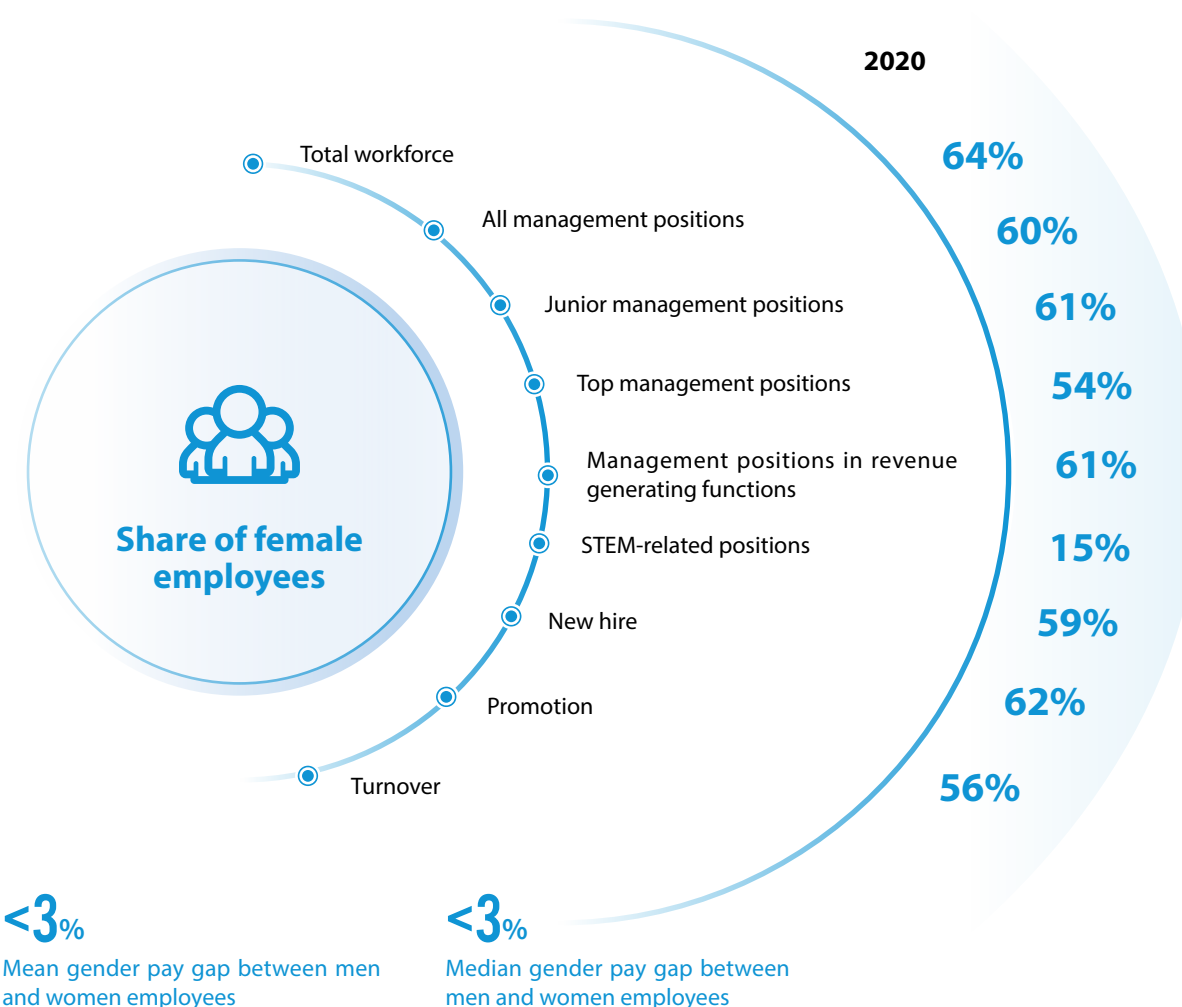
Diversity and Equal Opportunity for Employees' Self-Actualization

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-Equality 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

	Number of cities with Angel Restaurants	Number of Angel Restaurants	Number of people with disabilities employed in Angel Restaurants	Number of people with disabilities gained employment support
2020	23	24	200+	2,100+

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.

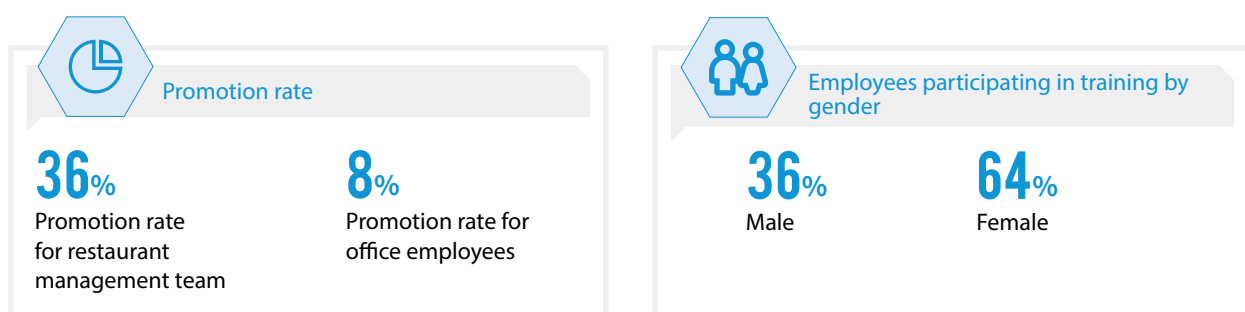
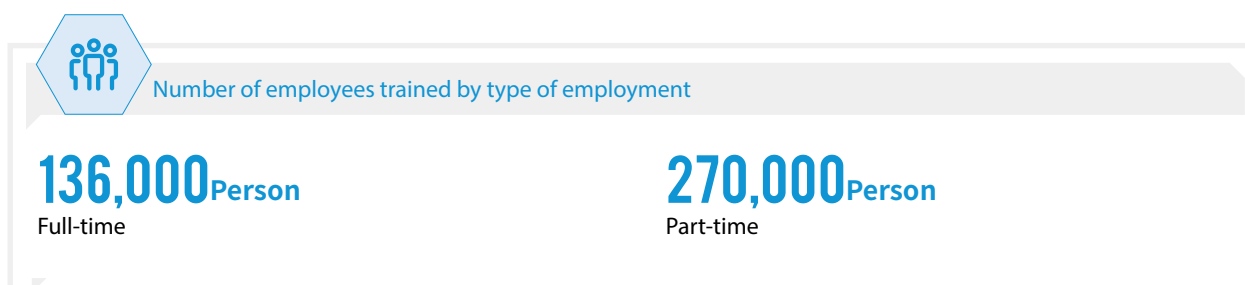
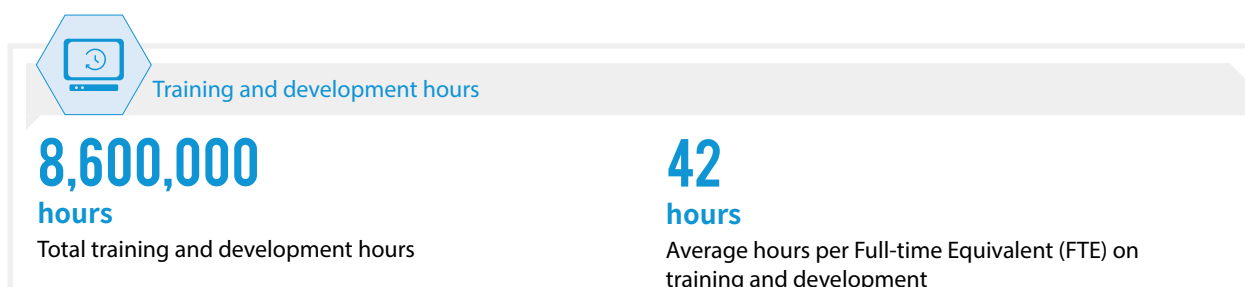
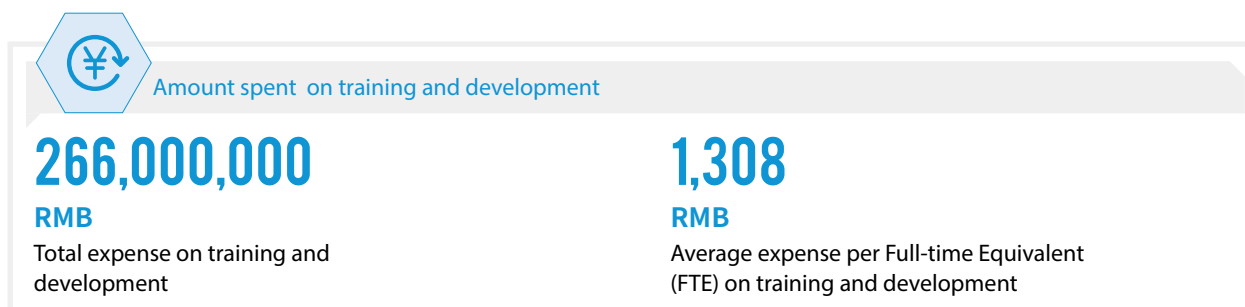


Employees with disabilities of an Angel Restaurant in Houbin Delivering Free Meals for Medical Professionals in Zhongshan Hospital of Xiamen University During the Pandemic

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

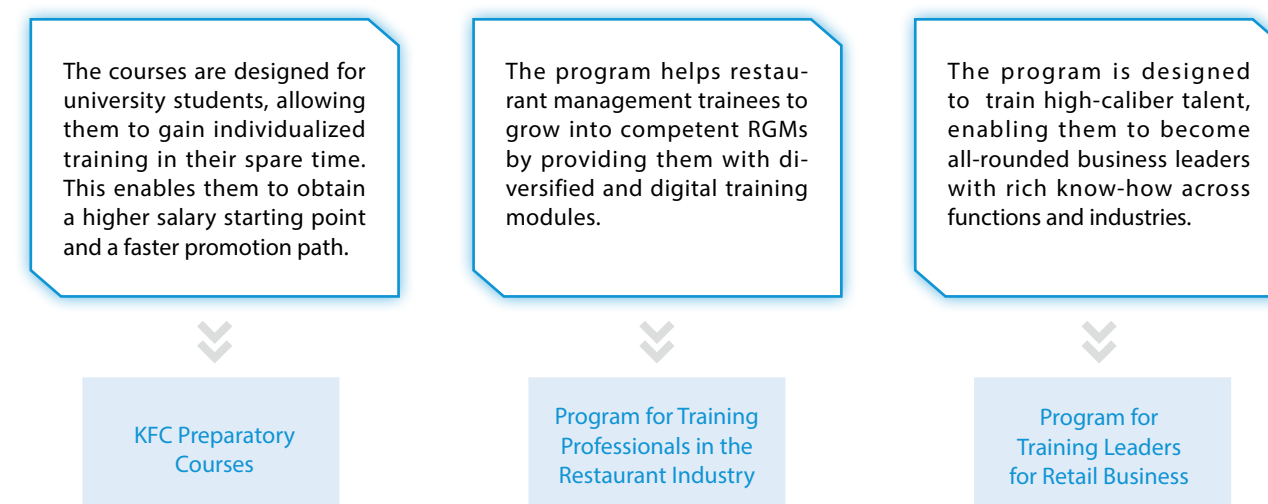


Accelerating Training and Development Programs to Build Talent Pipeline

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.

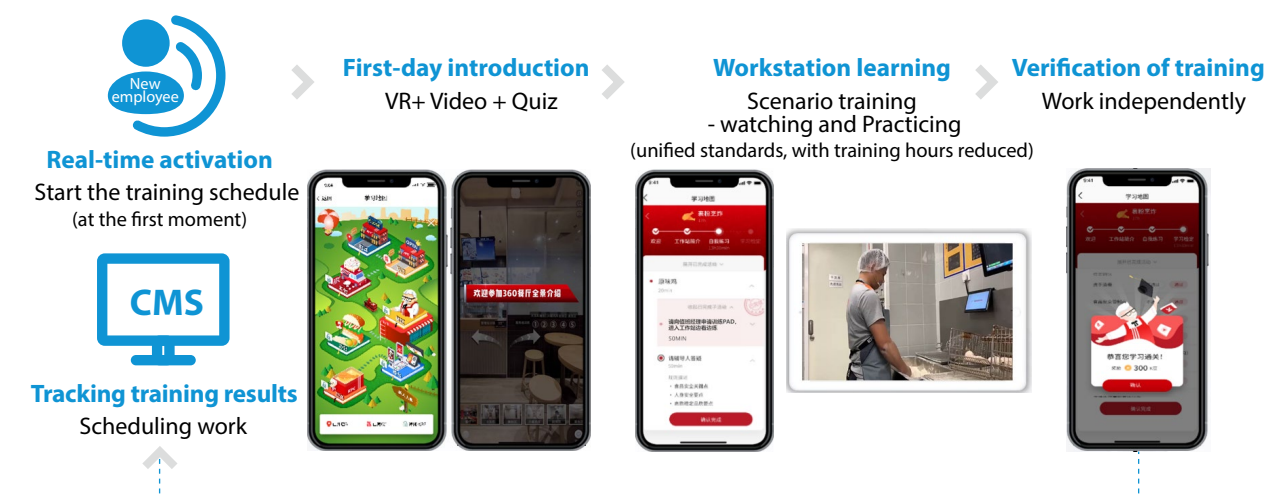
KFC Business School

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:



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

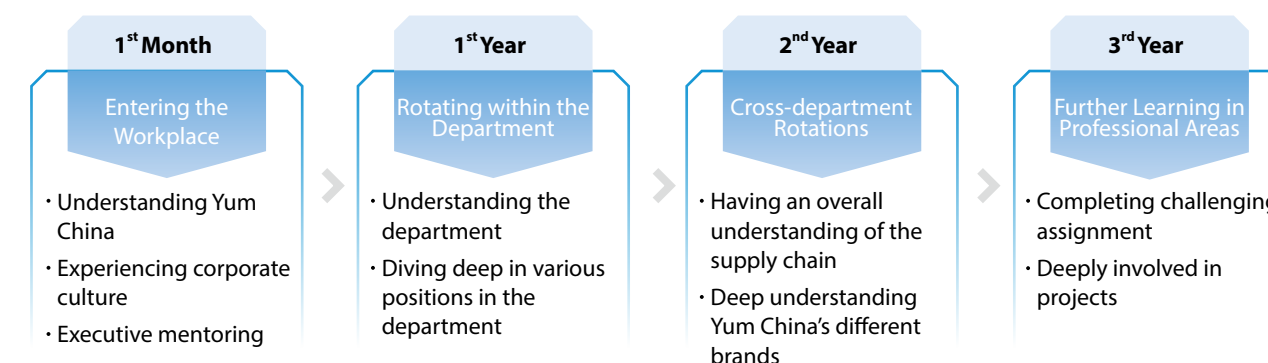
Digitally-powered Training Platform to Enable Agile Learning

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



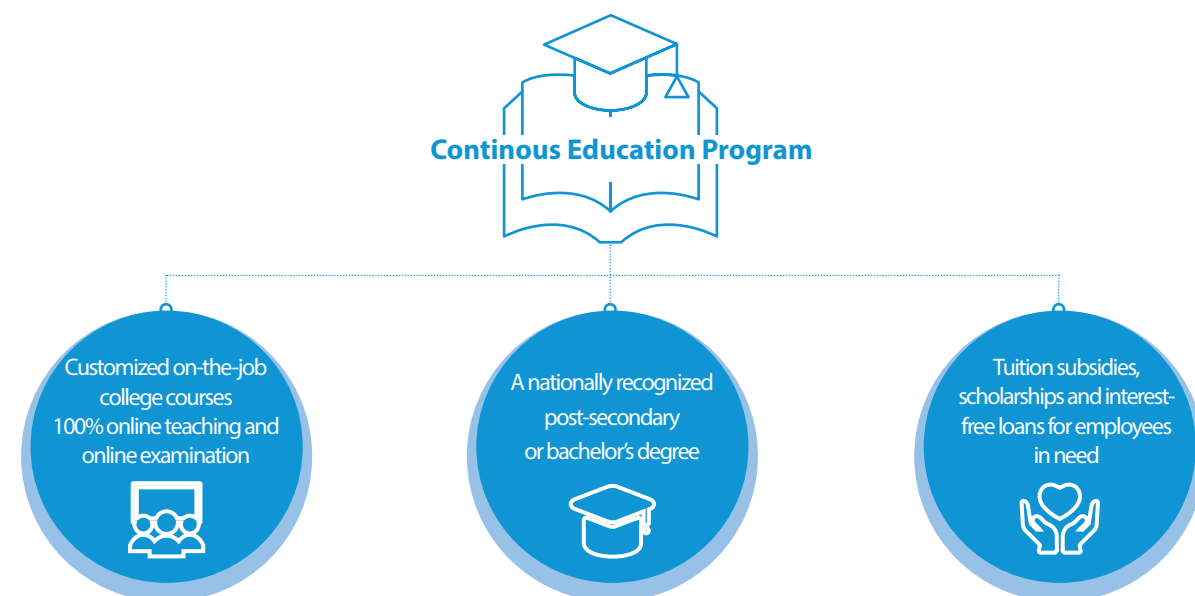
Building Employability and Game Changing Value in Two Years

• 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.



• 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 creating 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.

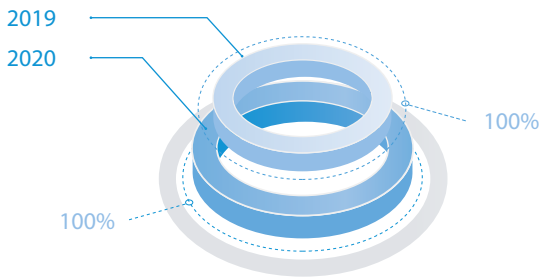
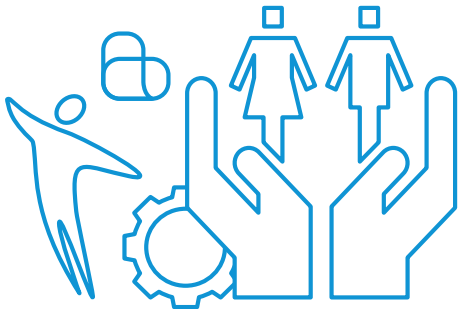
We provide employees with protective equipment and measures. Through regular inspection and workplace safety audit to ensure our employee follow the safety standards, we not only upgrade their protective equipment, but also

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.

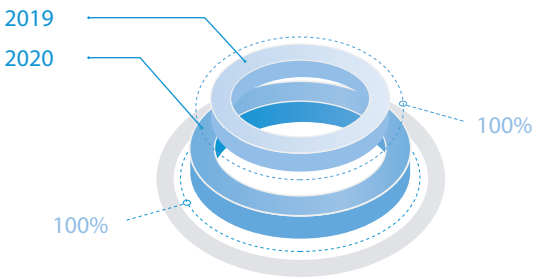
We also developed contactless workflows, such as online meetings, live streaming of employee meetings, and mobile learning on digital platforms. Furthermore, flexible work arrangements and emergency drills are arranged to ensure business continuity and employee health and safety. Employee Assistance 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 abnormity 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



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



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.

"Customer Mania" Services with AI-Enabled Solution

Customer mania is one of the key elements of Yum China's culture. We try to gain customer insight to meet their needs. We serve every customer with a "YES" attitude to create delightful moments. With a seamless integration of delicious food, technology and culture, we constantly strive to improve customer experience. We are convinced that unremitting pursuit for innovation can elevate the customer experience by providing them with greater pleasure and convenience.



Customer Relationship Management

Achieving 100% customer satisfaction is our customer service standard. We seek every opportunity to enhance customer experience.

We actively seek customer feedback on their dining experience via the Guest Experience Survey (GES) system, with detailed feedback forwarding to relevant restaurants

for further improvement. Our Customer Service Platform (CSP) will automatically follow up with customers who give low ratings. Customers can also file complaints on the CSP either by scanning the QR code provided in restaurants or logging onto our App. Service representatives will be deployed to resolve customers' issue quickly.



We developed the C.H.A.M.P.S. Standards Library to standardize and further improve our services. We provided restaurant employees with training programs including customer complaint management to ensure timely and proper complaints handling.

2020



KFC five-star review rate (%)



Pizza Hut five-star review rate (%)



Digital Enabled Customer Services

As a digital transformative pioneer in the restaurant industry, Yum China started the digital transformation journey in 2015 and has been investing tremendous resources in building a robust digital ecosystem to provide an all-round digital dining experience. We have already deployed digital and artificial intelligence technology in marketing, supply chains, restaurant operations and customer service, enabling our restaurants to focus on providing efficient service to the customers.

In 2020 during challenge posed by the COVID-19 pandemic, Yum China, in the spirit of fulfilling our corporate responsibility towards our employees, customers, and society as a whole, made the decision to keep our restaurants open when possible and maintain delivery services to customers. The decision enabled us to continue serving customers' needs for everyday meals. It also enabled support for those fighting the pandemic in the frontline.

To safeguard the health and safety of both our customers and the riders responsible for the food delivery, KFC and Pizza Hut restaurants nationwide launched a contactless delivery process. For instance, by using the KFC Safe Delivery service, customers could select the Contactless Order & Delivery option on the brand's App or Wechat Mini Program. Customers could also choose the contactless option for takeaway if available from the restaurants.

To mitigate the risk of food exposure in the air, KFC and Pizza Hut restaurants with the contactless order and takeaway service would package food for both dine-in and takeaway orders in sealed paper bags or boxes. Restaurant self-ordering kiosks were regularly disinfected several times a day to avoid the spread of the virus. Together, these measures enabled our employees and customers to maintain a safe social distance from each other while allowing customers to continue enjoying our delicious food.

"KFC and Pizza Hut have provided contactless delivery, order and takeaway services nationwide. Through these innovations, we want to safeguard the health and safety of our employees and consumers and contribute to the fight against the pandemic."

——Joey Wat, CEO of Yum China



Information Security Management

Cloud computing and the Internet of Things have led us to the information age. Many customers are using our App, website, and self-ordering systems every day. Hence, protecting information security and managing data privacy are top priorities for us.

Our information security management system passed the ISO/IBC 27001:2013 certification in 2018. The KFC App and website passed the Multi-level Protection of Information Security (MLPS) of the Ministry of Public Security.

Data Security

In order to protect data security of Yum China and our customers, we have formulated the *Yum China Security Compliance Guidelines* and the *Data Security Code of Conduct* in accordance with the *Cybersecurity Law of the PRC* and the *China Personal Information Security Specification*, as well as other laws and administrative regulations. The two rules are designed to regulate the implementation and approval processes of acquiring and transferring data to govern Yum China's data security management and reduce data security risks involving its third-party suppliers.

We established a Data Compliance Committee, serving as the Yum China's governance body responsible for establishing our data compliance management program. The Committee comprises key representative from data control, information security, and data security compliance in the legal function. We conduct data compliance reviews based on the use of data, and training on data security management practices for our employees and third-party suppliers.

Illustration

Information Security Management Platform-Zeus

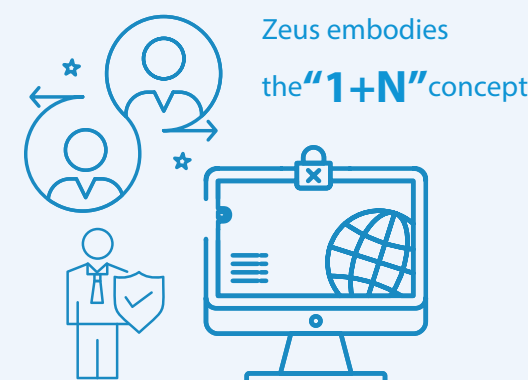
We started to build an information security management platform (Platform Zeus) in 2019 and have continuously strengthened the collection of network equipment, network security reinforcement testing, and risk management. We completed version 2.0 of Zeus by the end of 2020.

Zeus adopts the 1+N concept. 1 being one big data platform and N represents multiple functional

modules, including threat intelligence, host security protection, application security protection, data security, vulnerability management, risk management, security incident handling, and security monitoring. Zeus integrates multiple security reinforcement and protection capabilities, from its bottom layers to the application layer, and it serves as our core platform for information security protection and management of our company.

"1" means one big data platform

"N" represents multiple functional modules, including



Threat intelligence	Vulnerability management
Host security protection	Risk management
Application security protection	Security incident handling
Data security	Security monitoring

Individual Privacy

We are committed to protecting customers' personal information and privacy from illegal collection, use, and sharing. We ensure that customers have the right to know and control their information and privacy in accordance with laws. We develop policies on personal information and privacy protection, which are disclosed on our website.

Management of Personal Information and Privacy

By employing various security technology and support management system, we strive to minimize the risk of customer information being leaked, destroyed, misused, and unauthorized to be accessed, disclosed or modified. For example, we use the network Secure Sockets Layer (SSL) to encrypt the transmission and storage of information and to control data center access. When transmitting and storing sensitive personal information (including personal biometric information), we adopt security measures including encryption, access control, and de-identification.

We have developed a contingency plan for information security incidents, and regularly organized relevant

personnel to conduct emergency response training and drills, enabling them to understand their job responsibilities in emergency response procedures. In the event of a serious incident affecting security of the customer's personal information, we will abide by laws and regulations and the requirements of government supervision to promptly inform customers about the incident and the potential damage, the measures we have taken or will take, suggestions for customers to prevent and reduce risks on their own, and remedial measures for customers.



Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities

As the largest restaurant company in China, we understand the huge impact of our sourcing decisions on the industry. We are committed to responsible sourcing and building a responsible supply chain in collaboration with our supplier partners.

We have a large and geographically diverse network of suppliers, who provide us with food, packaging, equipment, and other products and services. In 2017, we began conducting supplier CSR audits to constantly promote social responsibility and address risks across the supply chain.

Building a Responsible Supply Chain Together

We require all our suppliers to sign the Yum China Supplier Code of Conduct (CoC) before they work with us to ensure that they are legally compliant with all applicable laws and regulations.

We engage professional third-party auditing firms to conduct CSR audits, evaluating their performances in areas

such as child / minor labor, forced labor, health and safety, discrimination, disciplinary measures, working hours, wages and benefits, environmental management and safety. We include CSR and Business Continuity Management (BCM) along with innovation, quality, safety, and cost optimization as performance evaluation criteria in the Yum China business review for supply chain management.

Supplier CSR Audits

In 2020, CSR audits covered nearly 400 suppliers, including all critical suppliers*. We have upgraded the CSR audit framework by adding evaluation criteria on business ethics, CSR management systems, and environmental actions. We require suppliers to submit detailed correction and prevention action plans, which we review along with a third-party auditor. In 2020, all suppliers submitted correction and prevention action plans after the CSR audits.

In 2020

Suppliers submitted correction and prevention action plans after the CSR audits

100%

We are keenly aware that honoring social responsibilities, promoting sustainability and building a green and sustainable supply chain ecosystem cannot be achieved overnight. It calls for long-term and arduous efforts. But we have confidence and resolution that we will reach our destination if we work together with solidarity.

— Danny Tan, Chief Supply Chain Officer of Yum China

*Yum China sorts all suppliers into four categories - innovative suppliers, key suppliers, regular suppliers, and other suppliers - based on their innovative capabilities, key raw materials, and procurement volume. Among them, innovative suppliers and key suppliers are our critical suppliers, providing us with critical raw materials and services.

Evaluation Criteria of Yum China CSR Audits

Labor Rights and Interests

- Child Labor/Minor Employee
- Forced Labor
- Discrimination
- Punishment
- Harassment and Abuse
- Legal Employment
- Communication and Exchanges
- Working Hours
- Wages and Benefits

Business Ethics

- Business Ethics
- Bribery
- Conflicts of Interest

Environment

- Environmental Assessment and Acceptance
- Environmental Management

Safety

- Health and Safety
- Fire Safety
- Equipment Safety
- Electricity Safety
- Occupational Health Management
- Chemical Management
- Occupational Injuries
- Dormitories and Dining Halls

2020 CSR Audit Result

3%

- CSR Ratings: A-grading
- Score $\geq 90/100$ AND without any critical issue
- Valid for 24 months

84%

- CSR Ratings: B-grading
- $80/100 \leq \text{Score} < 90/100$ AND without any critical issue
- Valid for 12 months

13%

- CSR Ratings: C-grading
- Score $< 80/100$ OR with any critical issue
- Requires immediate remediation and a re-audit. If the supplier is still graded C in the follow-up audit, it is considered high risk, and Yum China carefully reviews the partnership.

About 400 active suppliers in our sourcing systems

400

(Excluding special suppliers such as 2020 grade A suppliers, suppliers providing services only, suppliers involved small quantity purchase, construction suppliers)

The supplier participation rate of online training reaching

97%



New chapters and content for audit:

business ethics, social responsibility management system, and environmental management system

Corrective and preventive management:

CAPAP (corrective action and preventive action plan) submission rate after the audit

100%

Local Sourcing

Yum China is committed to local sourcing to achieve win-win cooperation. Local sourcing allows for better tracing and control, which to the great extent makes our supply chain more stable, efficient, and sustainable, reducing risks relating to food safety and the environment. Our success would be impossible without community support. We are therefore willing to fulfill our social responsibilities through local sourcing, contributing to local economic development and giving back to society.

We encourage our overseas suppliers to expand operations in China. At the same time, we seek local suppliers for synergies, cost competitiveness, and rapid market response. As of the end of 2020, our local suppliers were located in 21 provinces, 4 municipalities, and 4 autonomous regions across China. About 99.1% of these suppliers were in China, playing a positive role in boosting local economic development, employment, and taxation.



04 Community

Yum China recognizes the value of community and cares about its development. We aim to promote mutually beneficial development with the community. We will use our scale and strength to enhance productivity in rural areas and help improve the nutrition of children living there. We boost local economic growth while working with the community through initiatives including facilitating access to quality education, enhancing community relations, caring for the vulnerable, promoting traditional culture and healthy lifestyles, and helping reduce food waste to build a sustainable future.



Sustainability Background



- In November 2020, China announced it completed the goal of eliminating extreme poverty. However, relative poverty remains a major challenge that requires a long-term commitment to poverty alleviation and development.
- In July 2019, the State Council issued the *Opinions on Implementing Healthy China Initiative*, established the Healthy China Promotion Committee, and issued the *Healthy China Initiative Organization, Implementation and Assessment Plan and the Healthy China Action Plan (2019-2030)*, which includes residents' health literacy and physical exercise as important indicators.
- In 2017, the report to the 19th CPC National Congress proposed a social governance model based on collaboration, participation, and common interests. It advocated for a stronger community governance system, combining complementary governmental governance and self-regulation within society. Enterprises are important players in community governance. Their participation in urban community governance can contribute to community development and improve their social influence.
- After the establishment of World Reading Day in 1995, China followed the international call to advocate for reading. The Chinese Academy of Press and Publication's latest national reading survey shows that China's national reading rate continues to edge up, reflecting the people's growing demand to read.

Contribution to the SDGs



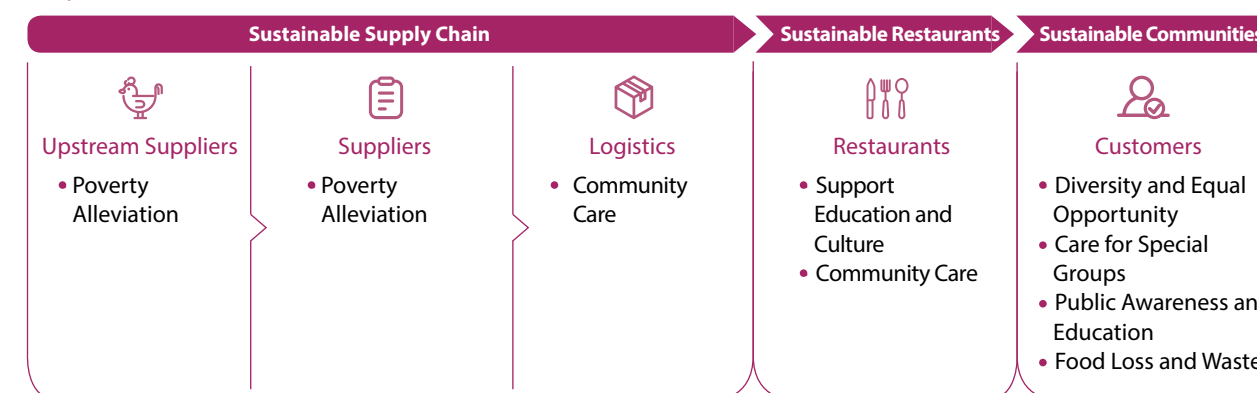
High Relevance



Medium Relevance



Key Material Topics Across the Value Chain



Our Goal and Commitment

Community Care:

- Our employees volunteer no less than

1.5 million hours per year



Our Roadmap

Our Management Approach

Improving Child Nutrition and Revitalizing Rural Industry

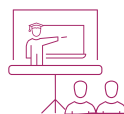
One Yuan Donation: Mobilizing public donations to improve child nutrition: We cooperate with the China Foundation for Poverty Alleviation (CFPA) to encourage donations from the public to improve child nutrition in poor areas.

Grow Local: Revitalizing rural economies and boosting local development: We help to identify business opportunities in rural areas to drive local economic development.



Promoting Education Equity

Enhancing educational equity: We provided computer equipment and free instructor-led virtual coding courses to children in rural areas, helping them to acquire essential digital skills that is much-needed to thrive in a digital world. By increasing digital learning opportunities, the Digital Classroom initiative contributes to the revitalization of rural education and talent development.



Supporting students from underprivileged families: Yum China established a three-in-one funding model with the China Youth Development Foundation (CYDF), providing underprivileged college students with good academic performance with financial supports, practical part-time work opportunities as well as platforms for social services to encourage the fund recipients to give back to the society.

Giving Back to the Community

School After 4:30 pm: Yum China provides children from different backgrounds with spaces for public activities.

Promoting public reading: We conduct online and offline activities to promote public reading.



Caring for Special Groups and Fulfilling Special Needs

Caring for left-behind and migrant children: Yum China continuously promotes the Little Migratory Birds Fund program to enrich the life of seasonal dual-earner families' children through reading, sports and art activities.



Proving free meals to contribute to the fight against COVID-19: After the outbreak of the pandemic, Yum China donated money to frontline health professionals. We provided free meals to frontline workers to show our deep gratitude and Pizza Hut made limited-time offers featuring traditional delicacies to uplift the local produce market in the impacted areas.

Promoting Traditional Chinese Culture and Healthy Lifestyles

Promoting traditional culture: Yum China integrated charming Chinese culture elements into its restaurants to inspire community's appreciation for local cultural heritage.

Promoting information on food safety: We educate children on food safety through various activities.

Promoting positivity: Yum China signed an agreement with the China Internet Development Foundation to donate money. We also promoted charity activities that promote positivity both online and offline.



Reducing Food Waste and Building a Responsible Society

Food Bank, bringing food to those in need: We distribute excess food that is left unsold to needy residents through the KFC Food Bank ((in cooperation with local authorities to ensure that it goes to the truly needy in an orderly way), in order to reduce food waste and advocating the public to conserve food.



Material Topics	Our Directions	Progress in 2020
 Poverty Alleviation	Improve child nutrition and contribute to revitalizing rural industries	<ul style="list-style-type: none"> As of the end of 2020, the One Yuan Donation program had raised more than 220 million yuan from over 130 million consumers, including more than 55 million yuan from Yum China and its employees. It donated 49.88 million nutritious meals to children and kitchen equipment to 1,156 schools, benefiting more than 760,000 students. The project covered 13 provinces and autonomous regions including Sichuan, Yunnan, Guizhou, Hubei, Guangxi, Hunan, Fujian, Hebei, Xinjiang, Heilongjiang, Gansu, Ningxia, and Shaanxi. As of the end of 2020, the Pizza Hut Grow Local Initiative had benefited more than 1,200 farmers and university students.
 Diversity and Equal Opportunity	Promote equal education and traditional Chinese culture	<ul style="list-style-type: none"> As of the end of 2020, the project had invested more than 120 million yuan in sponsoring over 19,000 college students, covering 68 universities in 30 cities. Students benefited from the project and gave back to society with more than 500,000 hours of social services.
 Community Care	Become a good neighbor in the community	<ul style="list-style-type: none"> As of the end of 2020, the School After 4:30 pm program had organized more than 1,000 activities in 30 cities. Pizza Hut expanded its Public Reading program to around 70 restaurants in 17 cities.
 Care for Special Groups	Address the cultural and educational needs of special groups, and care for workers on the front line during the covid-19 pandemic	<ul style="list-style-type: none"> As of the end of 2020, the Little Migratory Birds Fund had donated over 24 million yuan, benefiting three million left-behind and migrant children. It had donated 1,900 reading corners to communities and schools in 29 provinces with over 30,000 book-reading activities and had donated over 540,000 popular children's books. It had held over 600 Little Migratory Birds story-telling and related activities in KFC restaurant in over 100 cities; KFC Storytellers and volunteers had provided over 40,000 hours of volunteer service. Yum China delivered over 170,000 meals from KFC, Pizza Hut, and Little Sheep to over 1,450 hospitals and medical centers throughout the covid-19 pandemic.
 Public Awareness and Education	Raise public health awareness and promote traditional Chinese culture	<ul style="list-style-type: none"> As of the end of 2020, Yum China had conducted more than 470 educational activities on food safety and nutrition for children. In 2020, the YUMC Cup for Food Safety and Nutritional Health Knowledge Competition covered more than 40 universities in 10 cities. During the 2020 National Nutrition Week, over 6,000 KFC restaurants continued to use tray liners specially designed for the National Nutrition Week to help promote nutrition and health awareness. It has reached over 120 million consumers since 2016. The fire rescue themed restaurant project covered 10 cities including Shanghai, Guangzhou, and Hangzhou, with 29 themed restaurants established and more than 450 popularization activities held.
 Food Loss and Waste	Promote food waste reduction and explore ways to give out excess unsold meals	<ul style="list-style-type: none"> The Food Bank project expanded to 20 restaurants in five cities including Shenzhen, Guangzhou, Foshan, Fuzhou, and Nanjing.

Improving Child Nutrition and Revitalizing Rural Industry

In 2020, Yum China continued to promote rural revitalization. Yum China invested in improving child nutrition and revitalizing the economy in rural areas via programs such as the One Yuan Donation program and the Pizza Hut Grow Local Initiative.

One Yuan Donation: Mobilizing Public Donations to Improve Child Nutrition

Small Donations, Deep Care

"Inheriting while innovating has always been the theme of One Yuan Donation. We keep easy access to the program by continuing to conduct donation activities in restaurants while adding online donation activities. In 2020, innovative and interesting forms of donation activities such as Cloud Visit and Live Sales for Charities were also adopted, and showing care was as easy as a finger tap on the screen"

——Joey Wat, CEO of Yum China

In response to the government's *National Nutrition Plan (2017-2030)*, we have prioritized nutritional improvement in poverty-stricken areas as a CSR activity. Since launching One Yuan Donation with the CFPA in 2008, Yum China has encouraged online and offline donations for child nutrition in impoverished regions.

One Yuan Donation has made continuous breakthroughs and innovations in its 13-year history. We continued to innovate with imaginative public activities even during the pandemic. Online, we organized the Cloud Visit and Live Sales for Charities activities and launched two campaigns (#DuckFacesTogether and #PickYourNutritiousDiet) on TikTok to encourage people to donate without going out. Yum China also conducted One Yuan Donation activities offline.

All donations funded child nutrition in underprivileged areas. Every three yuan purchased a nutritious meal for children in remote areas, and every 50,000-60,000 yuan provides a rural school with a fully equipped modern kitchen. At the end of 2020, 1,156 kitchens had been donated to remote areas in 13 provinces/autonomous regions, producing meals for nearly 400,000 children.

As of the end of 2020

Over 220 million yuan had been raised

220million



Over 130 million customers participated in donation

130million

The program had provided 49.88 million nutritious meals for children

49.88million

Modern kitchen equipment to 1,156 schools

1,156

Benefited over 760,000 children

760,000

The project covered 13 provinces/autonomous regions, including Sichuan, Yunnan, Guizhou, Hubei, Guangxi, Hunan, Fujian, Hebei, Xinjiang, Heilongjiang, Gansu, Ningxia, and Shaanxi.

Feature Story

One Yuan Donation online and offline activities

In 2020, we conducted One Yuan Donation activities both online and offline to promote the idea that anyone can make an impact on society nationwide and provide the public with easy ways to donate. We encouraged donations via CSR activities including taking photos virtually with the CEO of Yum China, Yum China's management participating in charity sales, and a charity bazaar.



Joey Wat, CEO of Yum China, Forming a Love-shaped Gesture online with a Child from a Rural Area



Alice Wang (left), Chief Public Affairs Officer of Yum China, Streaming a Charity Activity Live with a Host



Yum China's One Yuan Donation Charity Bazaar

Feature Story

Pandemic Emergency Response

During the COVID-19 pandemic in 2020, Yum China acted swiftly to donate Modern Kitchens and school supplies to children in Wuhan schools. We provided 70 schools in eight less developed counties in Hubei province with Modern Kitchen equipment, enabling over 24,000 students to have nutritious and safe-to-eat meals.



Joey Wat, CEO of Yum China (7th from left) and Xiang Keqiang, Deputy Director of the Poverty Alleviation Office of Hubei Province (5th from right) at the opening ceremony of the Modern Kitchen Donation program, with representatives from Yum China management, the CFPA, and Xiaochang County Government of Hubei Province



Cooking in a Modern Kitchen



Children Taking Meals in the Modern Kitchen



Yum China's CEO and Executives Taking a Group Photo with Children after Distributing Clothes



Yum China's CEO Distributing KFC Meals to Children



Grow Local: Energizing Rural Economy and Boosting Local Development

Yum China considers local industry development as a good starting point to promote lagging economies in remote areas. We launched the Grow Local program in 2018, using our capabilities in menu innovation and our nationwide reach to help targeted remote areas identify and tap agricultural development opportunities. Grow Local promoted local products.

Yum China also established cooperation with local governments to introduce more advanced technology and efficient ideas for promoting industries to support the implementation of Grow Local. Besides fruits produced on the Yunnan-Guizhou Plateau, we also introduced pomegranates from Yunnan, Zigui Oranges from Hubei, and lemons from Sichuan for sale on Pizza Hut's e-commerce platform. Our supply chain advantages supported industrial developments in these areas.



Dragon Fruit from Guizhou and Fruit Juice



Feature Story

Pizza Hut Grow Local Initiative: Promoting the Employment of University Graduates by Cultivating New Agricultural Talent

Dragon fruit production has risen consistently since the program began in Guizhou in 2019, fueling demand for relevant talent. Yum China intensified its support for Grow Local in 2020 via a training program for agricultural standardization via the *Guizhou Education and Training Base for Farmers* as an agricultural education site. We also funded college students to participate in the program. As of December 2020, it had benefited over 1,200 farmers and college students.

As of December 2020 —

It had benefited over **1,200** farmers and college students

1,200



Grow Local Farmers Training Session in Zhenfeng



Participants Taking the Field Management of Fruit Seedlings Course

Promoting Education Equity

Yum China promotes education equity and creates more opportunities for quality education for young people by continuously exploring diversified pathways. We also build funds with external partners and organize external volunteer activities to provide a fair and quality educational platform for children and students in different regions.

Promoting Education Equity

Yum China is keenly aware that educational demands in rural and remote areas are changing as society advances. We address the needs of students in these areas by increasing digital learning opportunities.

In China, many rural primary schools in remote areas not only lack teachers with programming teaching experience, but also face a severe shortage of modern computers and equipment, making it difficult to provide computer programming education.

2020

Yum China donated

5 million RMB

Provide new computer equipment and free instructor-led virtual coding courses and training to children and teachers in rural areas



In 2019, in partnership with CFPA and Leap Learner, Yum China started to explore creating digital learning opportunities for children in rural areas. Starting in Gansu province, the Company donated computers and established digital classrooms as part of its One Yuan Donation program, the Company's signature nationwide community campaign. In 2020, Yum China expanded the pilot project to provide remote instructor-led coding training to teachers from over 100 schools in Ningxia and Hunan provinces. The training is designed to help the teachers to learn coding and build fundamental knowledge needed to teach students and support the next generation workforce.

In the past two years under the pilot program, teachers and students have benefited greatly from the virtual training and coding classes and have noted considerable improvements in their digital capabilities. Building on a successful pilot introduced in 2019, Yum China has donated RMB 5 million to fund the Digital Classroom Initiative, providing children in rural areas with access to digital learning opportunities.

Supporting Students from Underprivileged Families

We established the KFC First Light Fund in 2002 to provide financial support to students from underprivileged families with good academic performance.

The fund promotes independence and personal growth while providing scholarships to students. We also created the First Light Commune, a social platform, via which students can identify and help others with similar backgrounds as theirs, thus giving back to society. As of the end of 2020, we invested over 120 million yuan in the fund and supported over 19,000 college students in 68 universities across 30 cities nationwide. While benefiting from the fund, students had provided over 500,000 hours of social services in total by the end of 2020.

As of the end of 2020

We had invested over 120 million yuan in the fund

120 million



Across nationwide

30 cities

68 universities

Supported over 19,000 college students

19,000



As of the end of 2020

Students had provided over 500,000 hours of social services in total

500,000 hours



Giving Back to the Community

Yum China values giving back to the community and society. Through our widely distributed restaurants, we aim to enhance mutual care among citizens and help build a harmonious community. Yum China opens restaurants and offers a wide range of services in many communities of various types. Through the KFC School After 4:30 pm program, we provide children from different backgrounds with spaces for public activities. We also encourage reading and socialization through Pizza Hut's Public Reading Program.



School After 4:30 pm

KFC launched its first School After 4:30 pm themed restaurant in 2016. In 2020, the program expanded to cover primary school students with two working parents, those from poor families, and those whose parents are migrant workers. As no one could care for them after school, we provided them with spaces for public activity after school in restaurants and community service centers, which could promote child physical and mental development. As of the end of 2020, School After 4:30 pm had covered 30 cities and provided over 1,000 activities.

As of the end of 2020

covered 30 cities

30

School After 4:30 pm had provided over 1,000 activities

1,000

Feature Story

School After 4:30 pm Activities

In 2020, Yum China invited local cultural charity partners and volunteers from Fuzhou, Jinan, Qingdao, Shenzhen, and Wuxi to conduct cultural, etiquette, and science classes with different local characteristics. This enabled children to exchange cultural and scientific knowledge after school while enhancing neighborhood interaction.



The KFC Magic Food Truck in Jixi National Wetland Park



School after 4:30 pm Themed Activity with Fuzhou - Chaoshan Culture



Promoting Reading in Communities

Yum China encourages daily reading in the community by organizing online and offline reading activities through its many restaurants and online platforms.

KFC "Book Kingdom"

As one of the beloved restaurants for kids, KFC launched the "Book Kingdom" program in 2016 to distribute selected children's books along with Kids' Meals to motivate kids to read more good books and expand their horizons while enjoying the delicious food.

In the past few years, the "Book Kingdom" initiated book list workshops, quality children's reading lists, in-restaurant and online storytelling sessions, as well as a wide range of activities to spark children's interest and boost children's reading skill. In 2020, KFC launched an online picture book writing contest with a theme called "I Am A Little Picture Book Writer", inviting children to draw the most beautiful scenes in their mind describing the harmonious co-existence between ocean and human under the theme of "Guarding Mother Ocean". The first picture book session included 2,800 outstanding children's works. This picture book creating experience served as family engagement that helps families to build a bond while leaves good childhood memories for the children.

By the end of 2020, over 76 million books had been distributed during the initiative, with over 690,000 storytelling sessions held.

As of the end of 2020

Over 76 million books had been distributed during the initiative

76 million

With over 690,000 storytelling sessions held

690,000



"I Am A Little Picture Book Writer" poster



Offline "Book Kingdom" Activity

Pizza Hut's Public Reading Program

Since its inception in 2018, the program has expanded to around 70 Pizza Hut restaurants in 17 cities. We provide public reading platforms in collaboration with local governments and third-party resources, enabling customers to socialize and read while enjoying their meals.



A Family Enjoying Their Meals While Reading Books in a Pizza Hut Restaurant

Feature Story

Audio Books with Cheese

On 2020's World Reading Day, we launched a new type of cheese product. To encourage public reading, we collaborated with audiobook provider Sanlianzhongdu to equip Pizza Hut restaurants in Beijing with audiobook resources. This was a creative way to connect food with audiobook listening, which was a novel and inspiring combination for many customers.



Caring for Special Groups and Fulfilling Special Needs

Yum China is devoted to providing safe and effective support for those in need. By using our restaurants as a platform, we provided left-behind children with warm spaces for public activity. When the COVID-19 pandemic broke out in early 2020, we acted swiftly to provide frontline workers with free meals. As the situation improved, we continued to leverage our food innovation expertise to develop new local favor products in order to help boost the morale of the public and drive consumption recovery in pandemic-hit areas.



Caring for Left-behind and Migrant children

In China, the education of left-behind and migrant children has always been a focus of social attention. Yum China helped this effort by setting up the KFC Little Migratory Birds Fund in 2016, which uses methods including donating book corners and organizing story-telling sessions and themed activities to promote the happy and healthy growth of migrant children. In 2019 and 2020, KFC collaborated with the China Children and Teenagers Foundation to hold the art-themed Little Migratory Birds in Summer activity, supporting migrant children who are passionate about art.



Migrant Children from Inner Mongolia, Chongqing, Shandong and Shanghai Performing Online

As of the end of 2020

The Little Migratory Birds Fund had donated over 24 million yuan

24million

Benefited three million left-behind and migrant children

3million

Donated 1,900 book corners for schools in 29 provinces

1,900

Organized over 30,000 book-reading sessions

30,000

Donated over 540,000 high-quality children's books

540,000

Contributed over 40,000 hours of volunteering time by KFC "Story Tellers" and other volunteers

40,000hours

Held over 600 story-telling sessions and related activities for migrant children in KFC restaurants in over 100 cities

600



Contributing to the Fight against COVID-19 by Providing Free Meals to Frontline Workers

In 2020, we provided free meals to frontline workers during the pandemic. We also send free meals to frontline workers during holidays and in fierce summer and winter weather. From the outbreak of the pandemic to the recovery, Yum China never stopped caring for frontline workers and impacted areas.

Not long after the outbreak of the pandemic, Yum China immediately donated three million yuan directly to Tongji Hospital, a hospital affiliated to Tongji Medical College of Huazhong University of Science & Technology. This provided each of the first groups of medical professionals caring for COVID-19 patients with aid worth 3,000 yuan. Aware that medical professionals were facing challenges in food supplies, Yum China recruited volunteering employees in Wuhan and reopened five KFC and three Pizza Hut restaurants, providing medical professionals in some key hospitals in Wuhan with over 1,000 free meals every day. The meals were taken by designated personnel from

hospitals at the same time from the same restaurants every day. The recipes of all meals were designed and renewed regularly, focusing not only on nutrition but also on taste.

Even at the peak of the outbreak, we kept a majority of restaurants open, so that millions of people could have access to safe and hearty meals.

Yum China donated 3 million yuan directly to Tongji Hospital upon the pandemic outburst

3 million



In this difficult time when the whole nation is combating the pandemic, every one of us is obligated to play our part. As a restaurant company, we will do everything we can to use our restaurants as platforms to support frontline medical professionals and show our deep gratitude and care via free and ready-to-eat meals.

——Joey Wat, CEO of Yum China



Free Meals for Medical Professionals



Yum China also supported our communities by providing donations, free meals, and volunteer services to medical workers on the frontline.

In 2020

Yum China provided over

1,450 hospitals and medical centers

With over

170,000 free meals of KFC, Pizza Hut and Little Sheep

Feature Story

Showing Our Deep Gratitude to Frontline Workers with Thousands of Free Meals

The sudden pandemic concerned everyone. Since its outbreak, 340 medical teams with practically 40,000 medical professionals from across the country worked day and night on the frontline, fighting against the pandemic. On International Women's Day, Yum China's KFC and Pizza Hut collaborated with the Health Commission of Hubei Province and the Wuhan Municipal Administration for Market Regulation in closing our 17 contactless delivery restaurants for a whole day, working with volunteers to provide over 10,000 free meals to 88 medical teams sent to Hubei province.



KFC and Pizza Hut Restaurants in Wuhan Sending Meals to Thank Medical Teams

Yum China dedicated **17** contactless delivery restaurants

17

Working with volunteers to provide over 10,000 free meals to **88** medical teams sent to Hubei province

88

Feature Story

On February 7, 2020, Little Sheep participated in the Supporting the Families of Aiding-Hubei Medical Professionals & Collectively Combating COVID-19 initiative jointly launched by the Shanghai Women's Federation (SWF), the Shanghai Municipal Health Commission, and the Shanghai Children Foundation (SCF). We provided over 12,000 free self-heating hotpots worth 500,000 yuan to families of medical professionals sent to aid Hubei province, showing our deep gratitude for the frontline workers.

We provided over

12,000

free self-heating hotpots

worth 500,000 yuan to families of medical professionals

500,000

Feature Story

Pizza Hut Offering Wuhan Hot-dry Noodles to support the recovery of Hubei's cultural tourism

In mid-2020, Pizza Hut collaborated with Wuhan Hot-dry Noodles brand Cai Linji and Sanlian Life Weekly magazine to offer customers "Grilled Crayfish Hot-dry Noodles" for a limited time in Wuhan, a tribute to the traditional food culture of Hubei, in order to support the recovery of Hubei's cultural tourism, as the city recovers from the pandemic.



Grilled Crayfish Hot-dry Noodles Provided for a Limited Time by Pizza Hut in 2020

Promoting Traditional Chinese Culture and Healthy Lifestyles

Yum China believes that public promotion and education play a crucial role in promoting cultural activities in the community. In 2020, we continued to work with communities to promote traditional Chinese culture, raise customer awareness of food safety, and improve public awareness of nutrition and health.



Promoting Traditional Chinese Culture

Yum China has always been committed to promoting traditional Chinese culture during our history of over 30 years in China. We use the close relationship between our customers and our restaurants to bring traditional culture to more people.

Promoting Chinese Classics

Beginning in 2018, KFC partnered with the National Museum of China to launch the National Treasure Shining China and China on Fingertips activities. KFC also used its restaurants to embody themes including history, culture, and traditional arts across the country to engage customers. Working with the National Palace Museum, KFC launched buckets themed with a "Six Amazing Auspicious Beasts of the Forbidden City" design in 2020 and decorated its restaurants with the "Auspicious Signs with China" theme to celebrate Chinese New Year.



KFC Buckets Themed with the Six Amazing Auspicious Beasts of the Forbidden City

During the Mid-autumn Festival in 2020, Yum China's Pizza Hut collaborated with the Dunhuang Museum to decorate selected restaurants in nine cities (Shanghai, Hangzhou, Nanjing, Guangzhou, Shenzhen, Chengdu, Shenyang, Xi'an, and Lanzhou) with Dunhuang Art, promoting the museum's traditional arts in the community.

9

Yum China's Pizza Hut collaborated with the Dunhuang Museum to decorate restaurants in 9 cities with Dunhuang Art



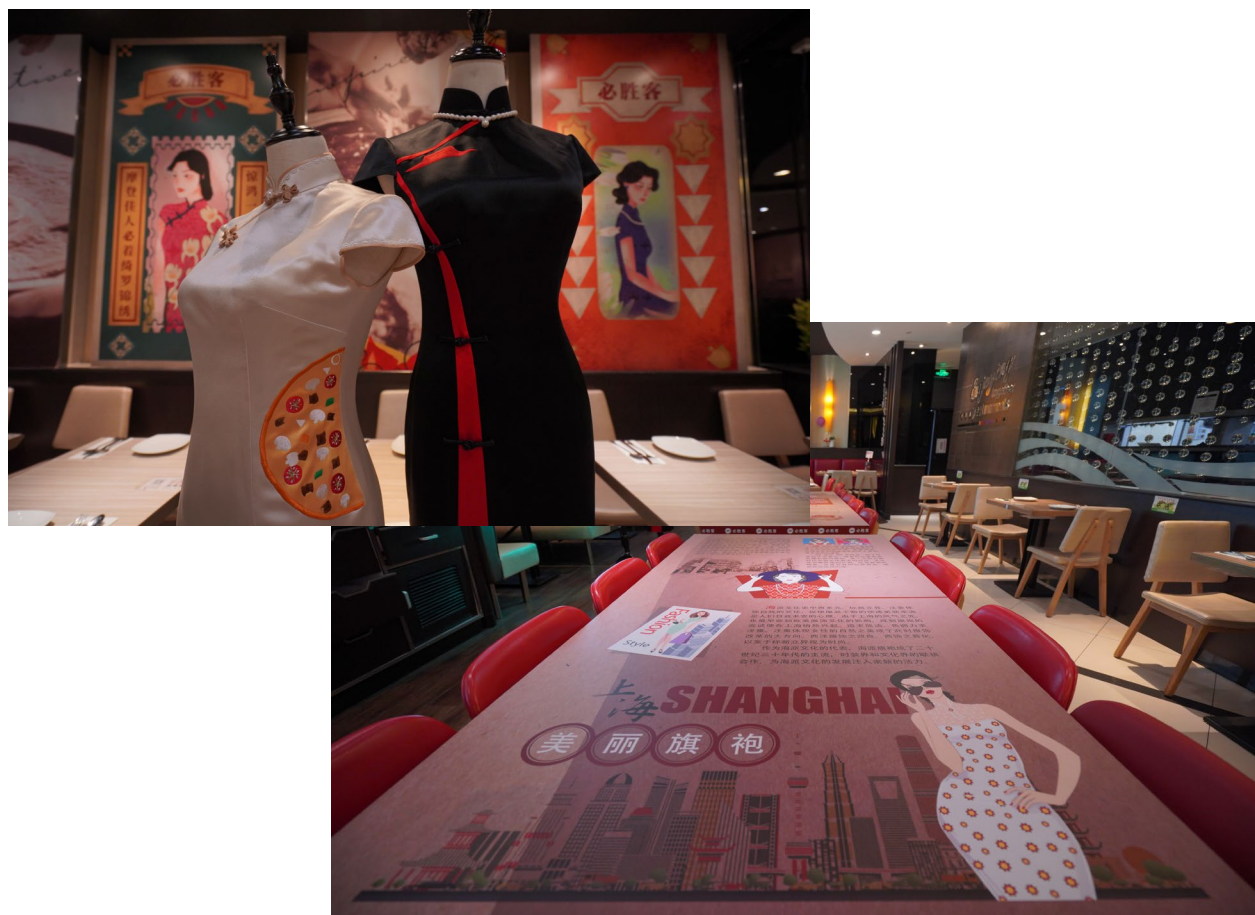
Pizza Hut Dunhuang-themed Decoration



Integrating into Local Culture

Yum China has worked with local museums and different tourism areas to launch Chinese culture-themed restaurants that engage the community and promote traditional Chinese culture. KFC and Pizza Hut also blended modern culture and local features when developing theme restaurants, enhancing the cultural identity of the community and helping people enjoy the charm of traditional arts in daily life.

Yum China promotes crossover collaboration to integrate traditional culture into the modern food industry. In the Xujiahui street of the Shanghai School block, a Pizza Hut restaurant and a KFC restaurant were decorated to be Shanghai School culture theme restaurants.



Shanghai School Culture Theme Restaurants



Strengthening Education on Food Safety

Guarding the Children and Youth, We Are in Action

In 2020, Yum China conducted activities entitled “Guarding the Children and Youth, We Are in Action” to educate youth about food safety. We conducted the activities during the pandemic in 2020 via video links, and we transformed selected KFC restaurants in seven cities including Changsha, Foshan, Xining, and Shanghai into food safety education and experience spaces later that year. We also organized offline science-based activities on campus and in communities. This combination of annual activities, virtual classes, and experience spaces continued engaging young people to raise their awareness of food safety and nutrition.

As of and the end of 2020

Yum China had conducted over **470** educational activities

470

We had adapted 22 selected KFC restaurants to offer experience spaces for educating young people about food safety

22



Xining



Shanghai



Wuhan



Foshan





Raising Public Awareness of Nutrition and Health

YUMC Cup

Yum China launched the YUMC Cup knowledge contest in 2017. Under the guidance of market supervisory authorities, we regularly hold the YUMC Cup for Food Safety and Nutritional Health Knowledge Competition among universities. We pass on scientific information about nutrition and health to college students and the public through various activities including knowledge competitions, and online answering on Alipay.

YUMC Cup 2020 was a collaboration between Yum China, the China Market Regulation News, and Alipay's Answering Planet (a mini-program launched by Alipay). We launched it in October and held the national finals in Beijing in December. We expanded the scale of the event in 2020 to cover over 40 universities in 10 cities, attracting over 2.3 million knowledge quiz participants through the competition platform just for the practice section. Teams from universities in different cities participated in debates and interactive games besides the knowledge competitions. Information technology and the internet have made the event more influential. It promoted food safety and nutrition awareness, helping us to further improve public health.

The 2020 YUMC Cup

Attracted over **2.3 million** knowledge quiz participants through the competition platform

2.3million

Attracted participants from over 40 universities in **10** cities nationwide.

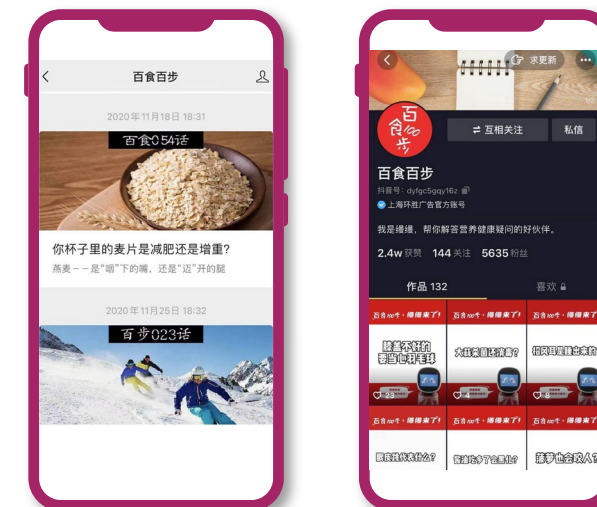
10



The 2020 YUMC Cup for Food Safety and Nutritional Health Knowledge Competition

Promoting Information via Online Platforms

Yum China launched the official Wechat account - *Best Foods & Best Sports* in 2017 to promote health and nutrition awareness. We promote healthy diet and healthy lifestyles using everyday stories that resonate with people. We expanded its influence by creating themed short videos in TikTok in May 2020.



Yum China Promoting Information on Nutrition and Health via WeChat and TikTok

National Nutrition Week

National Nutrition Week, which falls in the third week of every May, is a national nutrition promotion program initiated by the Chinese Nutrition Society and the Institute for Nutrition and Health of the Chinese Center for Disease Control and Prevention. It is part of the *National Nutrition Plan (2017-2030)* and has become an important part of building a healthy China in the new era. The 2020 program was officially launched nationwide on May 17, 2020. Over 6,600 KFC restaurants continued to use tray liners specially designed for National Nutrition Week to help promote nutrition and health awareness. This is the fifth consecutive year that Yum China has supported the program, and it has reached over 120 million customers.

We help to promote its "Balanced Diet, Foundation of Immunity" theme by including related information on our tray liners. The liners inform the public of the fundamental

role a balanced diet can play in enhancing immunity, promoting high-quality protein sources such as milk and soy. We also promoted single-serve meals while calling on the public to not engage wild-life consumption for a healthier lifestyle.

During National Nutrition Week, Yum China distributed questionnaires about healthy lifestyles to physicians across the country in collaboration with the Community Nutrition and Health Management Branch of the Chinese Nutrition Society, the Chinese Medical Doctor Association, and the Beijing Dietitian Association. Based on the analysis results, we released the *Survey Report on the Healthy Lifestyle of Chinese Physicians* on Physician Day to help increase the society's understanding of and care for the physician community.

National Nutrition Week of 2020

6,600

Over **6,600** KFC restaurants continued to use special designed tray liners

From 2016 to 2020

120million

The program has reached over total **120 million** customers



KFC Tray Liner Specially Designed for National Nutrition Week

During the National Science Popularization Week period from September 19 to 25, 2020, Yum China's KFC collaborated with the Chinese Institute of Food Science and Technology, initiated to use 20.5 million tray liners with food-related knowledge in over 6,700 KFC restaurants in more than 1,400 cities nationwide. This initiative has encouraged the public to choose healthier ways of living by passing down positive messages and educating customers to understand the process behind the food supplies chain and the scientific knowledge in daily meals.

6,700

Initiated to use 20.5 million tray liners with food-related knowledge to over **6,700** KFC restaurants in more than 1,400 cities nationwide



Food Safety & Nutritional Science Tray Liner

Reducing Food Waste and Building a Responsible Society

In response to the government's Stop Food Waste initiative, Yum China works hard to reduce food waste. We launched our pilot Food Bank program in Shenzhen KFC restaurants in September 2020 to provide excess food for free to needy residents.

Food Bank: Bringing Food to Those in Need

KFC has been working on reducing food waste by employing technology to improve management procurement, production, and sales. However, due to volatile factors such as restaurant traffic and weather, some restaurants have a small amount of food left unsold. We have begun to freeze and distribute the surplus food for free to nearby residents in need.

In 2020, we expanded to

5 cities 20 restaurants



KFC Employees Bringing Food to a Food Bank



Residents Taking Food

We promote positivity online in innovative ways to inspire consumers to participate in charity activities. We signed a donation agreement with the China Internet Development Foundation and donated 10 million yuan to the China Network Development Fund's Internet Public Welfare fund. These donations will help to promote charitable content related to emergency response, fire prevention and safety education, poverty alleviation, healthy lifestyles, and charitable public activities.

In 2020, Yum China supported the "Safeguarding the Safety of People's Life and Work" interviews that were organized by Cyberspace Administration of China and the online promotion activities with themes of "Preserving Lucid Waters and Lush Mountains" and "Understanding Fire Fighting" and decorated 29 restaurants in 10 cities nationwide into fire rescue-themed restaurants where over 450 emergency response education activities were held. During the activities, kids and their parents in the community were educated to know more about disaster relief and improve their emergency response capabilities to further enhance general fire safety.

In 2020

10

Fire rescue-themed restaurants in **10** cities nationwide

29

29 fire rescue-themed restaurants

450

Over **450** emergency response education activities were held



Walls of KFC Restaurants in Shanghai Decorated with Pictures of Fire Rescue-themed Pictures and Cartoons



Children Receiving Fire-fighting Knowledge Education

Food Bank program has garnered high praise. This program was publicly voted as one of the Top Ten Charity Events in Guangzhou in 2020. The Guangzhou Charity Federation and the Guangzhou Charity Association selected Guangdong KFC Food Bank as the First Batch of Charity Spaces in Guangzhou. The Standing Committee of the National People's Congress included the Food Bank in its report on the implementation of the Charity Law of the People's Republic of China as an excellent example of Innovative charity program.



KFC Launched Their First Food Bank in Shenzhen

05 Appendix



Key Performance Indicators

Indicators	Unit	2019	2020
FOOD			
Restaurant Food Safety and Quality Audits (i.e. Operational Excellence Check)	times	17,000+	16,200+
Product Checks on Key Menu Items in Restaurants	times	3,400+	3,690+
Microbiological Testing in Restaurants	pieces	83,000+	71,000+
Food Safety and Quality Audits on Suppliers	times	590+	600+
Key Raw Materials Sampling Tests in Restaurants	pieces	680+	300+
ENVIRONMENT			
Total Electricity Consumption	MWh	2,870,997	2,760,611
Average Restaurant Electricity Consumption	MWh	342	304
Direct (Scope 1) GHG Emissions	tCO ₂ e	114,720	135,615
Energy Indirect (Scope 2) GHG Emissions	tCO ₂ e	1,956,072	1,873,757
Average Restaurant Energy Indirect (Scope 2) GHG Emissions	tCO ₂ e	233	207
Total Water Consumption	tons	27,602,012	24,579,253
Average Restaurant Water Consumption	tons	3,284	2,710
Amount of Paper and Plastic Packaging Reduction	tons	9,000+	9,200+
Percentage of RSPO-Certified Palm Oil	%	100	100
PEOPLE			
Total Number of Employees	person	/	400,000+
Number of Full-time Employees	%	/	34
Number of Part-time Employees	%	/	66
Number of Male Employees	%	/	36
Number of Female Employees	%	/	64
Number of Employees under 30	%	/	60
Number of Employees 31~40	%	/	23
Number of Employees 41~50	%	/	15
Number of Employees over 50	%	/	2
Employee Turnover Rate of Restaurant General Managers (RGMs)	%	/	9.2
Share of Women in Total Workforce	%	/	64
Share of Women in All Management Positions	%	/	60

Key Performance Indicators

Indicators	Unit	2019	2020
PEOPLE			
Share of Women in Junior Management Positions	%	/	61
Share of Women in Top Management Positions	%	/	54
Share of Women in Management Positions in Revenue-Generating Functions	%	/	61
Share of Women in STEM-related Positions	%	/	15
Share of Female Employees between New Hire Employees	%	/	59
Share of Female Employees between Promotion Employees	%	/	62
Share of Female Employees between Turnover Employees	%	/	56
Mean Gender Pay Gap between Men and Women Employees	%	/	<3
Media Gender Pay Gap between Men and Women Employees	%	/	<3
Number of Cities with Angel Restaurants	/	/	23
Number of Angel Restaurants	/	/	24
Number of People with Disabilities Employed in Angel Restaurants	person	/	200+
Number of People with Disabilities Gained Employment Support	person	/	2,100+
Total Amount Spent on Training and Development	RMB	/	266,000,000
Average Amount Spent per FTE on Training and Development	RMB	/	1,308
Training and Development Hours in Total	hours	/	8,600,000
Average Hours per FTE of Training and Development	hours	/	42
Number of Full-time Employees Trained	person	/	36
Number of Part-time Employees Trained	person	/	8
Promotion Rate Across the Management Team	%	/	136,000
Promotion Rate among Office Employees	%	/	270,000
Share of Male Employees in Training Programs	%	/	36
Share of Female Employees in Training Programs	%	/	64
Annual Physical Examination Coverage of Restaurant Management Team and Office Employees	%	/	100
Health Certificate Coverage of Restaurant Employees	%	/	100
Lost-time Injury Frequency Rate for Employees	n/million hours worked	1.08	1.34
Percentage of CSR Audited Critical Suppliers	%	100	100
Percentage of Suppliers in China	%	98.7	99.1
COMMUNITY			
Employee Volunteer Time	hours	1,500,000+	1,500,000+

GRI CONTENT INDEX

This Report has been prepared in accordance with the GRI Standards: Core option.

General Disclosures	Introduction	Chapter	Page	Note
GRI102: GENERAL DISCLOSURES 2016				
ORGANIZATIONAL PROFILE				
102-1	Name of the Organization	Overview	P06	
102-2	Activities, Brands, Products, and Services	Overview	P06	
102-3	Location of Headquarters	Overview	P06	
102-4	Location of Operations	Overview	P06	
102-5	Ownership and Legal Form	Overview	P06	
102-6	Markets Served	Overview	P06	
102-7	Scale of the Organization	Overview	P06	
102-8	Information on Employees, and Other Workers	Overview	P06	
102-9	Supply Chain	Build a Value Chain that Protects Food Safety Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities	P24 P81	
102-10	Significant Changes to the Organization and Its Supply Chain	Overview	P06	
102-11	Precautionary Principle or Approach	Corporate Governance	P10	
102-12	External Initiatives	Sustainability Management	P12	
102-13	Membership of Associations	FOOD Actively Promote Industry Development	P38	
STRATEGY				
102-14	Statement from Senior Decision-Maker	Remarks by YUM China CEO	P02	
ETHICS AND INTEGRITY				
102-16	Values, Principles, Standards, and Norms of Behavior	Corporate Governance	P10	
GOVERNANCE				
102-18	Governance Structure	Corporate Governance	P10	
STAKEHOLDER ENGAGEMENT				
102-40	List of Stakeholder Groups	Stakeholder Engagement	P16	
102-41	Collective Bargaining Agreements	Accelerating Employee Growth to Achieve Company Vision	P62	
102-42	Identifying and Selecting Stakeholders	Stakeholder Engagement	P16	
102-43	Approach to Stakeholder Engagement	Stakeholder Engagement	P16	
102-44	Key Topics and Concerns Raised	Stakeholder Engagement	P18	
REPORTING PRACTICE				
102-45	Entities Included in the Consolidated Financial Statement	About this Report	P04	
102-46	Defining Report Content and Topic Boundaries	Materiality Assessment	P18	

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This Report has been prepared in accordance with the GRI Standards: Core option.

General Disclosures	Introduction	Chapter	Page	Note
102-47	List of Material Topics	Materiality Assessment	P18	No material restatements of information provided in previous reports
102-48	Restatements of Information	-		
102-49	Changes in Reporting	About this Report	P04	
102-50	Reporting Period	About this Report	P04	
102-51	Date of Most Recent Report	About this Report	P04	
102-52	Reporting Cycle	About this Report	P04	
102-53	Contact Point for Questions Regarding the Report	About this Report	P04	
102-54	Claims of Reporting in accordance with the GRI Standards	About this Report GRI Content Index	P04 P110	
102-55	GRI Content Index	GRI Content Index	P110	
102-56	External Assurance	Assurance Report	P116	
ECONOMIC				
GRI 204: PROCUREMENT PRACTICES 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	People	P60	
		Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities	P81	
103-2	The Management Approach and Its Components	People	P60	
		Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities	P81	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
204-1	Proportion of Spending on Local Suppliers	Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities	P83	
GRI 205: ANTI-CORRUPTION 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	Business Ethics	P11	
103-2	The Management Approach and Its Components	Business Ethics	P11	
103-3	Evaluation of the Management Approach	Business Ethics	P11	
205-2	Communication and Training About Anti-Corruption Policies and Procedures	Business Ethics	P11	
ENVIRONMENTAL				
GRI 301: MATERIALS 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	ENVIRONMENT	P41	
103-2	The Management Approach and Its Components	ENVIRONMENT	P42	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
301-1	Materials Used by Weight or Volume	ENVIRONMENT Promoting Sustainable Packaging with Innovative Green Design	P56	
GRI 302: ENERGY 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	ENVIRONMENT	P41	
302-1	Energy Consumption within the Organization	ENVIRONMENT Practicing Green Operations to Build Green Restaurants	P47	

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This Report has been prepared in accordance with the GRI Standards: Core option.

General Disclosures	Introduction	Chapter	Page	Note
302-3	Energy Intensity	ENVIRONMENT Practicing Green Operations to Build Green Restaurants	P47	
302-4	Reduction of Energy Consumption	ENVIRONMENT Practicing Green Operations to Build Green Restaurants	P47	
302-5	Reduction in Energy Requirements of Products and Services	ENVIRONMENT Practicing Green Operations to Build Green Restaurants	P48	
GRI 303: WATER AND EFFLUENTS 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	ENVIRONMENT	P41	
103-2	The Management Approach and Its Components	ENVIRONMENT	P42	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
303-1	Interactions with Water as a Shared Resource	ENVIRONMENT Practicing Green Operations to Build Green Restaurants	P51	
GRI 305: EMISSIONS 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	ENVIRONMENT	P41	
103-2	The Management Approach and Its Components	ENVIRONMENT	P42	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
305-2	Indirect (Scope2) GHG Emissions	ENVIRONMENT Honoring Environmental Commitments and Promoting Climate Action	P46	
305-4	GHG Emissions Intensity	ENVIRONMENT Honoring Environmental Commitments and Promoting Climate Action	P46	
GRI 306: EFFLUENTS AND WASTE 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	ENVIRONMENT	P41	
103-2	The Management Approach and Its Components	ENVIRONMENT	P42	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
306-2	Waste by Type and Disposal Method	ENVIRONMENT Practicing Green Operations to Build Green Restaurants	P51	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	ENVIRONMENT	P41	
103-2	The Management Approach and Its Components	ENVIRONMENT	P42	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
307-1	Non-Compliance with Environmental Laws and Regulations	-		No major violations of environmental laws and regulations
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016 / GRI103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	ENVIRONMENT	P54	

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General Disclosures	Introduction	Chapter	Page	Note
103-2	The Management Approach and Its Components	ENVIRONMENT	P42	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
308-1	New Suppliers that Were Screened Using Environmental Criteria	"ENVIRONMENT Partnering with Suppliers to Build a Sustainable Upstream Ecosystem"	P54	
GRI 401: EMPLOYMENT 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	People	P60	
		Accelerating Employee Growth to Achieve Company Vision	P62	
		People	P60	
103-2	The Management Approach and Its Components	Accelerating Employee Growth to Achieve Company Vision	P62	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
401-1	New Employee Hires and Employee Turnover	Accelerating Employee Growth to Achieve Company Vision	P62	
401-2	Benefits Provided to Full-Time Employees that Are Not Provided to Temporary or Part-Time Employees	Accelerating Employee Growth to Achieve Company Vision	P72	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	People	P60	
		Accelerating Employee Growth to Achieve Company Vision	P74	
		People	P60	
103-2	The Management Approach and Its Components	Accelerating Employee Growth to Achieve Company Vision	P74	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
403-2	Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Number of Work-Related Fatalities	Accelerating Employee Growth to Achieve Company Vision	P75	
GRI 404: TRAINING AND EDUCATION 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	People	P60	
		Accelerating Employee Growth to Achieve Company Vision	P66	
		People	P60	
103-2	The Management Approach and Its Components	Accelerating Employee Growth to Achieve Company Vision	P67	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
404-1	Average Hours of Training Per Year Per Employee	Accelerating Employee Growth to Achieve Company Vision	P66	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016 / GRI 103: MANAGEMENT APPROACH 2016				

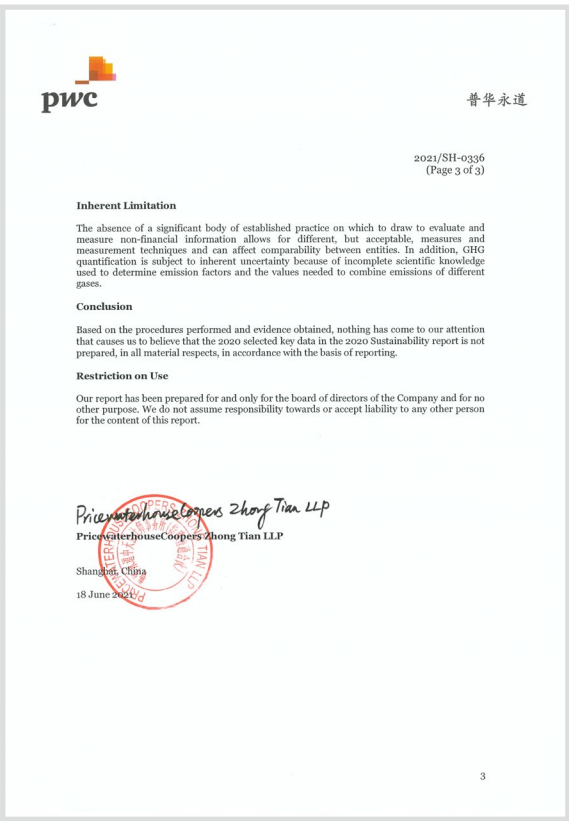
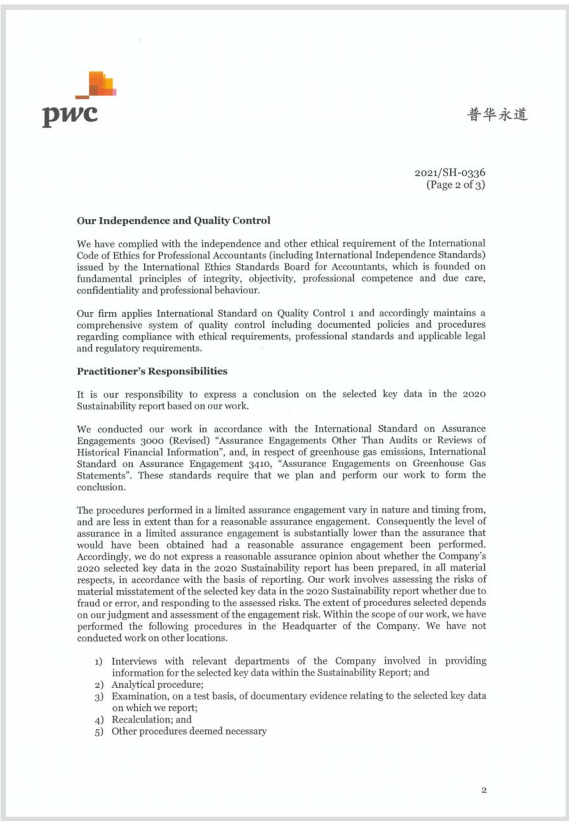
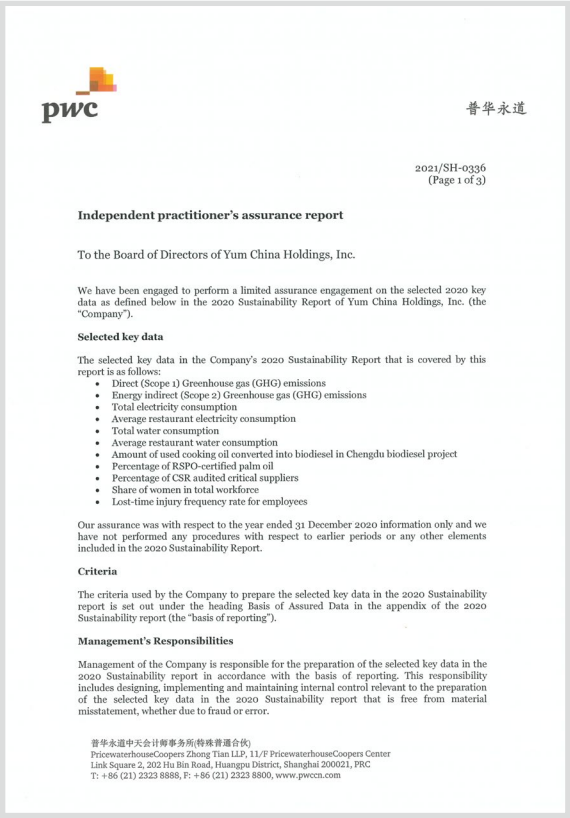
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103-2	The Management Approach and Its Components	Accelerating Employee Growth to Achieve Company Vision	P62	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
405-1	Diversity of Governance Bodies and Employees	Accelerating Employee Growth to Achieve Company Vision	P63	
GRI 413: LOCAL COMMUNITIES 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	Community	P85	
103-2	The Management Approach and Its Components	Community	P87	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
413-2	Operations with Significant Actual and Potential Negative Impacts on Local Communities	Community	-	No evidence of potential impacts on local community
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	People	P60	
		Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities	P81	
		People	P60	
103-2	The Management Approach and Its Components	Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities	P81	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
414-1	New Suppliers That Were Screened Using Social Criteria	Practicing Responsible Sourcing and Collaborative Partnership to Promote Social Responsibilities	P81	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	FOOD Build a Value Chain that Protect Food Safety	P22	
103-2	The Management Approach and Its Components	FOOD Build a Value Chain that Protect Food Safety	P22	
103-3	Evaluation of the Management Approach	Sustainability Management	P12	
416-1	Assessment of The Health and Safety Impacts of Product and Service Categories	FOOD	P26	
GRI 419: SOCIOECONOMIC COMPLIANCE 2016 / GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the Material Topic and Its Boundary	Business Ethics	P11	
103-2	The Management Approach and Its Components	Corporate Governance	P10	
103-3	Evaluation of the Management Approach	Corporate Governance	P10	
419-1	Non-Compliance with Laws and Regulations in the Social and Economic Area	-		No Major Violations of Laws and Regulations in the Social and Economy Area

BASIS OF ASSURED DATA

No.	Data	Basis
1	Direct (Scope 1) GHG Emissions	Direct (Scope 1) GHG Emissions of Yum China in 2020 were the direct (Scope1) GHG emissions generated by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020. All the direct (Scope 1) GHG emissions are derived from installation, operation and disposal of refrigeration and air-conditioning equipment, which is calculated by using Refrigeration and Air-Conditioning Equipment Tool issued by GHG Protocol. The type of refrigerant and original refrigerant charge of refrigeration equipment comes from the nameplate. The type of refrigerant of air-conditioning equipment comes from the nameplate, and the average restaurant original refrigerant charge of air-conditioning equipment is defined by Yum China based on the restaurant area and refrigerant charge. The Global Warming Potential (GWP) of refrigerant refers to the 100-year GWP values in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change and 2017 American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHARE) Handbook – Fundamentals.
2	Energy Indirect (Scope 2) GHG Emissions	Energy indirect (Scope 2) GHG emissions of Yum China in 2020 were the energy indirect (Scope2) GHG emissions generated by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020. All the energy indirect (Scope 2) GHG emissions are derived from electricity consumption, which is calculated by multiplying each restaurant's electricity consumption by the average carbon dioxide emission factors of regional power grid. The average carbon dioxide emission factors of regional power grid refer to the emission factor of 2012 in the "Average Carbon Dioxide Emission Factors of China's Regional Power Grids in 2011 and 2012" issued by the National Development and Reform Commission.
3	Total Electricity Consumption	Total electricity consumption of Yum China in 2020 was the electricity consumed by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020. Electricity consumption refers to the data on the restaurants' electricity bills.
4	Average Restaurant Electricity Consumption	Average restaurant electricity consumption of Yum China in 2020 was the average electricity consumption of Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020.
5	Total Water Consumption	Total water consumption of Yum China in 2020 was the water consumed by Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020. Each restaurant's water consumption is calculated by dividing its water fee by the average water unit price of each province defined by Yum China. Water fee refers to the restaurants' water bills. The average water unit price of each province is calculated based on the actual water unit price of different locations in the province.
6	Average Restaurant Water Consumption	Average restaurant water consumption of Yum China in 2020 was the average water consumption of Yum China's KFC and Pizza Hut restaurants (both company-owned and unconsolidated affiliates) in 2020.
7	Amount of Used Cooking Oil (UCO) Converted into Biodiesel in Chengdu Biodiesel Project	Amount of UCO converted into biodiesel in Yum China Chengdu biodiesel project in 2020 was the amount of UCO converted into biodiesel in the biodiesel project, which was carried out in Yum China's KFC and Pizza Hut restaurants in Chengdu in 2020. The amount of UCO converted into biodiesel refers to the data on receipts from UCO collectors.
8	Percentage of RSPO-certified Palm Oil	Percentage of RSPO-certified palm oil of Yum China in 2020 was the percentage of RSPO-certified palm oil in all the purchased palm oil products of Yum China in 2020.
9	Percentage of CSR Audited Critical Suppliers	Percentage of CSR audited critical suppliers of Yum China in 2020 was the percentage of CSR audited critical suppliers in all the critical suppliers of Yum China in 2020. Yum China's critical suppliers include Innovative Suppliers and Key Suppliers (excluding service suppliers, overseas suppliers, small procurement suppliers with annual procurement less than RMB 2 million yuan and headquarter suppliers).
10	Share of Women in Total Workforce	Share of women in total workforce of Yum China in 2020 was the percentage of female employees out of all employees of Yum China at the end of 2020. The total number of employees refers to the number of full-time and part-time employees directly hired by Yum China at the end of 2020, including office staff and restaurant staff. The number of female employees refers to the fulltime and part-time female employees directly hired by Yum China at the end of 2020, including office staff and restaurant staff.
11	Lost-time Injury Frequency Rate for Employees	Lost-time injury frequency rate for employees of Yum China in 2020 was the number of lost-time injuries per one million hours worked for employees of Yum China in 2020. The working hours are the total working hours of full-time and part-time employees directly hired by Yum China in 2020, including office staff and restaurant staff. The number of lost-time injuries is the number of injury leaves of full-time and part-time employees directly hired by Yum China in 2020, including office staff and restaurant staff.



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