



YumChina



Creating A Responsible Ecosystem

2023 Sustainability Report



Contents

- 02 **Remarks by Yum China CEO**
- 04 **Board Statement**
- 04 **About this Report**
- 06 **2023 Highlights**
- 08 **About Us**
- 09 **Corporate Governance**
 - 09 Governance Structure
 - 09 Compliance Management
- 10 **Our Sustainability Strategy**
 - 11 Sustainability Governance
 - 12 Sustainability Management Approach



Food

- 16 **Food Safety and Quality**
- 21 **Healthy and Nutritious Meals**
- 23 **Industry Development and Public Education**



Environment

- 30 **Low-Carbon Operations**
- 32 **Supply Chain Collaboration**
- 34 **Circular Economy**



People

- 41 **Drive Sustainable Growth**
- 46 **Customer Mania**
- 49 **Ethical and Responsible Sourcing**



Community

- 53 **Rural Revitalization**
- 56 **Community Care**
- 58 **Culture and Sports**

- 60 **Appendix**
 - 60 Progress on Our Sustainability Goals
 - 62 Key Performance Indicators
 - 64 HKEX ESG Reporting Guide Index
 - 68 GRI Standards Index
 - 72 SASB Index
 - 74 Assurance Report
 - 76 Basis of Assured Data



Remarks by Yum China CEO

2023 was a milestone year for us at Yum China: KFC China opened its 10,000th store. Pizza Hut China surpassed 3,300 restaurants. At our September 2023 Investor Day, we announced an ambitious target of 20,000 stores by 2026. We are confident that we can continue to expand our reach and drive robust, sustainable growth, as we generate long-term value for our shareholders.

Ensuring that we grow sustainably is of paramount importance to us and to our business. In 2023, we joined the United Nations Global Compact (UNGC), committing to operate responsibly based on the UNGC's 10 universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. We strengthened our sustainability governance, bolstered Board-level oversight of sustainability-related issues, and incorporated Environmental, Social and Governance (ESG) targets into our leadership teams' performance metrics. We are aiming to intergrade ESG principles into our operational decision-making processes and are committed to transparency in our ESG reporting.

It All Starts with our Food

Progress along some dimensions is evidenced in incremental milestones, while for others it is defined by continuous attention and improvement. Food safety is one of the latter. It is an obsession for us – and for our suppliers – from farm to table. In 2023, we began exploring the use of generative artificial intelligence in our automated Food Safety Risk Assessment and Early Warning System to more accurately capture and analyze food safety information and trends, better enabling multidimensional assessment of potential food safety risks across our entire operation.

Our menu innovation is nonstop: we introduce over 500 new and upgraded products each year. We design them not only to taste delicious, but also to promote health and nutrition. We are committed to reducing the salt and sugar content of our meals.

Another aspect of our business to which we devote unremitting attention is food waste, the overall environmental impact of which is enormous. Through initiatives such as whole chicken utilization, we work together with our suppliers to maximize the use of food materials. This is an area in which tiny, almost invisible gains can have huge impact. It's one about which I'm particularly excited about and proud of our progress.

Toward a Net-Zero Future

Yum China has committed to working with our partners to achieve net-zero greenhouse gas (GHG) emissions across our value chain by 2050. We have submitted our 2050 net-zero targets to the Science-Based Targets initiative (SBTi), to ensure our climate goals adhere to the latest scientific standards. We fully support both the Paris Agreement to limit global warming to 1.5°C and the COP 28 renewed call to action.

We are steadily driving renewable energy transformation across our value chain. In 2023, we inaugurated the first 100% renewable energy cold-chain logistics center in China. With over 70 restaurants and three logistics centers transitioning to green electricity, we've shifted nearly 8 million kilowatt-hours of energy consumption to renewable sources through Distributed Photovoltaic (DPV) systems as

well as Virtual Power Purchase Agreements (VPPA), netting a reduction in GHG emissions of approximately 4,500 tons. Our Yum China DPV and VPPA Alliance, launched together with 40 key suppliers in May 2023, better enables our supply chain partners to deploy renewable energy and to join us in championing low-carbon development.

Championing Sustainable Practices

Yum China is committed to sustainable practices across our value chain. In 2023, we built five disposal centers across the country to recycle our used coffee grounds. One particularly interesting initiative converts recycled coffee grounds into environmentally friendly baskets and trays. These baskets and trays are now being used at over 1,500 KFC stores in China, with plans for further expansion in coming years.

This success has inspired broader sustainable procurement strategies to build a 'zero deforestation' supply chain. We are also working with our suppliers to develop and pursue nature-based solutions, such as low-carbon agricultural models that enhance productivity and support biodiversity.

People are our Most Valued Asset

Guided by our 'People First' philosophy, we consider the safety, health and well-being of our employees as our highest priority. We are honored to have been recognized as a Top Employer China for six consecutive years, maintaining a leading position in the restaurant industry.

We are committed to sharing our success with our dedicated front-line employees. As of the end of 2023, Yum China has awarded Restricted Stock Units (RSUs) to over 13,000 restaurant general managers.

We have systematically increased our comprehensive support for our employees and their families over the last several years. Our 'YUMC Care' system includes a 'Family Care' program for eligible restaurant managers; flexible benefits; mental health and well-being support; and a RMB 10 million 'Yum China Employee Mutual Aid Fund' established in 2022 to support employees in need. In 2023, we further expanded medical and accident insurance coverage for eligible employees' family members.

Our employees' amazing dedication and collective spirit was further exemplified in their exceptional support of the Hangzhou Asian Games. 250 crew members from our restaurants across the country represented Yum China to serve over 1 million athletes and fans at the Games.

Committed to the Communities We Serve

Employing over 430,000 people and serving millions of customers across China every day, we are firmly rooted in the communities we operate in. With that comes a strong sense of responsibility to give back to society. Our flagship 'One Yuan Donation' initiative, now 16 years in operation, contributes to poverty alleviation and rural revitalization by improving the diet and nutrition of children in rural areas and enhancing their access to digital education. In 2023, we introduced a mini-program, which we are using alongside other digital platforms, to encourage public participation in this important cause.

Also in 2023, KFC China expanded its 'Little Migratory Bird Fund', which supports underprivileged children of migrant worker families, to a broader group of children in China's urban and rural areas. We also provided over RMB 3 million in financial assistance and tens of thousands of meals to those affected by Typhoon Doksuri in July 2023 and the December 2023 Gansu earthquake.

We at Yum China remain anchored by our core values and an unwavering dedication to a more sustainable future. Working side by side with our customers as well as suppliers at every level across our value chain, we are confident that we can and will lead our industry as an environmentally, ethically and socially responsible business, much as we leverage our market-leading capabilities to seize emerging opportunities and create value for our shareholders.



Joey Wat
Chief Executive Officer
Yum China Holdings, Inc.

Joey Wat

Board Statement

Yum China strives to create a responsible ecosystem by building sustainable restaurants, creating a sustainable supply chain, and contributing to sustainable communities together with all stakeholders.

At the Board level, the Board maintains overall responsibility for overseeing the Company's risk management framework. The Food Safety and Sustainability Committee assists the Board in its oversight of the Company's practices, policies, procedures, strategies, and initiatives relating to sustainability, including environmental and climate-related issues, supply chain, and food nutrition and health. The Food Safety and Sustainability Committee also reviews and oversees the development and implementation of the goals the Company may establish from time to time with respect to its sustainability initiatives.

This report has been approved by the Board of Directors in April 2024.

About this Report

This Report is our seventh annual Sustainability Report (the 'Report') covering the period from January 1, 2023 to December 31, 2023, though some facts and figures may fall outside of the period as indicated.

Reporting Scope

Yum China Holdings, Inc. and our subsidiaries and branches. All activities consolidated for financial reporting purposes are covered for GHG emissions data in 2023, unless otherwise stated.

References

'Yum China Holdings, Inc.' in this Report is also referred to as 'Yum China', 'YUMC', 'We' or the 'Company'.

For the purposes of this Report only, 'China' refers to the People's Republic of China, excluding Hong-Kong, Macau, and Taiwan.

Data Assurance

To ensure the accuracy of the contents and information in this Report, we invited an independent assurance agency to conduct limited assurance work on selected 2023 key data in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and in respect of GHG emissions, ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. Refer to the following link for the Assurance Report and Basis of Assured Data.

[Assurance Report \(P74\)](#) [Basis of Assured Data \(P76\)](#)

Reporting & Disclosure Methodology

We reference several global reporting guidelines and frameworks to align with international best practices and improve the quality of information disclosure. This Report complies with the reporting principles and requirements listed under Appendix C2, *Environmental, Social and Governance Reporting Guide* (the 'ESG Reporting Guide') of the *Main Board Listing Rules of Hong Kong Stock Exchange* (HKEX). In addition, the *GRI Sustainability Reporting Standards* (the 'GRI Standards') issued by the Global Sustainability Standards Board (GSSB), and the restaurant industry reporting framework issued by the Sustainability Accounting Standards Board (SASB) were referenced when compiling this Report.

[Key Performance Indicators \(P62\)](#)

[HKEX ESG Reporting Guide Index \(P64\)](#)

[GRI Standards Index \(P68\)](#)

[SASB Index \(P72\)](#)

We also reference the rating requirements of the Dow Jones Sustainability Indices (DJSI), MSCI and Sustainalytics, GB/T 36000-2015 *Guidance on Social Responsibility*, the *United Nations 2023 Agenda for Sustainable Development*, the Carbon Disclosure Project (CDP) questionnaires on Climate Change, Forests, and Water Security, relevant regulatory requirements, as well as other relevant international and domestic standards and guidelines for sustainable development.

Access & Feedback

The electronic format is available in Simplified Chinese, Traditional Chinese, and English. This Report is available on the Hong Kong Stock Exchange's website (<http://www.hkex.com.hk>) and the sustainability webpage of the Yum China official website (<https://www.yumchina.com/sustainability/en/home/Index>). The Sustainability webpage also contains strategies, policies and cases related to sustainable development. When the symbol appears in this Report, you can click the corresponding link to enter the webpage to view the details.

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

Notes

Data and figures are shown in RMB unless otherwise stated.

In this Report, the statement of 'the largest restaurant company in China' is based on the Company's 2023 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. 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 subsequent Quarterly Reports on Form 10-Q) for additional details about factors that could affect our financial and other results.



2023 Highlights (as of the end of December 2023)

Food



450,000+

people attended the 3rd Yum China Food Safety Culture Festival

22,000+

unannounced Operational Excellence Compliance (OEC) audits performed on our restaurants in 2023

100% coverage

in lettuce, tomato and pepper, oranges, lemons, apples, broccoli and sweet corn bases of Yum China's Good Agricultural Practices (Yum China GAP)

RMB **26 million+**

of Chinese Nutrition Society - Yum China Dietary Health Foundation in funding

100+ projects accumulatively

Environment



~8,000 MWh

of renewable energy annual consumption

70+ restaurants powered by

100% renewable energy

100%

use of Roundtable on Sustainable Palm Oil (RSPO)-certified palm oil

for the **6th** consecutive year

~30,000 tons

annual packaging reduction

~30%

Forest Stewardship Council (FSC)-certified paper packaging

Coffee grounds recycling will reach **~95%** of KFC restaurants, with

5 coffee grounds disposal centers in use across the country

People



Yum China Zero Tolerance: Anti-Discrimination and Anti-Harassment Policy released

Supplementary Medical Insurance and Accident Death & Disability Insurance introduced for eligible **Employees' dependents**

8% increase in the number of suppliers subject to Corporate Social Responsibility (CSR) audits in 2023

Community



RMB **260 million+** raised through One Yuan Donation program

57 million+ nutritious meals provided to rural children in underdeveloped regions

1,480+ schools equipped with modern kitchen facilities

External Participation and Recognition

UNGC membership

Industry No.1 in S&P Global Corporate Sustainability Assessment (CSA) for the 4th consecutive year

- Included in the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets) for the 4th consecutive year
- The only company in consumer services industry from Mainland China to be selected as a member of DJSI World
- Top 1% S&P Global CSA Score awarded, the only company in the Restaurant & Leisure Facilities Industry to receive this recognition

Industry highest ranking ('AA') in MSCI ESG rating

'Low Risk' in Sustainalytics ESG risk rating

Bloomberg Gender-Equality Index (GEI) named for the 5th consecutive year

Top Employer in China certified for the 6th consecutive year

- Industry No.1 for the 3rd consecutive year

About Us

Yum China is the largest restaurant company in China with a mission to make every life taste beautiful. KFC and Pizza Hut are the leading brands in the quick-service and casual dining restaurant spaces in China, respectively. In addition, Yum China has partnered with Lavazza to develop the Lavazza coffee concept in China. Little Sheep and Huang Ji Huang specialize in Chinese cuisine. Taco Bell offers innovative Mexican-inspired food. Yum China has a world-class, digitalized supply chain which includes an extensive network of logistics centers nationwide and an in-house supply chain management system. Its strong digital capabilities and loyalty program enable the Company to reach customers faster and serve them better. Yum China is a Fortune 500 company with the vision to be the world's most innovative pioneer in the restaurant industry.

As of the end of 2023, the Company has **430,000+** employees

and operates **14,000+** restaurants under six brands

across **2,000+** cities in China

Make Every Life Taste Beautiful

Founder's Mentality

- Always Do the Right Thing
- Restaurant General Manager (RGM) No.1
- Customer Mania
- Stay Curious
- Innovate to Grow
- Collaborate to Win

The World's Most Innovative Pioneer in the Restaurant Industry



Corporate Governance

Governance Structure

The Board of Directors (the 'Board') has four standing committees including Audit Committee, Compensation Committee, Nominating and Governance Committee, and Food Safety and Sustainability Committee, which oversee different aspects of business management and related matters.

Board Diversity

We believe that having directors of diverse backgrounds helps the Board better oversee the Company's management and operations and assess risk and opportunities for the Company's business model from a variety of perspectives. Under our *Yum China Board Diversity Policy*, diversity is broadly construed to mean a variety of perspectives, skills, personal and professional experiences and backgrounds, and other characteristics represented in both visible and non-visible ways that include, but are not limited to, age, gender, race and nationality. With respect to the Company's current directors, the Company also benefits from the diversity in Board members' age, gender, race and nationality. Forty percent of our directors are women.

[Read Yum China Board Diversity Policy](#)

Compliance Management

Business Ethics

Yum China Code of Conduct was adopted to emphasize the Company's commitment to the highest standards of business conduct. The *Yum China Code of Conduct* applies to all directors and employees of the Company.

Employee Training	Working with External Parties	Ethics Compliance Management
<ul style="list-style-type: none"> • All employees of the Company are required, on an annual basis, to complete the <i>Yum China Code of Conduct Questionnaire</i> and certify in writing that they have read and understand the <i>Yum China Code of Conduct</i>. • We arrange for our employees to complete the <i>Yum China Code of Conduct</i> online training every year. In 2023, we covered 100% of our full-time employees. 	<ul style="list-style-type: none"> • Every quarter, we conduct conflict-of-interest checks to identify and avoid misconduct that would conflict with the Company's interests, such as related party transactions. • We require each supplier to sign the <i>Yum China Supplier Code of Conduct</i> to ensure that they comply with legal requirements and follow our business ethics standards. 	<ul style="list-style-type: none"> • We set up a comprehensive whistleblower mechanism for both our employees and suppliers, which includes a 24-hour ethics hotline, an Employee Complaint and Integrity Compliance Reporting System, the Whistleblowing Supplier Reporting Platform, and complaint letters. • We have a dedicated investigation team to review and handle business ethics issues at all levels.

We strictly maintain the confidentiality of personal information of whistleblowers as well as the information provided. Any form of retaliation against whistleblowers is strictly prohibited. Employees who violate the *Yum China Code of Conduct* may face disciplinary action, including but not limited to termination of employment contracts. In addition, compliance with *Yum China Code of Conduct* are considered in employees' individual performance evaluations, with violations having a negative impact on the compensation of employees.

[Read Yum China Code of Conduct](#)

Intellectual Property

We attach great importance to the protection of intellectual property (IP) rights and strictly abide by relevant laws and regulations. We have a tailor-made IP protection system compatible with Yum China's institutional characteristics to safeguard our reputation and brands. We promptly register our IP achievements in order to protect our rights and resolutely oppose any actions that infringe on our rights.

Our Sustainability Strategy

Yum China firmly supports the *United Nations 2030 Agenda for Sustainable Development*. We are dedicated to providing our customers with safe and high-quality food while striving to go the extra mile to improve the quality of the food we eat, the water we drink, and the air we breathe. We are continuously exploring new paths that deliver economic, environmental, and social benefits for all stakeholders and make a positive impact on both humanity and the planet. In 2023, we joined the UNGC pledging our support for its Ten Principles in the areas of human rights, labor, environment, and anti-corruption.

Our sustainability strategy is an essential component of our long-term business growth strategy, known as the 'Sustainable Platform for Growth'. With a focus on three strategic pillars - Food, Environment, and People, we continuously strive to 'Create A Responsible Ecosystem' by building sustainable restaurants, creating a more sustainable supply chain, and contributing to more sustainable communities in collaboration with all stakeholders.



Sustainability Governance

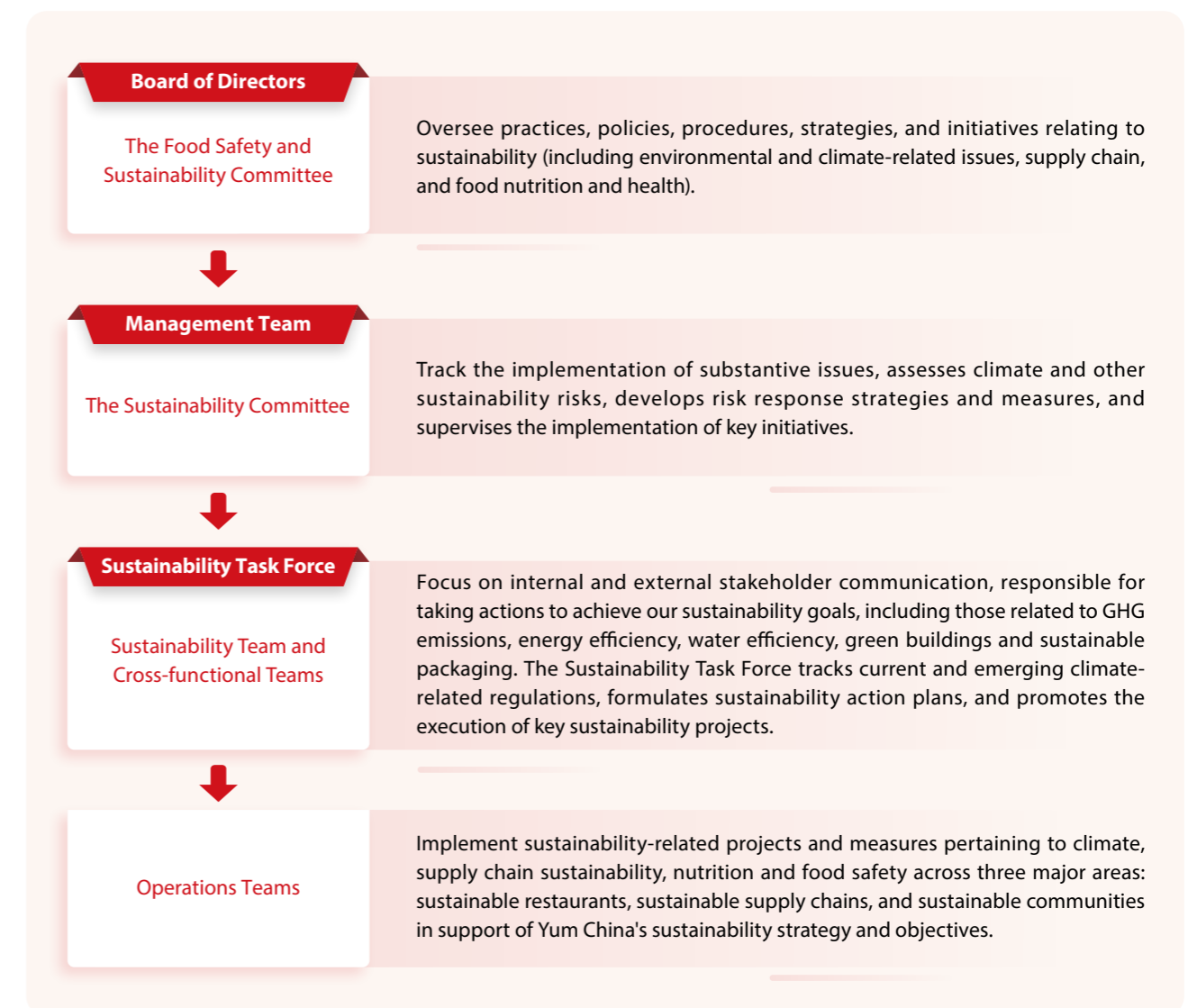
Yum China has established a sustainability governance structure that extends from the Board of Directors to our operational teams. At the Board level, the Board and its Food Safety and Sustainability Committee consider matters related to sustainability at least annually in connection with our strategic plan. In 2023, the Food Safety and Sustainability Committee held two meetings to discuss food safety and sustainability-related matters.

At the management level, we have established a Sustainability Committee, which is composed of selected leadership team members, the sustainability officer, and cross-functional teams. The Sustainability Committee members meet quarterly to

track the implementation of material initiatives, evaluate sustainability risks, and develop risk management strategies and measures.

We are aiming to intergrate ESG principals into our operational decision-making processes. Since 2021, ESG measures have been included in the key performance indicators to determine individual performance factors of our leadership team members. In addition, we incorporated ESG targets into the performance metrics of the 2023 and 2024 annual Performance Share Unit (PSU) awards granted to our leadership team members.

Yum China's Sustainability Governance Structure



Sustainability Management Approach

Yum China has integrated the assessment results of material issues into the Company's risk management process and has prioritized the Company's sustainability focus and actions. In 2023, we updated our *Yum China Stakeholder Engagement Policy* to further improve our stakeholder engagement mechanisms by developing a risk management guide and communication guide for stakeholder engagement. We are committed to maintaining close and effective dialogue with relevant stakeholder groups to effectively address internal and external expectations and requirements.

Read *Yum China Stakeholder Engagement Policy*

Our Evaluation

Yum China initiated the materiality assessment since 2017. Since then, we annually revisit the material topics through a four-step assessment approach to make sure they align with our operations and address stakeholders' concerns.

Materiality Assessment Approach

Review

- Review previous year's materiality assessment results
- Conduct benchmarking
- Conduct stakeholder analysis
- Review changes in strategy and value chain

Identification

- Conduct internal & external stakeholders engagement and interview
- Identify and adjust material topics

Prioritization

- Prioritize according to internal and external expectations

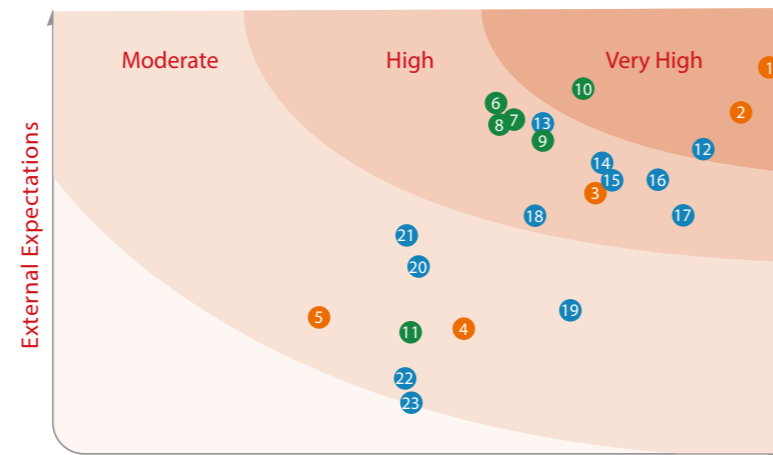
Verification

- Review and verify identified material topics by senior management and external experts
- Finalize the revised topics

Our Material Topics

We conducted a comprehensive benchmarking of the 17 United Nations Sustainable Development Goals (SDGs) to ensure the Company's efforts align with the 2030 Agenda.

In 2023, we reviewed the results of the previous materiality assessment and increased the importance of the 'Climate Action' topic in conjunction with external regulations and policies, as well as internal and external stakeholder concerns, to better reflect our strong determination and positive action on addressing climate change.



Internal Expectations	
Aspects	Results of Materiality Assessment
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
	12 Business Ethics
	13 Supply Chain Social Impact
People	14 Human Rights & Labor Practices
	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

Our Actions



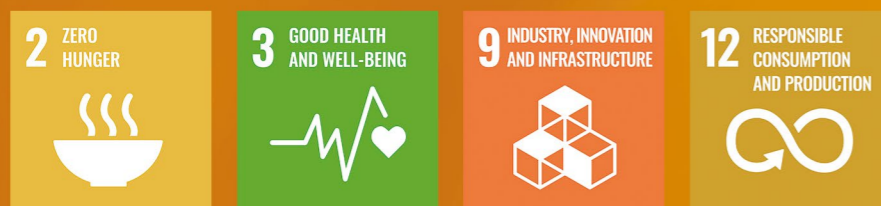
Our Values

Stakeholder	Expectations and Areas of Concern
Franchisors, Shareholders, and Investors Yum! Brands, institutional investors, ESG rating agencies	<ul style="list-style-type: none"> • Return on Investment • Information Disclosure • ESG Management and Performance
Government and Regulators Food safety regulators, central and local government	<ul style="list-style-type: none"> • Food Safety and Quality • Environmental Compliance • Contribution to the Development of Healthy China • Poverty Alleviation • Industrial Development • Support for Vulnerable Groups
Board, Management, and Employees	<ul style="list-style-type: none"> • Group Overall Sustainability Performance • Fair Working Environment • Capability Improvement and Development Opportunities • Welfare and Security • Flexible Working Time
Customers Organizations and individuals who purchase products from Yum China	<ul style="list-style-type: none"> • Safe, Reliable, and Delicious Food • Good Dining Experience and Food Service
Supply Chain Partners Suppliers, logistics service providers, construction service providers	<ul style="list-style-type: none"> • Business Development • Management Capability Building • Fostering Development of the Industry • Supply Chain Sustainability Support
Franchisees Yum China's brand franchisees	<ul style="list-style-type: none"> • Capability Building and Development Support • Brand Development
Associations and NGOs Industry associations, institutes, universities, and NGOs	<ul style="list-style-type: none"> • Fostering Industry Development
Communities The communities where Yum China operates	<ul style="list-style-type: none"> • Contribution to Communities • Employee Volunteers

Food

Ensuring food safety is Yum China's top priority. We have established an advanced food safety and quality management system, and are committed to maintaining a food safety-oriented and driven culture. Each day, we strive to provide our customers with delicious, safe, nutritious, and high-quality food, and working together to build an influential industry ecosystem.

Aligned UN SDGs



Key Focus Areas

-  Food Safety & Quality
-  Nutrition & Health
-  Trending Issues



Food Safety and Quality

With food safety culture as the foundation, Yum China leverages technological innovation to empower food safety management. Our comprehensive food safety and quality

management system covers upstream suppliers, suppliers, logistics centers, restaurants and delivery. We are committed to safeguarding food safety from farm to table.

Yum China Food Safety Commitments



Yum China Food Safety Culture Lays the Foundation



Food Safety Culture

To achieve comprehensive food safety governance and supervision, we have established a centrally organized, comprehensive and efficient food safety management system. Encompassing all levels from Board of Directors and Food Safety and Sustainability Committee through to Operations Teams, this system ensures that food safety management systems and standards are established and

effectively implemented to ensure compliance. Additionally, we champion a food safety-oriented culture at Yum China through internal trainings and supplier outreach.

 Find out more about our [food safety management system](#) on our webpage

Trainings

At Yum China, food safety is at the core of everything we do. We require all of our restaurant staff, corporate office staff, and franchisees to undergo food safety training and assessment at least once a year to continuously reinforce awareness.

For employees

- We require every new employee to learn and sign the *Yum China Code of Conduct Confirmation Letter* or *Employee Manual Confirmation Letter*.
- We require restaurant staff to undergo rigorous job training to understand and strictly implement the Company food safety operating standards.

For franchisees

- We require all franchisees to sign the *Franchise Policy Manual*, committing to adhere to Yum China's Operations Manual, *Yum China Code of Conduct* and safety and hygiene standards.
- We require all franchisees to participate in food safety training annually, thoroughly studying national food safety laws and regulations, Yum China Food Safety Policies, and industry trends.

'Food Safety, Everyone's Responsibility' - The Third Yum China Food Safety Culture Festival

In June 2023, Yum China held our third Food Safety Culture Festival, themed 'Food Safety, Everyone's Responsibility', encompassing **1,300+** events and **200+** articles, attracting **450,000+** participants to learn about Yum China's food safety culture.

Internally, we held an One-Stop Food Safety Knowledge Challenge, food safety talk show, food safety carnival, and other food safety-themed team building exercises. Externally, we work side-by-side with **100+** suppliers to build a strong food safety culture. We dispatched Yum China's Food Safety Culture Ambassadors to participate on-site festival events of **nine** leading suppliers in the industry, and encouraged **4,700+** food industry practitioners to sign Food Safety Responsibility Commitments.

This year, we also invited prominent food safety experts, including Chen Junshi, academician of the Chinese Academy of Engineering, and Director Yang Dajin, a researcher at the National Food Safety Risk Assessment Center, to jointly launch the festival.

Supplier Outreach

To promote and enforce strict food safety and quality standards across our supply chain, we have implemented the *Yum China Food Safety and Quality Audit* for suppliers as well as *Yum China Supplier Manual*, outlining our requirements and best practices. We require suppliers to establish, commit to, implementing and maintaining a food safety-oriented culture at all levels. In 2023, we conducted **seven** quality management

seminars, and organized on-site food safety training for our suppliers, focusing on 'Food Safety Responsibility', to help new and existing suppliers better understand our food safety requirements and to ensure that they are aware of our food safety requirements. Additionally, our food safety and regulatory training sessions covered **700+** suppliers.

Food Safety and Quality Management Across the Value Chain

Our focus on food quality and safety extends through our entire operational value chain. From upstream suppliers, suppliers to logistics centers to restaurants and delivery, we use advanced management concepts and technologies at every step to ensure full control over food safety and quality. Furthermore, we continuously monitor changes in food industry policies and regulations to ensure robust compliance.



Upstream Suppliers

We have established strict oversight protocols for upstream suppliers, applying advanced information management systems in our monitoring and control processes. Examples include monitoring of broiler chicken breeding, and promoting the implementation of Yum China GAP for fruit and vegetable suppliers. These efforts enable us to proactively identify potential food safety risks and implement quality control measures to ensure that suppliers meet our standards.

Our Yum China GAP has achieved 100% coverage in lettuce, tomato and pepper*, oranges, lemons, apples, and broccoli bases. In 2023, we started to cover sweet corn, and continued to expand to other category bases.

*Tomato and pepper bases produce mainly tomatoes, cherry tomatoes, green peppers, cayenne peppers, and cucumbers.



Suppliers

Yum China maintains a strict admissions process for new suppliers, which involves risk assessment, qualification review, and factory audit. In addition, our new suppliers are required to complete online training covering our food safety audit standards on the Yum China Quality Management Institute e-learning platform and pass an assessment before they can be considered under our admissions process.

Leveraging standards recognized by the Global Food Safety Initiative (GFSI), we have optimized and upgraded Yum China's Supplier Tracking, Assessment, and Recognition (STAR) audit standards, while also encouraging suppliers to obtain certifications on food safety and quality management systems. We verify their constant compliance with our food safety requirements through supplier training, on-site audits, raw material sampling tests, and other methods. Through our performance evaluation system, we provide a graded assessment of our suppliers, further encouraging them to optimize and improve their quality and safety control processes.

In 2023,

2 STAR online training sessions organized

250+ supplier food safety audits conducted

250+ unannounced supplier quality audits

400+ key raw materials covered in food safety sampling tests

170+ suppliers involved

Restaurants and Delivery

Effectively managing food quality and safety at our restaurants and during food delivery is critical to safeguard our customers' health and safety and is a vital part of our control process. During the reporting period, we initiated a remote audit model to strengthen regular on-site inspections, ensuring that our frontline staff continuously uphold our food safety and quality standards.

In 2023,

22,000+

OEC audits were performed at our restaurants across the country

Logistics

Our world-class digital supply chain includes **33** logistics centers across China, empowered by a sophisticated supply chain management system. Our smart Logistics and Internet of Things (IoT) platform allows us to effectively and reliably distribute supplies to our company-owned restaurants, franchisees, and third-party customers while adhering to strict food safety standards. In 2023, we launched our Southern Jiangsu Supply Chain Operations Center in Zhangjiagang, further upgrading our logistics capabilities in eastern China.

In 2023,

200+

food safety and quality audits were conducted with warehousing and transportation service providers

1,000+ routine inspections

Trending Issues

We continuously monitor changes in industry policies and regulations, focusing on six key areas: animal welfare, genetically-modified organisms (GMO), food additives, pesticides management, foodborne illnesses, and veterinary

drug management. We regularly adjust the focus of our control measures according to the urgency and importance of food safety-related risks. We actively share our views and approaches with regards to these issues and promote industry best practices.

Animal Welfare

We are committed to advancing the 'Five Freedoms' principle of animal welfare, ensuring animal health and growth, and promoting sustainable agricultural development. We are currently implementing a number of Animal Welfare Policies covering poultry and livestock. We regularly conduct animal welfare audits for broiler chicken breeding and slaughter. In 2023, we added *Yum China Dairy Cow Animal Welfare Standards*. In addition, we have built cooperative multi-party platforms to continuously support the improvement of animal welfare across our industry.

Veterinary Drug Management

Since 2016, we have been a pioneer among our industry peers in formulating a gradual removal plan for the use of antimicrobial drugs significant to human medicine as growth-promoting agents in our broiler chicken feed. We have guided 100% of our domestic chicken suppliers to comply with this plan in alignment with the relevant national plan of the Ministry of Agriculture and Rural Affairs. Moreover, we have formulated a control plan for the gradual reduction of the use of other antibiotics in broiler breeding with our domestic broiler suppliers, and are making consistent progress.

GMO

We respect and support China's agricultural development policies with regards to GMO agricultural products. We comply with China's relevant laws and regulations on safety assessment, approval, and management of GMO agricultural products, and require the ingredients provided by our suppliers to comply with national regulations. We consistently monitor new developments on GMO topics and changes in relevant national regulations and standards.

Read [Yum China GMO Statement](#)



Leveraging Technology to Ensure Food Safety

We harness the latest technology to continually enhance our ability to prevent and control food safety risks. Our Food Safety and Quality Management Platform (eQA) connects supplier factory data with Yum China's internal systems through the Quality Data Platform (iQA) system, ensuring real-time food quality data monitoring. Furthermore, our Cold Chain IoT system allows live-monitoring of storage

temperatures. We also analyze internal and external food safety big data through our Food Safety Risk Assessment and Early Warning System (iFS), enabling us to proactively assess and take action to mitigate potential risks. In 2023, we began exploring the use of AI-generated content (AIGC) to enhance our multidimensional food safety monitoring and risk assurance.



Healthy and Nutritious Meals

With our mission of 'Make Every Life Taste Beautiful', Yum China is committed to providing our customers with a dining experience that is both delicious and nutritious. We firmly uphold our commitment to nutrition and health, actively

responding to consumers' nutritional needs by providing diverse and balanced meal choices, and advocating healthy lifestyles.

Upholding Nutrition and Health

Nutrition is an important foundation for public health and a driving force for social development. To actively respond to the *Outline of Healthy China 2030 Plan* and contribute to the development of healthy China, we have revised and released the *Yum China Nutrition and Health Policy* and issued

our commitments to comprehensively drive Yum China's nutrition and health endeavors.

Read [Yum China Nutrition and Health Policy](#)

Read [Yum China Nutrition and Health Commitment](#)

Nutrition Improvement

We continuously optimize our product formulas to reduce the use of sugar and salt while offering a wider variety of healthy food choices for consumers. We have launched less-sugar creamy corn drinks at KFC and upgraded cheese-filled pizzas with a reduced salt formula at Pizza Hut, to better cater to our customers' needs for healthier lifestyles.

Balanced Diet, Healthy Kids

At Yum China, we actively support balanced diets for children to foster healthy growth of the next generation. In September 2023, KFC, Pizza Hut, and Taco Bell jointly hosted the 'Colorful Initiative - Care for Children's Nutrition', unveiling new balanced kids meals at our restaurants. Pizza Hut, for example, offers pasta made with a special type of wheat, which contains 40% more protein than regular noodles. Meanwhile, on the first day of China's public school calendar, Yum China collaborated with Soho Health Channel and launched a public lecture to discuss children's nutrition, encouraging the public to pay attention to providing balanced diets for kids. The lecture attracted **2.6 million+** social media views.

We also stand by our commitment that 100% of KFC, Pizza Hut and Taco Bell products are free of trans fats originating from hydrogenated/partially hydrogenated oils. Our teams are required to complete a specialized training session and assessment, to fully understand and strictly implement our trans fats control requirements.



Diverse and Balanced Meal Options

We are committed to enriching our food ingredients, continuously broadening our product categories and upgrading product formulas to provide consumers with

Diverse Ingredients

We are continuously introducing new dietary choices at our restaurants, aiming to provide customers with more nutritious and tasty choices. Our approach begins with food diversity, offering a variety of high-quality protein options including chicken, beef, seafood, duck, and pork along with grains, fruits and vegetables.

a more comprehensive and balanced diet, and to provide healthier and more balanced product choices to a diverse range of consumers.

We are also catering to customer demand for plant-based food and beverages. In 2023 we launched a number of plant-based products and drinks, including a mung bean lily oat drink, plant-based 'tuna and ham' toast, and plant-based 'ham and egg' bagel sandwiches. Through these additions, we are actively promoting healthier, low-carbon impact lifestyles.



Catering to Diverse Needs and Tastes

With an in-depth understanding of market trends and consumer behavior, we strive to create enjoyable and memorable dining experiences for our customers.

To cater to the trend toward healthy diets, KFC conducted a consumer health survey which provided us with a reference point for product development and innovation. In 2023, KFC launched the Grandpa's Farm series, offering consumers the delicious and nutritious roast chicken/beef and vegetable

wrap, and side roast vegetables. Pizza Hut also launched light meals including the Grilled Steak Energy Bowl and American-Style Roasted Chicken Breast Energy Bowl.

We also have consistently offered a diverse range of portion sizes at our restaurants to cater to consumers' preferences and reduce waste. At Pizza Hut, this also extends to kid's items: such as our mini portions of Classic Italian Meat Sauce Pasta and Teriyaki Chicken Fried Rice.



Industry Development and Public Education

Yum China firmly believes in mutually beneficial collaboration. We continuously enhance our communication and collaboration with all relevant external parties to drive industry development.

We actively contribute to public education on food safety and nutrition, promoting innovation in nutrition and health to support the development of a healthy China.

Industry Development

We regularly collaborate closely with regulators, industry associations and the academic community. We serve key positions and undertake key responsibilities in many influential industry organizations such as the Chinese Institute of Food Science and Technology, the China Food

Information Center and China Cuisine Association. We also play a leading role to collaborate with industry peers in the formulation of food regulations and industry standards, providing professional suggestions to promote the high-quality development of the industry.

Government-Enterprise Exchanges to Drive Industry Development

Collaborating with the China Food Information Center, we organized authoritative experts from the government and industry institutions to visit Yum China suppliers to gain insights into current developments and trends in the animal food industry. This effort aims to enhance the practicality and applicability of regulations and policies.

In 2023, experts from the Ministry of Agriculture and Rural Affairs, the National Health Commission, the National Center for Food Safety Risk Assessment, and Jiangnan University visited one of Yum China's chicken suppliers. This visit encompassed the entire production process of white-feathered broilers, from breeding and scientific feeding to product processing. It facilitated experts' understanding of species characteristics, industry conditions, and technological innovations. During this visit, we engaged in detailed discussions with the visiting experts to address regulatory challenges and standards within the industry. Through this proactive initiative, we contributed to efforts to enable authorities to better formulate scientifically rigorous regulations and policies that can drive the continued advancement of high-quality animal-based food products.

Sparking Innovation in Nutrition and Health - 2023 Chinese Nutrition Society - Yum China Dietary Health Foundation Annual Meeting

In November 2023, the annual meeting of the Chinese Nutrition Society - Yum China Dietary Health Foundation was held in Nanchang, Jiangxi Province. The event invited prominent experts and scholars to share and discuss new developments and innovations in health and nutrition in the restaurant industry. As one of the largest and most influential research funds of its kind in China, the fund has been continuously supporting nutrition and health research for the past 16 years.



↑ 2023 Chinese Nutrition Society - Yum China Dietary Health Foundation Annual Meeting

RMB **26 million+**
of Chinese Nutrition Society - Yum China
Dietary Health Foundation in funding

100+ projects accumulatively

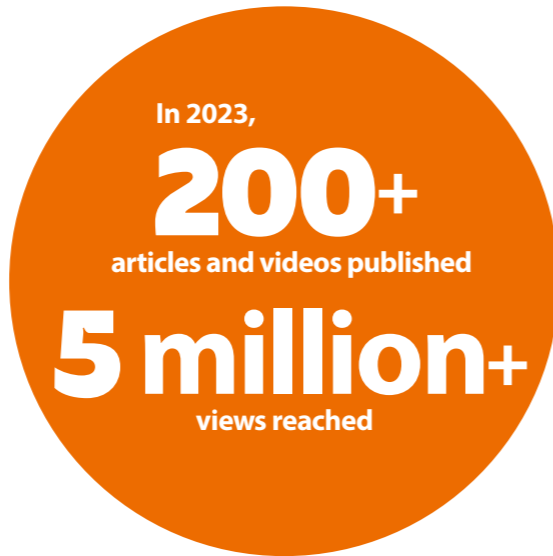
90%
young scholars of supported scholars

Public Education

We are committed to actively promoting nutrition and health education in the communities we serve. Best Foods & Best Sports, Yum China's official WeChat and TikTok accounts advocates healthier lifestyles, a balanced diet and regular exercise.



Scan the QR code and subscribe for more information



National Food Safety Youth Education Campaign

Yum China continued its successful cooperation with China's Working Committee for the Care of the Next Generation and China Education Daily to host science education programs with a focus on food safety at schools across China. First launched in 2016, this cooperation expanded to ~100 schools in ten urban areas across the country in 2023, including Nanjing, Dalian, and Weihai. Since the program's inception, 770+ fun, engaging and interactive lectures and activities have been conducted, reaching 400,000+ students in 77 cities across the country, contributing to the positive spread of food safety knowledge.



YUMC Cup

Yum China launched the YUMC Cup knowledge contest in 2017. Since then, we regularly hold the YUMC Cup for Food Safety and Nutritional Health Knowledge Competition. The annual contest is designed to increase the awareness and knowledge of food safety and healthy lifestyles among college students.

Under the guidance of the State Administration for Market Regulation, YUMC Cup 2023 was jointly held by Yum China, China Market Regulation News, the Chinese Institute of Food Science and Technology, and Alipay's Answering Planet. The event attracted 11.48 million knowledge quiz participants.

In 2023, the event involved

nearly **1.07 million**

university students from

888 universities located in

30 provinces, municipalities, autonomous regions and Xinjiang Production and Construction Corps

What's on Your Food Tray? Combining Science with a Balanced Diet and Better Hygiene

Yum China is continuing to promote healthy diet and lifestyle choices through themed tray liners. We collaborated with the Chinese Institute of Food Science and Technology to co-organize the 'Food Safety for Thousands of Families-Food Service' science education event for the fifth consecutive year. With the theme 'Enjoying Healthy and Delicious Food, Exploring Scientific Mysteries', we introduced participants to various food science concepts that they could encounter in day-to-day life, such as food moisture distribution. Throughout the event, 21 million+ tray liners were distributed nationwide.

Since 2016, Yum China has collaborated with the Chinese Nutrition Society, consistently working together during the National Nutrition Week to better educate the public about healthy diet and lifestyles through tray liners. This initiative has reached a cumulative audience of 160 million+ people.



National Nutrition Week-themed Tray Liners

Environment

Yum China is committed to reducing the environmental footprint across our value chain and collaborate with partners to tackle challenges posed by climate change and ecological crises.

Aligned UN SDGs



Key Focus Areas

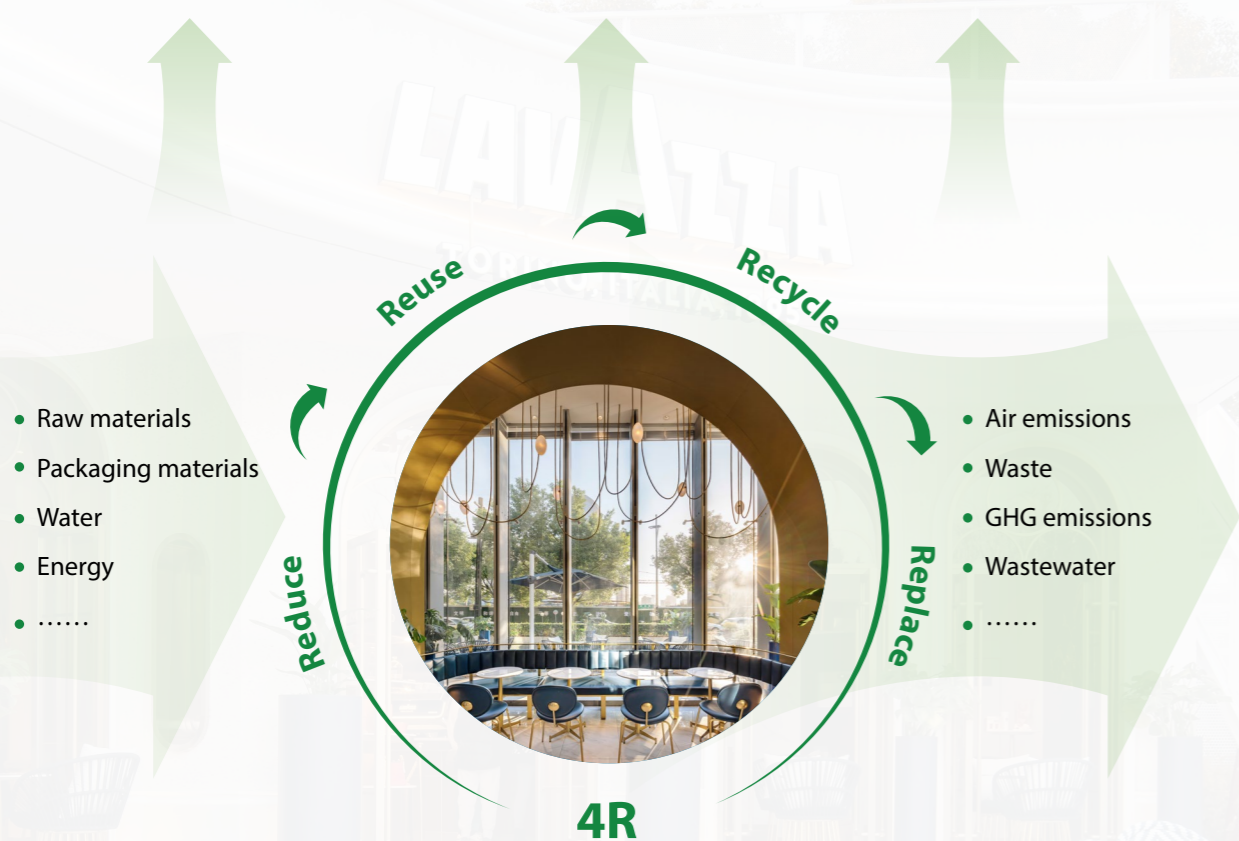


Our Strategy to Reduce Our Environmental Footprint

Minimize Environmental Footprint



- Climate Action**
 - Energy Efficiency Improvement
 - Renewable Energy Investment
- Supply Chain Collaboration**
 - Supply Chain Environmental Impact
 - Supply Chain Social Impact
- Circular Economy**
 - Exploit Less Natural Resources
 - Recycle More Waste



Find out more about [Supply Chain Social Impact](#) (e.g. supplier CSR audit) in the People chapter of this report (P49)



2050 Reach NET-ZERO Value Chain GHG Emissions

2035 **Near-term Science Based Targets (SBTs)**

- Reduce absolute Scope 1 and 2 GHG emissions 63% (from 2020)
- Reduce Scope 3 GHG emissions from purchased goods 66.3% per ton of goods purchased (from 2020)

2025

- 20% reduction in energy indirect GHG emissions per company-owned store (from 2020)

2023

- Net-zero SBTs submitted for validation
- ~8,000 MWh of renewable energy consumption, supplied through renewable energy trading and DPV deployment
- Yum China DPV & VPPA Alliance initiated
- Five coffee grounds disposal centers built

2022

- 1st restaurant company in China with near-term SBTs approved
- Decarbonization strategy and roadmap developed
- Biodiversity Commitment and No Deforestation Commitment issued

2021

- SBTi Business Ambition for 1.5°C Commitment Letter signed
- 1st Task Force on Climate-related Financial Disclosures (TCFD) Report released

2020

- GHG inventory across the entire value chain formulated
- Announced commitment to establishing a 'zero-deforestation supply chain'

Yum China 2050 NET-ZERO Roadmap

The 28th United Nations Climate Change Conference (COP28) reached a consensus on multiple climate issues, with all stakeholders committing to strengthen climate governance and actively promote climate action. Against the backdrop of global attention to climate change, the restaurant industry faces a range of opportunities and challenges in its low-carbon transition.

Yum China has incorporated climate-related factors into its overall sustainable development strategy under the supervision of the Board. We proactively identify and assess the impact of transition risks such as policies and regulations, market trends, as well as physical risks such as average temperatures rise and water scarcity, and integrate them into our overall risk management process and operational planning.

As part of our commitment to the SBTi, we continuously strive to drive the reduction of GHG emissions across our value chain. In January 2024, we submitted our net-zero SBTs, affirming our dedication to achieving net-zero emissions throughout our entire value chain by 2050. Taking into account of our operational

characteristics and development strategy, we have identified three strategic initiatives to continuously enhancing the Company's adaptability and resilience to climate-related and natural risks, including promoting our operations and supply chain transformation to achieve net-zero emissions, seizing opportunities in the circular economy to create 'zero-waste restaurants', and collaborating with upstream suppliers to construct a 'zero-deforestation supply chain'.

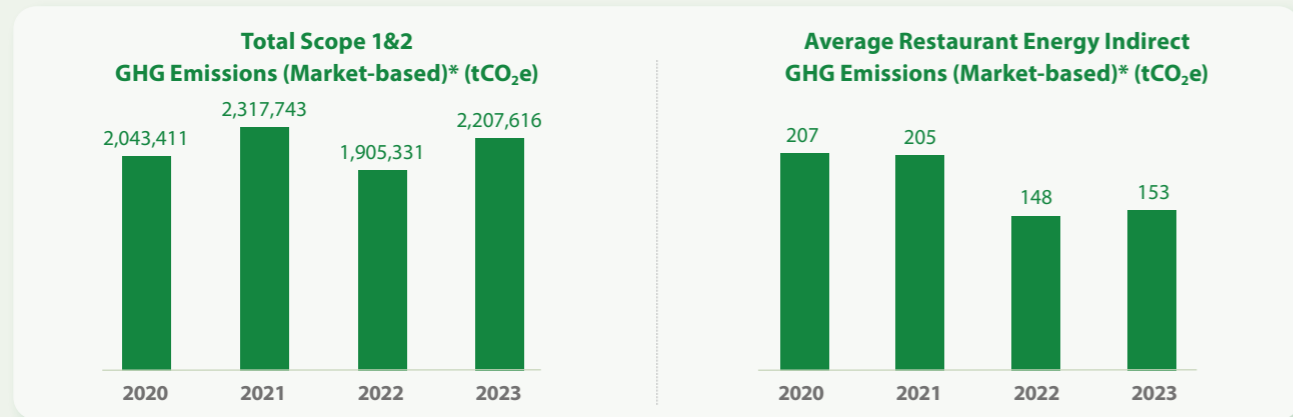
For more climate-related disclosure information, including climate-related risks and impacts, scenario analysis and climate resilience analysis, and climate risk management processes, please see [Yum China 2021 TCFD Report](#).

Low-Carbon Operations



- Near-term SBTs: reduce absolute Scope 1 and 2 GHG emissions 63% by 2035 from a 2020 base year.
- 20% reduction in energy indirect GHG emissions per company-owned store by 2025 from a 2020 base year.

Yum China strongly supports the *Paris Agreement*, fully responds to China's peak carbon emissions and carbon neutrality goals, and sets GHG emissions reduction targets in accordance with SBTi requirements. We have committed to reducing the carbon footprint generated by our operations, in part through improving energy efficiency and also increasing our use of renewable energy.



Energy Efficiency Improvement

At Yum China, comprehensive and efficient energy management is a primary consideration for our restaurant design and operations. We regularly update our Yum China Green Building Standards in reference to the Leadership in Energy and Environmental Design (LEED) standards. During the reporting period, we achieved our goal to make 100% of our newly built restaurants comply with Yum China Green Building Standards. Currently, the Company's two KFC Pioneer Green stores in Hangzhou and Beijing have received LEED Gold certification.

We insist on creating energy-efficient restaurants, and are committed to transitioning towards digitalization, automation, and intelligence. Through effective operational management methods, energy-efficient equipment and appliances, and technology solutions, we are consistently reducing our energy consumption. For example, in 2023, we piloted energy-saving renovations of conveyor ovens in our Pizza Hut restaurants. Through the installation of energy-saving hoods to reduce heat loss, and redesign of smoke exhaust, we were able to achieve energy savings. Furthermore, we continued to expand use of IoT-enabled

smart restaurant solutions, which covered **546** restaurants by the end of 2023.

During the reporting period, we achieved total annual electricity savings of **~140,000 MWh** through energy-saving technologies, and GHG emissions reductions of **~80,000 tons**.

Additionally, we have strived to further enhance sustainability awareness among our staff, encouraging increased communication on sustainability-related areas with consumers, and demonstrating how they can integrate sustainable practices and behaviors into daily work and lifestyles. We actively engage in green office practices and raise employee awareness on sustainability through low-carbon environmental training programs, encouraging employees to leverage the Company's influence to broader public engagement in climate action. In 2023, Yum China's restaurants hosted a variety of green and low-carbon themed activities, such as KFC's 'Be Natural, Be You' campaign, advocating a greener lifestyle.

*To better illustrate our progress in reducing emissions, we have updated our disclosure of Scope 1 & 2 GHG emissions data from 2020 (the base year for near-term SBTs), with boundaries aligned with SBTi validation data. Currently, it includes all operating locations such as company-owned restaurants and logistics centers, and office buildings within our operational control. The average restaurant energy indirect GHG emissions was calculated based on the total purchased electricity consumption from company-owned restaurants across all brands. Since 2022, the power grid emission factor we use refers to the *Notice on the Management of Corporate GHG Emissions Reporting in Power Generation Industry from 2023 to 2025* issued by the Ministry of Ecology and Environment.

Renewable Energy Investment

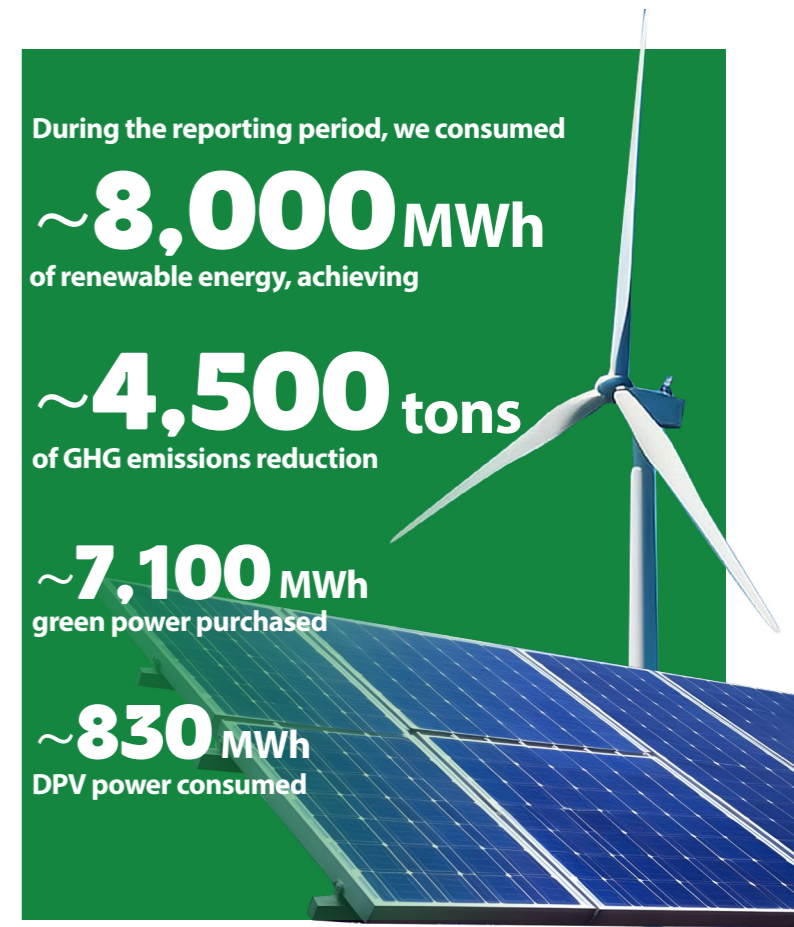
We are constantly exploring and investing in opportunities to use renewable energy sources that are affordable, reliable and scalable. We are continuously optimizing our power supply and infrastructure through green power trading and deployment of DPV systems.

Green Power Trading

We are actively exploring opportunities for green power trading. In 2022, we completed a pilot program to convert two company-owned restaurants in Zhejiang Province to 100% renewable energy. Building on the success of this pilot, in 2023, **70+** restaurants in Zhejiang, Anhui and Shanxi provinces transitioned to 100% renewable energy. In addition, we launched China's first 100% renewable energy cold chain logistics center in Nanning, Guangxi Province. In the future, we plan to promote green power trading on a large scale in other provinces of the country and will continue our energy structure transformation.

DPV Deployment

We actively promote the use of DPV throughout our network. We install DPV systems on the roofs of our company-owned restaurants and logistics centers wherever possible, and create photovoltaic collaboration models with our landlords.



Snapshot of DPV deployment at Yum China

Rooftop DPV Deployment by Yum China	Landlord Collaboration
<p>Restaurants</p> <p>In 2022, our DPV deployment project was successfully piloted in two KFC 'Green Pioneer Stores' and has been continually utilized during the reporting period.</p>	<p>Logistics Centers</p> <p>In 2023, our Hangzhou Logistics Center signed a strategic cooperation agreement with the owner to use renewable energy generated from its rooftop DPV.</p>
<p>Logistics Centers</p> <p>Following a successful pilot at our Chongzhou Logistics Center in Chengdu in 2022, we completed DPV deployment at our Shanghai Nanxiang Logistics Center during the reporting period. In 2023, we also committed to covering 100% of accessible roofs of all newly built logistics centers with DPV by the end of 2025.</p>	

Supply Chain Collaboration



Near-term SBTs: Reduce Scope 3 GHG emissions from purchased goods 66.3% per ton of goods purchased by 2035 from a 2020 base year.

Over two-thirds of Yum China's Scope 3 GHG emissions come from goods provided by suppliers. As a result, we prioritize the low-carbon transformation of our supply chain as one strategic direction to achieve our 2050 net-zero commitment for our value chain.

As a restaurant company, most of our upstream supply chain belongs to land-intensive industries. How to reduce the emissions related to forests, land, and agriculture (FLAG) upstream will be of great importance in our journey to decarbonize our value chain.

We actively practice sustainable procurement concept. In addition, we are collaborating with our upstream suppliers to explore nature-based solutions. We are assessing environmentally friendly and sustainable agricultural practices to develop low-carbon agricultural models. These initiatives will aim to mitigate the adverse effects of agriculture on climate change, while simultaneously enhancing productivity and preserving biodiversity.

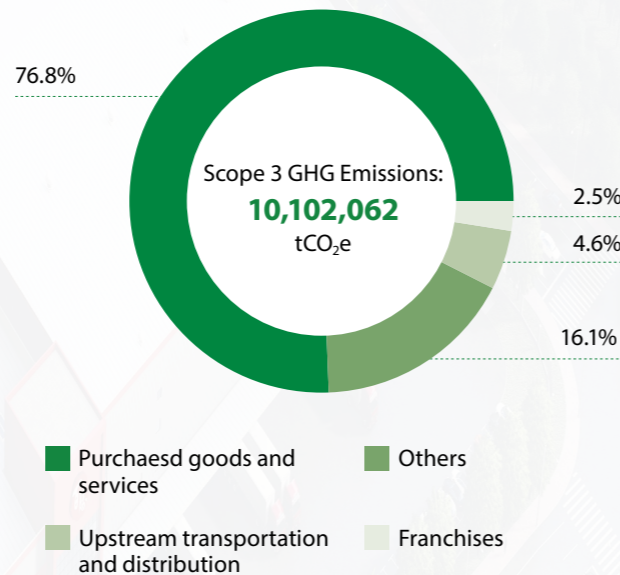
Supplier Engagement

To help better educate and collaborate with our suppliers across our complex supply chain network, we have developed a '3E' (Engage, Educate, Empower) management method to promote suppliers to jointly participate in carbon reduction. Through this method, we continuously support our suppliers to build capabilities to reduce carbon emissions and reduce their overall environmental impact.

We not only require suppliers to comply with the environmental guidelines set forth in our *Yum China Supplier Code of Conduct*, but we also encourage suppliers to understand their own GHG emissions and set reduction targets. In order to better assess and track the emission reduction performance of suppliers, we have developed a Supplier Carbon Footprint Scorecard. During the reporting period, we further expanded the scope of scorecard pilot projects, which now cover 14 suppliers (covering nearly 40 factories) in categories such as beef, dairy, poultry, and packaging. These pilot suppliers account for more than **50%** of the emissions from our total purchased goods in 2023.

We believe that collaborating with all parties for win-win outcomes is an important prerequisite for achieving low-carbon transformation across our value chain. In May 2023, we established the Yum China DPV & VPPA Alliance, which has been joined by **40** of our key suppliers by the end of 2023, comprising

Scope 3 GHG Emissions of Yum China in 2023



a collective total demand of **~650 million kWh** for renewable energy.

By the end of 2023, we successfully encouraged one supplier to procure **8.5 million kWh** of green power, while another supplier has signed a DPV deployment agreement. Through this alliance, we share our successful experiences in piloting DPV systems while sharing and integrating resources with our alliance partners to achieve green energy goals.

In addition to reducing the GHG emissions generated by purchased goods, we have also started working with our logistics partners on transportation abatement, including exploring the use of clean energy logistics vehicles. Following the pilot assembly of a small-scale clean energy electric logistics fleet in Shenzhen, Yum China's first hydrogen fuel vehicle was officially put into operation in April 2023. Assuming an average driving distance of 35,000 kilometers a year, each vehicle is expected to reduce GHG emissions by **~15 tons** annually. During the reporting period, our electric logistics fleet and hydrogen fuel logistics vehicles together reduced GHG emissions by **~164 tons**.

[Read *Yum China Supplier Code of Conduct*](#)

Protecting Biodiversity

We are committed to building a 'Zero Deforestation' supply chain, and we have published our *Yum China Biodiversity Commitment* and *Yum China No Deforestation Commitment*, demonstrating our commitment to protect the environment together with our suppliers. We are continuously strengthening the traceability of our upstream supply chain, and actively identifying and analyzing potential environmental risks.

We actively promote the sustainable procurement of raw materials and prioritize cooperation with suppliers who have sustainability certifications. Concurrently, we are continuously strengthening our capabilities to with stand nature-related risks.

- [Read *Yum China Biodiversity Commitment*](#)
- [Read *Yum China No Deforestation Commitment*](#)

Sustainable Sourcing of Raw Materials in 2023:

- 100% of the palm oil we purchase is RSPO-certified and can be traced back to palm oil processing plants.** We joined the RSPO in 2017, and for six consecutive years, the palm oil we have purchased and used has met the eight principles and standards proposed by the RSPO. We are committed to working with all stakeholders to make palm oil production more sustainable.
- 100% of the soy used for our soybean milk powder can be traced.** Using a range of tracing tools, we attach great importance to the environmental impact generated by the upstream of the soy-related supply chain. In addition to soy milk, we are conducting pilot work on raw material traceability for other soy-based products.
- 100% of beef we purchase has received external quality or sustainability-related certifications*.** We continue to strengthen the traceability management of our beef raw materials. We carry out thorough identification, analysis, and evaluation of environmental risks in our beef procurement, and have developed targeted risk prevention and management schemes.
- 100% refusal to purchase paper products from suppliers that knowingly cause deforestation.** We are committed to prioritizing products that can play a positive role in protecting forests, and refuse to purchase paper products from suppliers who knowingly harm forests. At the same time, we continue to increase our proportion of FSC-certified paper packaging. As of the end of 2023, the proportion of paper packaging used by our company that is FSC-certified** reached nearly 30%.
- 100% of the Yunnan single-origin coffee beans sold by Lavazza in China have obtained Rainforest Alliance (RFA) certification.** Lavazza actively shares advanced coffee planting technology with farmers. Through education and training, they encourage Yunnan's coffee farmers to adopt agroforestry planting models, which promotes soil health and helps to protect ecosystems.

In addition, Yum China actively supports the protection of marine ecosystems through coordination with our suppliers. We encourage suppliers to obtain certifications related to sustainable fisheries, including those by the Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC), and the Best Aquaculture Practices (BAP).

Deforestation Risk Assessment for Soy-based Animal Feed

Poultry is an important component of Yum China's purchased goods, and the main ingredient in poultry feed - soybeans - is one of the key raw materials associated with deforestation. In 2023, we adopted the LEAP (Locate, Evaluate, Assess, and Prepare) assessment method recommended by the Task Force on Nature-related Financial Disclosures (TNFD) to strengthen the traceability management of the soy raw materials we use and identify potential deforestation risks of soybean planting. Based on our assessment results, we are developing targeted measures to mitigate the deforestation risks of soy raw materials. This, in turn helps to reduce our carbon footprint as well as our overall environmental impact.

*Including ISO9000/ISO22000/HACCP/FSSC22000/BRCGS/Global G.A.P certifications.
**The data is calculated based on the weight of the packaging.

Circular Economy

Guided by the 4R principle (Reduce, Reuse, Replace, Recycle), Yum China aspires to create 'Zero-Waste Restaurant'. We use innovative technical solutions to optimize the use of resources, thereby reducing waste, energy and fresh water usage. Working together with value chain partners, we strive to maximize the utility of our waste by-products to fuel growth in the circular economy and minimize environmental impact.

Exploiting Less Natural Resources

We integrate the principle of 'exploit less natural resources' into every aspect of food processing, packaging and consumption. We are accelerating our transformation to sustainable packaging. In addition, our operational processes focus on reducing food loss and waste, alongside efficient water conservation measures.

Sustainable Packaging

We have formulated and released our *Yum China Packaging Strategy*, committed to expanding the application of sustainable packaging solutions in three key areas: packaging reduction, reusable and recyclable packaging, and material replacement.

Read [Yum China Packaging Strategy](#)

Sustainable Packaging Progress at Yum China in 2023

Packaging Reduction

We continuously optimized existing packaging through design improvements, structure optimization, lightweight materials utilization, etc., to reduce our consumption of paper and plastic materials.

Illustratively, in 2023, KFC optimized the size of burger boxes, achieving a 6% reduction in raw paper usage per box.

~**30,000** tons total packaging reduction

- ~**14,000** tons of plastic packaging reduction
- ~**16,000** tons of paper packaging reduction

~**58,000** tons of GHG emissions reduction

100% customer-facing plastic packaging recyclable

Reusable and Recyclable Packaging

While continuously promoting recyclable trays, we further promoted the use of reusable tableware and reusable shipping boxes at our restaurants to reduce the consumption of disposable packaging.

In 2023, we conducted implementation assessments for reusable tableware and shipping boxes at several of our KFC restaurants in Shanghai. The results showed that all categories of tableware at our restaurants can be transitioned to reusable tableware and can be scaled to cover an increasing number of stores. At the same time, we are gradually expanding the pilot scope of reusable shipping boxes for further feasibility assessment.

Material Replacement

We are continually reducing the use of non-degradable plastic packaging through material replacement while constantly expanding our use of FSC-certified paper to promote sustainable forestry practices.

In 2023, we expanded the use of FSC-certified bamboo pulp paper in our napkins at restaurants, as well as hand towels, toilet paper and printing paper, which are used at our offices. Also, for the first time, we used bamboo pulp paper in our food packaging, including Pizza Hut pizza boxes.

As of the end of 2023, the proportion of FSC-certified paper packaging used by Yum China was ~**30%**.

Reducing Food Loss and Waste

We aim to achieve a 10% reduction of food waste per restaurant by 2030 as compared to the 2020 baseline. We leverage cutting-edge technologies and advanced management practices across our value chain - from procurement and logistics to processing and disposal - to minimize food loss and waste. This approach underpins our commitment to fostering a sustainable restaurant business model.

In line with our commitment to minimize food waste, we launched our Food Bank program in 2020, distributing unsold food from restaurants that is still within the shelf life to community residents in need. This sets an example for the restaurant industry to address food waste challenges. Four years into its operation, this project has grown swiftly, and its influence has steadily increased.

As of the end of 2023, KFC's Food Bank program had expanded to

826 restaurants
118 cities

Pizza Hut's Food Bank program covered

40 restaurants
9 cities

During the reporting period, KFC's Food Bank program helped to reduce GHG emissions by

~**538** tons



Conserving Water Resources

The stability of water resources is a long-term risk associated with climate change. In 2023, we partnered with the World Resources Institute (WRI) to assess the level of water resource risk in our operational areas. Based on the assessment results, we have upgraded our water-saving facilities and equipment in areas facing higher water resource risks. In addition, we continuously improve our water efficiency through installing equipment such as waterless defrosting cabinets and upgraded restaurant dishwashers.

Since 2016, we installed new water-saving sinks in our restaurants, which encourages consumers to conserve water. As of the end of 2023, we had deployed a total of ~**300** waterless defrosting cabinets and ~**9,400** new restaurant dishwashers in our stores nationwide, achieving an estimated water savings of ~**1.55 million** tons during the reporting period.

Recycling More Waste

We continue to promote the recycling of waste generated by the daily operation of restaurants, and strive to be a pioneer in waste recycling in the restaurant industry.

Coffee Grounds Recycling

In 2023, we officially included coffee grounds as part of our waste recycling and reuse efforts, and recycled ~20 tons of coffee grounds within the year. During the reporting period, we also collaborated with our partners to complete the construction of **five** coffee grounds disposal centers located in four regions - Central China, Southern China, Northern China and Eastern China. Leveraging Yum China's logistics capabilities, our collection network for coffee grounds have now been expanded to cover ~95% of KFC restaurants.



Looking ahead, we are developing straws and cutlery with material from recycled coffee grounds, and collaborating with leading research institutions and universities to explore more applications for coffee grounds, including the development of coffee ground textiles and activated carbon solutions.

Reuse of Coffee Grounds in Baskets and Trays, and More!

Taking advantage of our coffee ground recycling capabilities, KFC has introduced eco-conscious baskets and trays, composed of 10% and 20% coffee grounds respectively, across over **1,500** restaurants in five cities. Our commitment to sustainability drives us to explore further eco-friendly solutions, including straws and tableware incorporating coffee grounds, to foster a more sustainable future.

For Earth Day in 2023, KFC launched a 'Be Nature, Be you' coffee grounds potting set made from recycled coffee grounds in select stores in Shanghai, promoting a culture of recycling among customers.

KFC 'Be Nature, Be you' Coffee Grounds Filled with 'Plant' Potted Plant Set →



↑ Eco-friendly Baskets and Trays with Coffee Grounds



UCO Recycling

We actively seek out opportunities to reuse and recycle our used cooking oil (UCO). Since 2018, we have gradually expanded our pilot project scope for closed-loop recycling of UCO to biodiesel, and have established a full-chain data recording and tracing system of the project following International Sustainability and Carbon Certification (ISCC) standards. We are continuing to expand this project and aim to achieve ISCC certification for **1,000+** restaurants by the end of 2024.

As the first restaurant company in China to use biodiesel made from UCO in its logistics operations, we are also actively cooperating with industry partners to share our experience and promote the standardization and application of UCO recycling. In 2023, Yum China assisted in the establishment of the Shanghai Waste Oil Resource Utilization Professional Committee and promoted the implementation of B10 biodiesel* standards in China.

We are also continuously exploring the application of recycled UCO into sustainable aviation fuel. In 2022, we have signed a memorandum of cooperation with Sichuan Jinshang Environmental Protection Technology Co., Ltd. ('Jinshang'), during the reporting period, Jinshang conducted the collection and recycling of waste oil from Yum China's restaurants in Sichuan Province, totaling ~750 tons. Additionally, a project was launched to establish a conversion facility that can manufacture sustainable aviation fuel (SAF) from waste oil. The capacity of this facility is nearly **300 thousand** tons of fuel per year.

Packaging Waste Recycling

In 2023, Yum China continued to cooperate with Shanghai Chengtou Environment Group Co., Ltd. to further promote the innovative pilot scheme for the recycling of packaging waste, covering 81 KFC and 27 Pizza Hut stores.

In addition, Yum China has cooperated with universities and upstream farming companies to jointly conduct feasibility studies on the use of the Company's organic waste for fertilizer, which will be further promoted after evaluating the results.

During the reporting period,

~810 tons of plastic, paper, and other metal and glass packaging waste were collected and recycled

~17 tons of GHG emissions reduction

*B10 biodiesel refers to 10% biodiesel mixed with 90% diesel.

**B5 biodiesel refers to 5% biodiesel mixed with 95% diesel.

From 2019 to 2023, a total of

~4,500 tons of UCO was completely converted into biodiesel

During the reporting period, we further promoted the closed-loop application solution for UCO and successfully achieved

100%

refueling of Shanghai logistics fleet vehicles with B5 biodiesel**, totaling

32,400+ liters

~4 tons

of GHG emissions reduction estimated



People

With a 'People First' culture, Yum China constantly pays close attention to all stakeholders in our value chain, works together with our employees for mutual benefit and success, continuously improves customer experience, and is committed to building a responsible supply chain.



Aligned UN SDGs



Key Focus Areas

- Accelerating Growth
- Customer Relationship Management
- Supply Chain Social Impact



Our 'People First' Culture



Drive Sustainable Growth

Yum China firmly believes that it is the tenacity and joint efforts of all of our people that enable the Company to actively respond to challenges, constantly develop market-leading products solutions, and continuously move towards our goal of becoming 'The World's Most Innovative Pioneer in the Restaurant Industry'. As a caring and responsible employer, Yum China encourages a culture of diversity and inclusion, accelerates employee growth through excellent talent strategies and practices, and is committed to providing comprehensive benefits for employees and their families.

Safeguarding Human Rights

We firmly believe that respecting and protecting human rights is the foundation for the long-term sustainability of the Company. We strictly comply with relevant laws, regulations, and standards. We follow the spirit of the United Nations *Universal Declaration of Human Rights* and international human rights conventions, and actively identify and prevent human rights risks faced by personnel throughout our enterprise and value chain. We also pay close attention to the concerns and expectations of stakeholders on human rights issues. In 2022, we introduced the *Yum China Human Rights Policy*, pledging to work with communities and stakeholders to create workplaces and communities that respect and protect human rights. In addition, we provide training to all employees on the policy to raise awareness of protecting their own and others' rights and interests.

 [Read *Yum China Human Rights Policy*](#)

The Board of Directors is responsible for overseeing important human resource matters including diversity and inclusion, management succession planning, and employee benefits programs. Under the supervision of the Board of Directors, the Company regularly reviews its human resources planning to ensure the attraction, retention, and development of employees who align with the Company's values and strategies.

By the end of 2023, we do not engage in child labor or forced labor.

In 2023, we released our *Yum China Zero Tolerance: Anti-Discrimination and Anti-Harassment Policy* to further emphasize the Company's firm commitment to workplace diversity, equality, and mutual respect. The policy applies to all employees of Yum China and all its subsidiaries, clearly stating that the Company has zero tolerance for any form of discrimination or harassment. We also expect our suppliers and partners to comply with this policy, and encourage them to develop similar anti-discrimination and anti-harassment policies to create a completely discrimination-free and harassment-free workplace for their employees.

 [Read *Yum China Zero Tolerance: Anti-Discrimination and Anti-Harassment Policy*](#)

Diversity, Equity and Inclusion

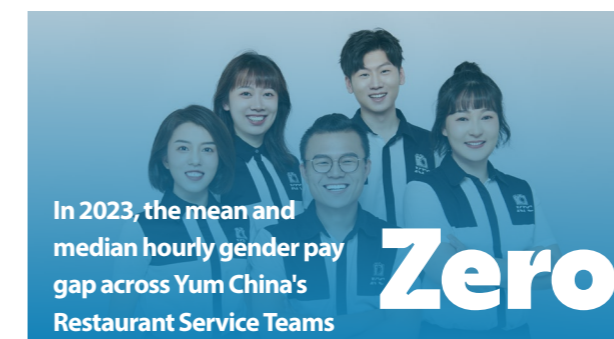
We firmly believe that employees from diverse backgrounds can stimulate organizational vitality. We are committed to creating a diverse, inclusive, and non-discriminatory working environment, providing equal opportunities so that all employees can realize their full potential. Our Human

Promoting Gender Equality

As a signatory of the *United Nations Women's Empowerment Principles* (WEPs), we have been included in the Bloomberg GEI for **five** consecutive years, continuously maintaining a

Resources department takes the lead in formulating related policies and monitors their implementation. At the same time, we regularly offer related training courses to help all employees grow in a diverse, equitable and inclusive work environment.

leading position in gender diversity practice in the restaurant industry. We are committed to supporting and promoting gender equality in our workplaces and strive to achieve gender equality at all levels of the Company, providing equal opportunities and platforms for the development of all employees.



We strictly adhere to the principle of equal pay for equal work, and review our compensation and benefits system every year, striving to permanently maintain a zero gender income gap. We strive to provide comprehensive support for our female employees' career development and well-being. In addition, we have launched a series of women's leadership courses to help female employees better actualize their career goals.

Caring for People with Disabilities

Over the past decade, we have continued to support the vocational development and social integration of people with disabilities and special needs through our 'Angel Restaurants' program. In 2023, we opened our first KFC 'Angel Restaurant' in Shanghai, featuring customized hearing-impaired friendly cooking equipment and Braille

menus for visually impaired employees. By the end of 2023, we have operated 46 'Angel Restaurants' in 42 cities across the country, supporting **200+** 'Angel Employees' every year. In total, Yum China has supported the employment of **1,800** disabled individuals.

Yum China Participates in the Service Support and Torch Relay of the Hangzhou Asian Games

As the exclusive Western-style food service supplier for the Hangzhou Asian Games, KFC and Pizza Hut provided professional and enthusiastic catering services for athletes and spectators. Our special service teams included 'Angel Employees' from across our nationwide 'Angel Restaurants' store network, which were honored to represent Yum China at the prestigious international sporting event.



↑ The KFC Hangzhou Asian Games Special Service Teams



↑ The Pizza Hut Hangzhou Asian Games Special Service Teams

During the torch relay in the lead-up to the Hangzhou Asian Games, three of our senior officers served as torchbearers. **100+** employees of KFC and Pizza Hut brands on our Asian Games 'Special Service Team' witnessed the torch relay, helping to instill a strong sense of pride and belonging as well as unique recognition for their strong support to the Hangzhou Asian Games.



↑ Pictured (left to right): Joey Wat, CEO, Yum China; Warton Wang, General Manager, KFC China; Jeff Kuai, General Manager, Pizza Hut China

Training and Development

We firmly believe that the development of our employees is at the core of our Company's growth story. At Yum China, we have developed comprehensive training and career development path programs for our people. We actively

invest in our employees' growth, and encourage them to continuously improve their industry knowledge and specific areas of expertise to collectively build a world-class, industry-leading organization.

Recruiting Industry-leading Talent

We are committed to attracting motivated young people who have full passion to pursue their dreams. We have launched a series of distinctive recruitment and trainee programs in the areas of operations, marketing, and supply chain management, highlighting Yum China's values and people culture, which support the Company's overall workforce development.

In 2023, we continued our aggressive nationwide campus recruitment initiatives. We held our second 'Perfect Restaurant Manager' innovation competition and the 'Yum China Creative Star' food innovation competition. Through these programs, we are further promoting deep exchange and cooperation with universities across China while stimulating students' innovation and creativity and cultivating their entrepreneurial skills. In 2023, Yum China was once again named by the Top Employers Institute as a Top Employer in China for the sixth consecutive year, maintaining its No.1 ranking in the industry for the third consecutive year and No.4 ranking overall for the first time.

Developing Career Growth

We are committed to cultivating industry pioneers through comprehensive training, support and assistance for our employees. The Company has established customized training programs for employees across different departments and different job levels, encouraging our people to continue learning, refreshing their skills and adapt to changing market needs.

We have established training programs for our KFC and Pizza Hut restaurant operations team members, as well as customized 2 - 3 year management trainee rapid development tracks for our marketing and supply chain teams. We provide our people with a diversified learning platform and a range of cutting-edge educational resources to help them further develop the necessary skills to become industry-leading professionals. In 2023, we launched the High Potential Talent (SEED) training program, which provides high-potential employees the

Clear Career Paths

We provide our employees with a broad scope for growth and development to help them reach their full career potential. The Company has created the industry-leading talent development project 'Bench Planning', which has developed many excellent industry leaders. Our systematic and transparent career planning program provides a clear path for restaurant operation teams. We value the tradition of promoting from within. **100%** of our market managers are home grown and promoted within our



2024 Top Employer China Award



'The 2023 China Best ESG Employers Award' from Aon



'The 2023 China Top Graduate Employers Award' from 51job

opportunity to participate in several company projects, and encourages them to step out of their roles and take the initiative in their own development. We have also created a flexible restaurant vocational education system - 'Post-course-Competition-Certificate', which enables our people to further hone their skills to meet changing job market demands. In addition, we provide continuing education opportunities for all employees, including those with special needs, through our 'YUMC College Program' and 'Angel College', including scholarships to qualified employees to help their career development. By the end of 2023, the 'YUMC College Program' has been promoted in **~20** markets across the country, and **~5,000** employees have received continuing education subsidies to pursue higher education degrees and certificates.

organization. This tradition serves us well and supports our positioning in setting up a sustainable workforce, ensuring that we have high-caliber talents at all levels. In addition, we have established a People Planning Process (PPP) for performance management, which aims to provide fair evaluations and clear performance feedback, guiding employees to continuously sharpen themselves and meet challenges.

Promoting Physical and Mental Well-being

We understand that we have a responsibility to help ensure the physical and mental well-being of our employees. We are committed to creating a healthier, safer, and more harmonious work environment and to safeguarding the health and happiness of our employees and their families.

YUMC Care

To enhance employee health and family risk resilience, we continue to improve the 'YUMC Care' benefits program, including the Family Care Program, One Million Yuan Medical Insurance Coverage and housing subsidies for RGMs, Supplementary Medical Insurance and Accident Death &

Disability Insurance for employee family members, the comprehensive flexible benefits 'YUMC Flexible Benefits Platform' for office staff, and the Employee Assistance Program (EAP) for all employees, providing employees with all around welfare protection.

Occupational Health and Safety (OHS)

We adhere to the concept of 'safety first', and consider the protection of our employees' health and safety as our top priority. The Company strictly adheres to our *Yum China Occupational Health and Safety Policy*, constantly upgrading our occupational health and safety management system to create a safe and healthy working environment for employees, customers, and value chain partners. The Company has established an Occupational Health and Safety Management Committee to supervise the achievement of related goals, and has set up a working group to promote efficient execution and continuous improvement.

In 2023, we made it a top OHS priority to prevent and eliminate workplace safety incidents. We constantly monitor safety incident reports across our brands and teams and coordinate suppliers to carry out subsequent corrective and improvement actions to ensure the safety and well-being of our customers and employees.

[Read *Yum China Occupational Health and Safety Policy*](#)

Workplace and Restaurant Safety

In our corporate offices, we continue to enhance safety measures to protect our employees. In 2023, we set up Automatic External Defibrillators (AED) and first aid medical boxes on each floor of our headquarters in Shanghai. We also provided employees with first aid skill training from the American Heart Association (AHA) to further promote office safety.

At our restaurants, we take strict protective measures, regularly inspect and upgrade employee protective equipment, carry out workplace safety reviews, and provide operational training for restaurant staff to fully protect the health and safety of restaurant employees and customers.

Since 2020, we have achieved

100%

annual physical examination coverage for restaurant management teams and office employees

100%

Health Certificate coverage for restaurant employees



Creating an Engaged and Motivated Workforce

We provide employees with unimpeded communication channels, competitive compensation and benefits, and a variety of community-oriented activities to keep them engaged, motivated and committed to the Company's collective growth. We provide a flexible work schedule for

frontline employees based on operational needs, and also provide opportunities for full-time store employees to apply for part-time positions, helping them to achieve better work-life balance.

Competitive Rewards for Top Talents

We strive to provide our employees with competitive compensation and benefits to fairly recognize and reward their hard work and outstanding achievements. By the end

of 2023, **13,900+** RGMs have been granted RGMs Restricted Stock Units (RSUs), allowing more employees to share in the returns brought by the Company's growth.

Building a Culture of Open Communication

We listen carefully to the voices and needs of our employees and have established practices to ensure effective two-way communication and exchange between the Company and our employees. The Company conducts activities such as our RGM Convention to provide a platform for employee feedback. At the same time, we ensure the effective delivery of business strategies and corporate information through digital communication platforms. To promptly obtain and fully understand and incorporate employee feedback, the Company conducts an Employee Engagement Survey every two years. In addition, each of our brands also periodically conducts employee pulse surveys to make targeted improvements. In 2023, the Company achieved an overall engagement score of 84% from its People Survey, better than industry average. Additionally, Yum China's Employee Union has always played an important role in finding

joint solutions for employees and the company, caring for employees, coordinating labor relations, and formulating related policies and mechanisms. By the end of 2023, **90%+** of Yum China employees had voluntarily joined the Union.

In November, the 2023 Yum China's annual RGM Convention, themed 'Adhere to Innovation, Pioneer the Future', was held in Macau, China. **11,000+** Yum China RGMs and area managers participated in the meeting. Joey Wat, CEO of Yum China, along with the entire management team, thanked and recognized all the hard work and efforts of RGMs; awarded employees who made outstanding contributions; and encouraged all employees to maintain their strategic focus, continue adapting to external challenges, and uphold the Company's core value to 'Always Do the Right Thing'.



↑ 2023 Annual RGM Convention

Customer Mania

Yum China adheres to the service concept of 'Customer Mania'. We deliver exceptional customer experiences, enhanced by robust technology capabilities, which enable us to fulfill our mission to drive sustainable and profitable growth.

Elevating the Customer Journey

Responsible Marketing

Demonstrating our steadfast commitment to responsible business, we continued to improve and update our *Yum China Responsible Marketing Policy* in 2023. Under the revised policy, we are committed to maintaining integrity in our marketing practices, avoiding making exaggerated or unsubstantiated claims about the positive social or environmental impacts of our products and services. We do not engage in deceptive practices or tactics to discredit our competitors' reputation or market standing. We refrain from misinforming customers on competitors' work and products. We regularly conduct responsible marketing training sessions for relevant employees to ensure our people are aware of the latest guidelines, requirements and changes in applicable laws and regulations.

[Read Yum China Responsible Marketing Policy](#)



End-to-End Digitalization

Building a strong digital ecosystem and capabilities is critical to support the resilience and long-term growth of our business. Our digital investment areas, which includes digital infrastructure, R&D centers, advance our digital capabilities allowing us to build our strategic moat and drive continuous growth. Meanwhile, we have been exploring artificial

intelligence (AI)-enabled applications in all aspects of our business. In 2023, we launched the AI food creation platform - KFC MENU X, inviting consumers to participate in recipe creation, further immersing them in our brand experience.

Timely and Effective Customer Response

We always prioritize customer satisfaction to ensure our customers have a great restaurant experience. We strive to closely listen to and incorporate feedback to serve our customers better. We are committed to listening to consumer voices across all domains. We collect and evaluate customer feedback through various online and offline channels, including our own platforms, third-party platforms and social media. We also use our self-developed

customer experience survey system (GES) and customer service platform (CSP), equipped with AI analysis tools, to efficiently gather customer feedback and promptly address customer needs. In addition, we implemented a multi-tiered customer complaint handling process that ensures requests are addressed professionally in a timely manner. In 2023, the Company received zero material complaints regarding our products and services.



Safeguarding Information Security

Our information technology systems are protected through technological safeguards and management measures. We detect, identify, assess and mitigate cybersecurity risks by adopting standard risk management methodologies, which are developed based on the international cybersecurity management system standard ISO 27001 as well as the asset-oriented risk assessment framework. To minimize potential impact on business operations in the event of a cybersecurity incident, we have formulated, and regularly tested, our incident response plan. We also established a framework for data security and personal information protection, including measures to prevent data loss and detect and block abnormal accounts and activities, as well as systems and processes to prevent, detect and mitigate vulnerabilities. We engage in the periodic assessment of these processes and practices that are designed to address cybersecurity threats and incidents.

We also conduct regular mandatory training on data and information security for employees to enhance their awareness, requiring all employees to pass assessments to demonstrate their knowledge. For new employees, we use a combination of online and offline training methods to familiarize them with the Company's information security policies.

Yum China Compliance Oversight Committee (the 'Compliance Committee') is responsible for assisting the Board and Audit Committee in overseeing the Company's cybersecurity risks. The Compliance Committee meets regularly to discuss legal and regulatory developments on cybersecurity, assess the Company's emerging cybersecurity risks and mitigation plans, and determine strategy to promote cybersecurity compliance.



By the end of 2023

- The KFC China and Pizza Hut China SuperAPPs and official websites have passed **the Multi-Level Protection Scheme (MLPS) from the Ministry of Public Security of China**
- Both the KFC China and Pizza Hut China SuperAPPs have passed **the Communication Network Security Protection Management Classification of the Ministry of Industry and Information Technology of China**
- The information security management systems of both KFC China and Pizza Hut China have passed **ISO/IEC 27001 annual audit**

Ethical and Responsible Sourcing

Yum China is 100% dedicated to ethical and responsible sourcing and diligently works together with our partners to continuously build a more responsible supply chain. We require all suppliers to sign our *Yum China Supplier Code of Conduct* before conducting business. In doing so, they promise to abide by all applicable laws and regulations and consciously fulfill their social and environmental responsibility commitments. In 2023, we updated our *Supplier Code of Conduct*, raising our expectations for suppliers' environmental impact, freedom of association and collective bargaining, and anti-competitive behavior.

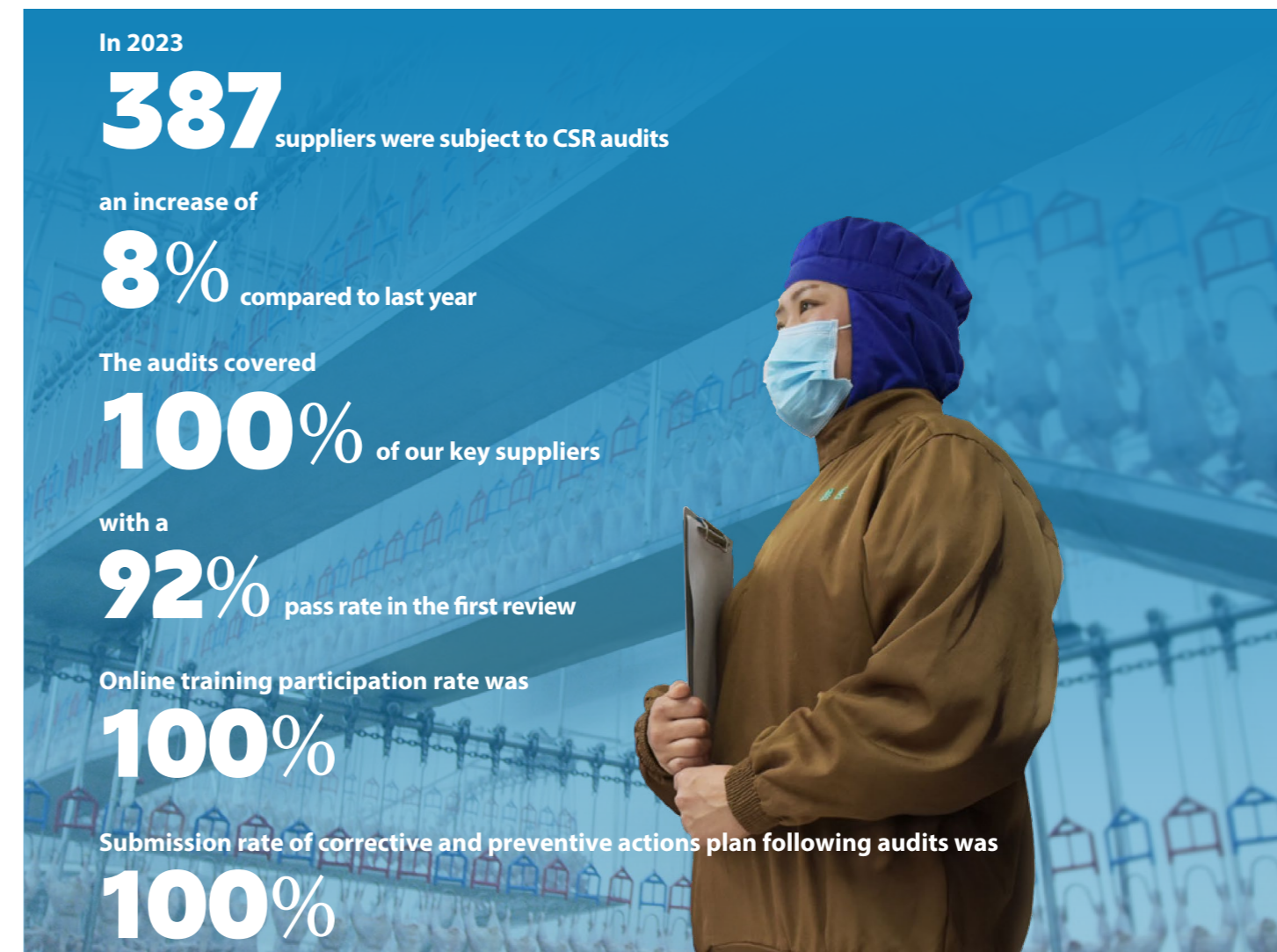
ensure compliance, we conduct audits annually through professional third-party audit companies.

In addition, we are committed to increasing local sourcing, while ensuring a stable, efficient, and sustainable supply chain. We actively collaborate with local suppliers and encourage foreign suppliers to establish manufacturing facilities in China, ensuring the consistency of global production quality while improving our cost competitiveness in the local market, and better promoting local economic development.

We actively promote standardization of our CSR management by setting specific CSR requirements for suppliers. To further

[Read *Yum China Supplier Code of Conduct*](#)

[Read *Yum China Supplier Code of Conduct—ESG*](#)



[Suppliers receiving A and B grades are considered to have passed the CSR audit. Find out more about our \[CSR rating system\]\(#\) and the second review results on our webpage](#)

Community

Yum China adheres to the spirit of 'International Vision, Chinese Sentiments', continuously promoting and passing on love and kindness with our own strengths. We help to revitalize rural areas, jointly build harmonious and friendly communities, promote traditional Chinese culture, participate in and support various sporting events, and make lasting contributions to social development.

Aligned UN SDGs

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



Key Focus Areas



Rural Revitalization



Community Care



Supporting Culture and Sports





'Always do the right thing' CSR Commitment



Rural Revitalization

- Nutrition** Improve the nutrition & health of children in rural areas
- Education** Promote the development of digital education in rural areas
- Grow Local** Facilitate the revitalization of rural industries



Community Care

We give back to our community with love. We are committed to supporting teenage growth, offering care to city guardians, providing aid for disaster areas, promoting safety education for the public, and cultivating a supportive and friendly community



Culture and Sports

We proactively promote traditional Chinese culture by creating immersive themed restaurants, support a variety of sports and events, and advocate for balanced diets and healthy lifestyles

We promote 'Doing good everywhere' within the community and actively support the public welfare to the best of our ability while implementing innovative approaches to serve the communities we operate in.

Rural Revitalization

Leveraging its own strengths, Yum China actively supports economic, cultural and social development in China's rural areas. Through initiatives like the One Yuan Donation program,

Digital Classroom, and the Grow Local, we continuously support the growth and development of young people, promote quality education, and empower the revitalization of local industries.

Improving Child Nutrition

Over the past 16 years, Yum China's One Yuan Donation program has continuously supported the improvement of child nutrition and educational enrichment for rural children. Donations collected through the program support a range of nutrition- and education- focused initiatives, including healthy meals for school children; school kitchen modernization; nutrition education; and Digital Classroom learning initiatives to enhance students' technology skills.

the China Foundation for Rural Development, Yum China introduced the 'Monthly Donation' mini-program, which includes various interactive components such as donation teams, responses to frequently asked questions on the program's impact, inspirational messages, and 'Honor Certificates' recognizing different levels of contribution. Moreover, the 'Light up Modern Kitchen' feature of the mini-program displays a benefit map showcasing where users' donations are making an impact. Through a more interactive experience, contributors can become more immersed in Yum China's community efforts, making them more likely to provide continuous support as opposed to one-time donations, helping to create a culture of giving and build a more equitable society.

In 2023, all brands under Yum China actively participated in the One Yuan Donation program. At KFC and Pizza Hut, customers can make donations to the program as they order via digital or offline channels. In addition, KFC, Pizza Hut, Taco Bell and Lavazza launched exclusive special set meals for One Yuan Donation to build awareness of the program. For each purchase, the Company donated RMB 1 to support the One Yuan Donation program to provide more nutritious meals for children in remote rural areas. The One Yuan Donation program is also actively promoted to Little Sheep and Huang Ji Huang dine-in customers, who can make donations in-person at stores.

Our charity work and environmental protection efforts are closely linked. In 2023, we launched the 'One Yuan Donation via Walk' activity internally, advocating for our employees to contribute to the One Yuan Donation program while encouraging them to exercise and raising awareness about low-carbon lifestyle choices.

In recent years, the program has introduced a series of new and innovative fundraising methods. In partnership with



In line with current social welfare trends in China, we continue to support digital skills-focused education initiatives in the country's rural communities. We help to widen the horizons of primary school students by donating computers to rural schools and conducting coding training courses. Through these initiatives, we can help to popularize coding education in local schools and raise students' digital literacy, which improves their access to education opportunities. Coding courses also provide learning and growth opportunities for rural teachers, enabling them to better train students in future-focused skills.

In 2023, our Digital Classroom project team carried out project promotion activities in **seven** provinces, and conducted comprehensive assessments of the applying schools. **200+** schools in Henan, Guizhou, Yunnan, Gansu, and Hebei benefited from the program, providing teachers and students with equipment and programming skills training.

In 2023, Yum China was recognized on *Fortune's* 2023 'Companies Changing the World' list for its One Yuan Donation program. The Company also won numerous international and domestic awards due to this initiative, including the 2023 Bloomberg Green Finance ESG 'Annual Responsibility Pioneer' award.

Find out more about [awards](#) on our website



As of the end of 2023, One Yuan Donation program key achievements include the following:

Raised
RMB 260 million+
 in donations (of which about RMB 20 million were raised in 2023)

150 million+
 consumers donated to the program

Provided
57 million+
 nutritious meals to children in underdeveloped areas

Provided
1,480+ schools with modern kitchen equipment

Provided coding trainings to
600+ teachers from roughly **550** rural schools

Covered
15 provinces and autonomous regions across China, benefiting

1 million+ children

Supporting Rural Industry Development

Yum China launched its Grow Local initiative in 2018. Leveraging the Company's supply chain management and R&D capabilities, the initiative features financial support as well as technical resources to help local product suppliers. In 2023, Pizza Hut added Wuyi Mountain Dahongpao Tea as part of its Grow Local initiative efforts, providing funding and technical resources to support local tea farmers. In addition, Pizza Hut has established a Tea Culture themed-restaurant in the area. Through these efforts, Pizza Hut not only supports local farmers but also introduces high-quality Wuyi Mountain tea products to a wider customer base while promoting tea culture to the public. In addition, as part of the initiative, KFC launched the 'Yunnan Mini Red Can', which assisted the acceleration with the branding and internationalization of Yunnan Baoshan coffee. In addition, KFC and Pizza Hut have actively developed products using local specialty ingredients such as Shanxi Datong daylilies.

Yum China also selects high-quality agricultural and specialty products from all over the country that offer great value for money, and open up sales channels for high-quality agricultural products utilizing huge online membership. Recent examples include Sichuan Pujiang Red Heart Kiwifruit, Shaanxi Crystal Persimmon, Fujian Golden Grapefruit, Sichuan Tunisian Soft Seed Pomegranate, and Shaanxi Organic Red Fuji.



↑ Wuyi Mountain Dahongpao Tea Planting Area of Pizza Hut Grow Local initiative



↑ Sichuan Pujiang Red Heart Kiwifruit Selling On 'BaiShenghui', which is the online member club owned by Yum China

Community Care

Yum China is firmly committed to giving back to the communities we serve. We believe that promoting a culture of love and small acts of kindness helps to create a better and more harmonious world.

Youth Development

KFC Little Migratory Birds Fund has been providing reading, sports, and art enrichment to children from migrant families since 2016. In June 2023, KFC China announced the launch of its Little Migratory Birds Fund Care Upgrade Program for Children in Distress. This expands the program's remit to a broader group of children in distress in urban and rural areas, aiding more children in need to grow up healthily. In

addition, during the reporting year, the program launched 'Waiting for a Book', allowing idle book resources to be donated and put to good use. By the end of 2023, the KFC Little Migratory Birds Fund has provided RMB **35 million+** benefiting **5.5 million+** needy children across the country.

📖 Find out more about [Little Migratory Birds Fund Care Upgrade Program for Children in Distress](#) on our webpage

Caring for City Guardians

We initiated a series of public welfare activities to express our gratitude and respect to city guardians who selflessly serve communities. During the Chinese New Year holiday, our brands delivered food to some emergency department medical staff in hospitals. In extremely cold or hot weather, we provided warm drinks and cold drinks to city beauticians

and event volunteers. Also, on the eve of Thanksgiving Day, Pizza Hut restaurants in Qingdao, Chengdu, Guangzhou and Hunan provided warm meals to community service volunteers and sanitation workers, expressing our thanks for their service.

Disaster Relief

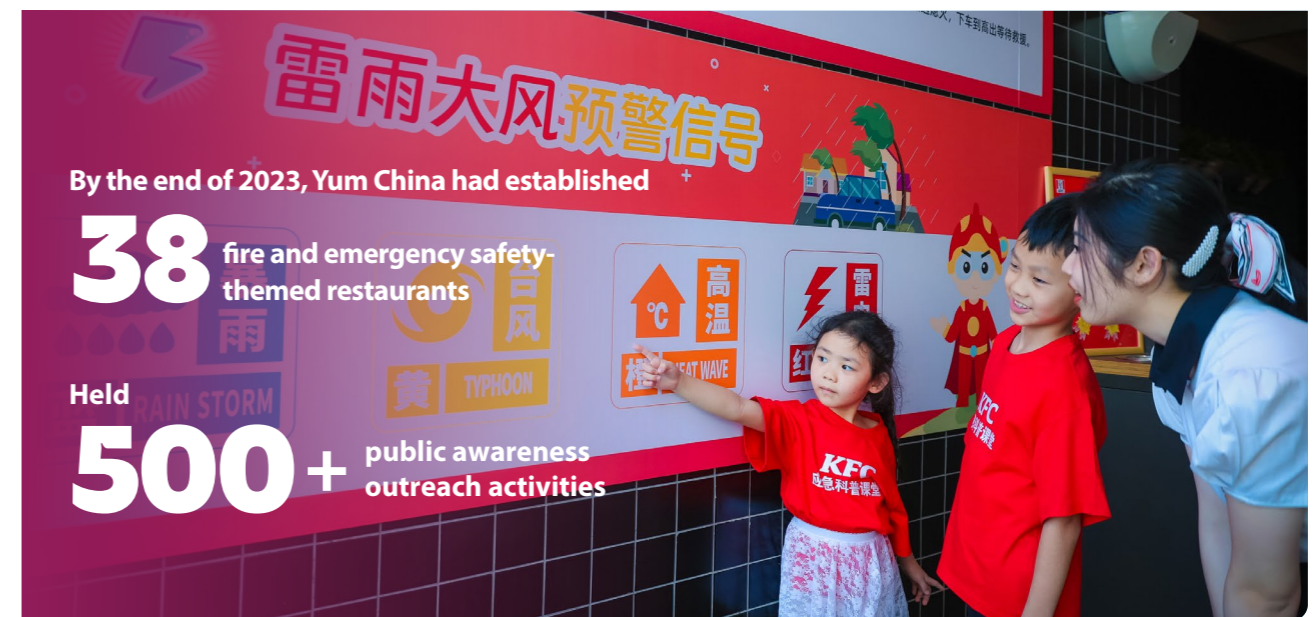
In early August 2023, the Beijing-Tianjin-Hebei region was affected by Typhoon Doksuri, resulting in extreme rainfall in many areas, causing severe flooding and landslides. Yum China donated RMB **1 million** through the China Foundation for Rural Development and delivered **21,500+** meals to frontline flood control personnel, providing urgent assistance to the flood control and disaster relief efforts.

In December 2023, a 6.2 magnitude earthquake struck Jishishan County, Linxia Autonomous Prefecture, Gansu Province. Yum China, together with its brands, quickly mobilized to donate RMB **2 million** and **2,500** family protection boxes through the China Foundation for Rural Development to support severely affected areas. KFC and Pizza Hut urgently arranged for hot meals to be sent to the earthquake-affected area for local frontline rescue workers.

Safety Education

In 2023, Yum China co-organized a 'Safety Science Knowledge' online public safety awareness campaign, guided by the National Fire and Rescue Administration, hosted by the Center for Public Information Promotion and Education of the Ministry of Emergency Management and supported by Guangming Online and the China Internet Development

Foundation. Initially launched in Beijing, the activity was subsequently expanded to **seven** provinces and city including Jiangsu, Zhejiang, Guangdong, Tianjin, Guizhou, Henan and Liaoning. Using familiar daily life scenarios, the campaign inspired the public and community stakeholders to actively promote fire and emergency safety awareness.



Caring For Stray Animals

In 2023, Pizza Hut once again collaborated with TA Foundation for Animal Protection, Beijing to spread awareness on stray animal care and stray animal adoption. Pizza Hut continued to build animal-friendly restaurants nationwide, and carried out promotional campaigns through its stores and online channels to help more stray animals find a home. At the same

time, they also held offline and online adoption activities to promote the concept of 'Adopt, Don't Shop' among pet lovers. In addition, Pizza Hut continued to donate funds to support the Foundation's stray animal welfare projects.

Jointly Creating a Beautiful Society

On June 30, 2023, KFC China's Love Nature, Benefit Together for A Better Future philanthropy initiative was held at KFC's West Lake restaurant in Hangzhou. The event showcased KFC China's social responsibility initiatives, including its efforts supporting children's development, people with disabilities, and environmental sustainability. The outreach aimed to better educate the public about KFC's initiatives and encourage people from all walks of society to join forces to help those in needs, protect the environment and build stronger communities.

Joey Wat (left), CEO of Yum China; Zhu Dongyun (right), Deputy Secretary General of China Children and Teenagers' Fund; and Guo Jingjing (middle), Caring Ambassador of KFC, presented care packages to representatives of 'little migratory birds'



KFC Book Kingdom program, Pizza Hut Public Reading program and Pass Every Exam campaign also continued to be held nationwide, sharing the joy of reading with students and helping them to build self-confidence.

By the end of 2023, KFC Book Kingdom program has distributed **150 million+** children's books with meals and has held **900,000+** story sessions



Culture and Sports

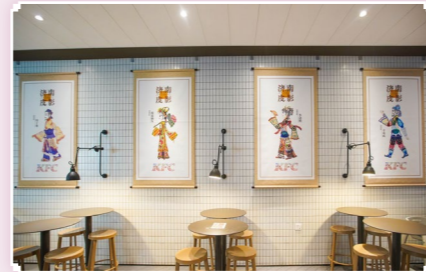
Yum China makes full use of its stores to promote traditional culture. It also supports various sports events and activities which help to enrich people's lives.

Showcasing Traditional Cultures

KFC and Pizza Hut have created a variety of traditional culture-themed restaurants in different locations across the country – such as the Anhui Pizza Hut Four Treasures of Study-themed restaurant, the Jinan KFC Lu Shadow Puppet-themed restaurant, the Dongguan KFC Dragon Boat-themed restaurant and the KFC Yuhang Paper Umbrella Intangible Cultural Heritage-themed restaurant, showcasing the beauty and charm of historical heritage in a fun and fashionable way.



↑ Anhui Pizza Hut Four Treasures of Study-themed Restaurant



↑ Jinan KFC Lu Shadow Puppet-themed Restaurant



↑ Dongguan KFC Dragon Boat-themed Restaurant



↑ KFC Yuhang Paper Umbrella Intangible Cultural Heritage-themed Restaurant

Promoting Sports

Through hosting themed activities and sponsoring major sports competitions, we further contributed to the popularization of sports such as basketball, sailing and tennis, and supported the development of national fitness programs.

The KFC China 3X3 Basketball Championship was founded in 2004 with the aim of promoting the development of 3-on-3 basketball in China and enabling Chinese youth to grow up healthier and happier. In 2019, the KFC China 3X3 Basketball Championship was officially renamed the KFC China High School 3X3 Basketball Championship and has become one of the largest youth 3-on-3 basketball competitions in China.

Over the past 20 years, the KFC China 3X3 Basketball Championship has focused on promoting and popularizing 3-on-3 basketball in China. Over the years, we have witnessed 3-on-3 basketball's transformation from a popular youth pastime to an Olympic sport. The tournament remains true to its original mission of promoting the integration of sports and education for young people. It has increasingly become an important part of the talent development system for youth 3-on-3 basketball, accompanying generations of young people in their growth journey on the sports stage.



By the end of 2023,
~3 million junior players
 have participated in KFC China High School
 3X3 Basketball Championship competitions
 The 2023 season covered
1,979 schools in **42** cities across
 the country, and attracted a total of
118,000 participants



In 2023, Pizza Hut entered its sixth year of collaboration with Qingdao International Sailing Week and the Qingdao International Ocean Festival. During the 2023 Hangzhou Asian Games, Pizza Hut invited Hangzhou Asian Games champions Zhao Huancheng and Hu Xiaoyu to the Pizza Hut



↑ Pizza Hut Sailing Contest

Yum China fully leveraged its strong restaurant operation capabilities and prior experience from major sporting events to provide professional, safe, standardized, unique and high-quality catering support for the venues of the 2023 Asian Games. During the games, KFC and Pizza Hut, were present in both the competitive and non-competitive venues. Catering to a wide range of meal requirements for

Asian Games-themed restaurant in Qingdao to interact face-to-face with local teenage sailing enthusiasts. The athletes shared their experiences during the Asian Games, giving the teenage participants a chance to meet and be inspired by their idols.



↑ Pizza Hut Asian Games-themed Restaurant 'Cheer the Asian Games' Activity

athletes, staff, journalists, volunteers and spectators, KFC and Pizza Hut teams set up permanent and temporary restaurants, food trucks, delivery and takeaway services, providing a diverse array of catering services. Their professional capabilities received unanimous praise from the Asian Games Organizing Committee and diners worldwide.



↑ Five 'Angel Employees' of KFC Hangzhou Asian Games Special Service Team





Appendix

Progress on Our Sustainability Goals

Goals and Commitments

2023 Progress

Category	Goals and Commitments	2023 Progress
Food	• Food safety and quality audit covers 100% of restaurants and logistics centers	✓ Achieved
	• Food safety and quality training covers 100% of employees in offices, restaurants, and logistics centers	✓ Achieved
	• Food safety assessment covers 100% of food and food contact packaging suppliers	✓ Achieved
	Yum China Nutrition and Health Commitment <ul style="list-style-type: none"> • 100% of KFC, Pizza Hut, and Taco Bell Kids Meal meets <i>Nutrition Guidelines for Meals Offered by the Restaurant Industry to School-Age Children</i> issued by the Chinese Nutrition Society • 100% of KFC, Pizza Hut, and Taco Bell Light Meal meets <i>Guidelines for Design of Nutritional Light Meal</i> issued by the China Cuisine Association • 100% of KFC, Pizza Hut, and Taco Bell products are free of trans fat originating from hydrogenated/partially hydrogenated oils • 700+ tons of salt reduction in French fries/ketchup/frozen cheese by 2030 from a 2020 base year • 4,500+ tons of total sugar reduction by 2030 from a 2020 base year 	Ongoing <ul style="list-style-type: none"> • KFC, Pizza Hut, and Taco Bell jointly hosted the 'Colorful Initiative - Care for Children's Nutrition', unveiling new balanced kids meals at our restaurants. • Pizza Hut launched light meals including the Grilled Steak Energy Bowl and American-Style Roasted Chicken Breast Energy Bowl. • We have launched less sugar creamy corn drinks at KFC and upgraded cheese-filled pizzas with a reduced salt formula at Pizza Hut.
Environment	Reach Net-zero Value Chain GHG Emissions by 2050 Near-term SBTs <ul style="list-style-type: none"> • Reduce absolute Scope 1 and 2 GHG emissions 63% by 2035 from a 2020 base year • Reduce Scope 3 GHG emissions from purchased goods 66.3% per ton of goods purchased by 2035 from a 2020 base year 	Ongoing <ul style="list-style-type: none"> • ~140,000 MWh annual electricity reduction through energy-saving technologies, reducing GHG emissions by ~80,000 tons. • ~8,000 MWh annual renewable energy consumption, reducing GHG emissions by ~4,500 tons. • 14 suppliers (covering ~40 factories) involved in Supplier Carbon Footprint Scorecard pilot program. • Yum China DPV & VPPA Alliance established.
	• 20% reduction in energy indirect GHG emissions per company-owned store by 2025 from a 2020 base year	Ongoing <ul style="list-style-type: none"> • 26% reduction in energy indirect GHG emissions per company-owned store in 2023 from a 2020 base year.
	• 100% of accessible roofs of all newly built logistics centers with DPV by the end of 2025	Ongoing <ul style="list-style-type: none"> • DPV deployment completed at our Shanghai Nanxiang Logistics Center.
	• All newly built restaurants to comply with the Yum China Green Building Standards	✓ Achieved
	• 10% reduction of average restaurant water consumption by 2025 as compared to the 2017 baseline	✓ Achieved
	• 10% reduction of food waste per restaurant by 2030 as compared to the 2020 baseline	Ongoing
	• 30% reduction in non-degradable plastic packaging weight by 2025 as compared to the 2019 baseline	Ongoing
	• 100% of customer-facing plastic-based packaging is recyclable	✓ Achieved
	• 100% of FSC-certified paper packaging by 2025	Ongoing <ul style="list-style-type: none"> • ~30% of paper packaging is FSC-certified.
	• 100% of RSPO-certified palm oil purchased	✓ Achieved
People	• At least 50% of our employees are female	✓ Achieved
	• At least 50% of all employees hired, trained, promoted, and retained are female	✓ Achieved
	• Over 1.5% of full-time jobs are offered to people with disabilities	✓ Achieved
	• 100% of critical suppliers are covered by CSR audit	✓ Achieved
Community	• Our employees volunteer no less than 1.5 million hours per year	✓ Achieved

Key Performance Indicators

Indicators	Unit	2023	2022	2021
Food				
Food Safety and Quality Audits on Suppliers	times	500+	470+	400+
Key Raw Materials Sampling Tests in Restaurants	times	400+	350+	300+
Restaurant Food Safety and Quality Audits (i.e. OEC Audit)	times	22,000+	21,200+	19,400+
Product Checks on Key Menu Items in Restaurants	times	3,300+	~4,500	~4,500
Microbiological Testing in Restaurants	pieces	100,000+	89,000+	111,000+
Environment				
Direct (Scope 1) GHG Emissions*	tCO ₂ e	187,156	165,197	158,887
Energy Indirect (Scope 2) GHG Emissions (Location-based)*	tCO ₂ e	2,024,512	1,740,134	2,158,856
Energy Indirect (Scope 2) GHG Emissions (Market-based)*	tCO ₂ e	2,020,460	1,740,134	2,158,856
Average Restaurant Energy Indirect GHG Emissions (Market-based)*	tCO ₂ e	153	148	205
Other indirect (Scope 3) GHG Emissions**	tCO ₂ e	10,102,062	8,198,807	8,608,863
Total Electricity Consumption	MWh	3,528,788	3,029,361	3,165,227
Renewable Energy Consumption	MWh	7,932	/	/
Average Restaurant Electricity Consumption	MWh	269	259	303
Total Water Consumption	tons	25,598,144	24,961,986	27,280,872
Average Restaurant Water Consumption	tons	1,967	2,149	2,628
Total Amount of Packaging Usage (Plastic Packaging & Paper Packaging)	tons	130,017	110,485	111,360
Total Amount of Plastic Packaging Usage	tons	24,805	20,076	22,027
Total Amount of Paper Packaging Usage	tons	105,212	90,409	89,333
Packaging Usage per Sales (in million RMB)	tons	1.8	1.8	2.0
Total Packaging Reduction (Plastic Packaging & Paper Packaging)	tons	~30,000	~19,400	~18,900
Percentage of RSPO-Certified Palm Oil	%	100	100	100
People				
Total Number of Employees	person	430,000+	400,000+	450,000+
Number of Full-time Employees	%	36	36	33
Number of Part-time Employees	%	64	64	67
Number of Male Employees	%	33	34	35
Number of Female Employees	%	67	66	65
Number of Employees under 30 and below	%	53	53	58
Number of Employees 31~40	%	23	25	23
Number of Employees 41~50	%	20	19	16
Number of Employees over 50	%	4	3	3

*In 2023, we updated the scope of Scope 1 and Scope 2 GHG emissions to company-owned restaurants across all brands, office buildings, logistics centers and facilities within our operational control. Meanwhile, we report Scope 2 emissions using location-based and market-based methods in accordance with the GHG Protocol (including the Scope 2 Guidelines of January 2015) released by the World Resources Institute.

**To better illustrate our progress in reducing emissions, we have updated our disclosure of Scope 3 GHG emissions data from 2020 (the base year for near-term SBTs), with boundaries aligned with SBTi validation data. Currently, it includes 12 out of 15 categories.

Indicators	Unit	2023	2022	2021
People				
Employee Turnover Rate of RGMs	%	9.3	9.0	10.6
Share of Women in All Management Positions	%	61	61	61
Share of Women in Junior Management Positions	%	60	61	61
Share of Women in Top Management Positions	%	53	53	53
Share of Women in Management Positions in Revenue-generating Functions	%	63	63	62
Share of Women in STEM-related Positions***	%	18	23	22
Share of Female Employees in New Hire Employees	%	59	59	66
Share of Female Employees in Promotion Employees	%	66	67	68
Share of Female Employees in Turnover Employees	%	58	58	57
Mean Hourly Gender Pay Gap of Restaurant Service Team	%	0	0	0
Median Hourly Gender Pay Gap of Restaurant Service Team	%	0	0	0
Number of Cities with Angel Restaurants	/	42	27	22
Number of Angel Restaurants	/	46	30	23
Number of People with Disabilities Employed in Angel Restaurants	person	200+	~200	~200
Number of People with Disabilities Gained Employment Support	person	1,800	~2,000	~2,000
Total Amount Spent on Training and Development	million RMB	395	338	456
Average Amount Spent per Full-time Equivalent (FTE) on Training and Development	RMB	1,837	1,673	3,000
Training and Development Hours in Total	million hours	9.7	8.8	12
Average Hours per FTE of Training and Development	hours	45	44	54
Number of Full-time Employees Trained	person	155,000	140,000	147,000
Number of Part-time Employees Trained	person	277,000	260,000	303,000
Share of Male Employees in Training Programs	%	33	34	35
Share of Female Employees in Training Programs	%	67	66	65
Annual Physical Examination Coverage of Restaurant Management Team and Office Employees	%	100	100	100
Health Certificate Coverage of Restaurant Employees	%	100	100	100
Lost-time Injury Frequency Rate for Employees****	n/million hours worked	1.03	1.07	0.99
Total Number of Work-related Fatalities for Employees****	person	0	0	0
Percentage of CSR Audited Critical Suppliers	%	100	100	100
Percentage of Suppliers in China	%	99.2	98.7	99.1
Community				
Employee Volunteer Time	million hours	1.5+	4.0+	1.8+

***STEM: Science, Technology, Engineering and Mathematics.

****The number does not include casualties that are not attributed to work.

HKEX ESG Reporting Guide Index

KPI	Description	Responses
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	The laws and regulations that Yum China complies with include but are not limited to: <ul style="list-style-type: none"> • <i>Environmental Protection Law of the PRC</i> • <i>Law of the PRC on the Prevention and Control of Water Pollution</i> • <i>Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste</i> We strictly abide by the environment-related laws and regulations of China and develop relevant internal environmental policies such as the <i>Yum China Environmental Management System</i> .
A1.1	The types of emissions and respective emissions data.	Total water discharge: 22,549,836 tons Water discharge intensity: 1,732 tons per store Air emissions: The air emissions from business activities mainly come from the cooking fumes from the kitchen. We set up management standards and comply with relevant national laws and regulations to make it meet the standard.
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Environment > Low-Carbon Operations, P30
A1.3	Total hazardous waste produced and, where appropriate, intensity.	As a restaurant company, we do not produce hazardous waste on account of business features.
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Total non-hazardous waste: 393,364 tons Non-hazardous waste intensity: 30 tons per store Total waste recycled/reused: 150,171 tons Total waste disposed: 243,193 tons
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment > Low-Carbon Operations, P30
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment > Circular Economy, P34
A2 Use of Resource		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment > Low-Carbon Operations, P30
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environment > Low-Carbon Operations, P30
A2.2	Water consumption in total and intensity.	Environment > Circular Economy, P34
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment > Low-Carbon Operations, P30
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Yum China has no issue in sourcing water. Environment > Circular Economy, P34
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Environment > Circular Economy, P34
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment > Supply Chain Collaboration, P32



KPI	Description	Responses
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment > Supply Chain Collaboration, P32
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment > Low-Carbon Operations, P30
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment > Low-Carbon Operations, P30
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	The laws and regulations that Yum China complies with include but are not limited to: <ul style="list-style-type: none"> • <i>Labor Law of the PRC</i> • <i>Labor Contract Law of the PRC</i> • <i>Regulations on the Prohibition of Child Labour</i> People > Drive Sustainable Growth, P41
B1.1	Total workforce by gender, employment type, age group and geographical region.	Total number of employees: 430,000+ Total workforce rate: <ul style="list-style-type: none"> • By gender: Female: 67% Male: 33% • By employment type: Full-time: 36% Part-time: 64% • By age: 30 years old and below: 53% 31~40 years old: 23% 41~50 years old: 20% 50 years old and above: 4% • By region: Mainland China: 99.99838% Hong Kong, Macau, and Taiwan: 0.00116% Other regions: 0.00046%
B1.2	Employee turnover rate by gender, age group and geographical region.	Turnover Rate of RGMs: 9.3% <ul style="list-style-type: none"> • By gender: Female: 5.2% Male: 4.1% • By age: 30 years old and below: 3.4% 31~40 years old: 5.0% 41~50 years old: 0.9% 50 years old and above: 0.1% • By region: Mainland China: 9.3% Hong Kong, Macau, and Taiwan: 0.0% Other overseas regions: 0.0%



KPI	Description	Responses
B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	The laws and regulations that Yum China complies with include but are not limited to: • <i>Security Law of the PRC</i> • <i>Law of the PRC on the Prevention and Control of Occupational Diseases</i> • <i>Fire Protection Law of the PRC</i> People > Drive Sustainable Growth, P41
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	From 2018 to 2023, work-related fatalities of Yum China continued to be zero.
B2.2	Lost days due to work injury.	In 2023, there were about 10,313* lost days due to work injury.
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People > Drive Sustainable Growth, P41
B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People > Drive Sustainable Growth, P41
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The percentage of employees trained in total workforce: 100% • Trained Employees by gender: Female: 67% Male: 33% • Trained Employees by category: Non-manager: 95% Managers: 5%
B3.2	The average training hours completed per employee by gender and employee category.	Average hours per FTE of training and development: 45 The average training hours completed per employee** • By gender: Female: 17 Male: 24 • By employment category: Non-manager: 20 Managers: 11
B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	The laws and regulations that Yum China complies with include but are not limited to: • <i>Labor Law of the PRC</i> • <i>Labor Contract Law of the PRC</i> • <i>Regulations on the Prohibition of Child Labour</i> People > Drive Sustainable Growth, P41
B4.1	Description of measures to review employment practices to avoid child and forced labor.	People > Drive Sustainable Growth, P41
B4.2	Description of steps taken to eliminate such practices when discovered.	People > Drive Sustainable Growth, P41
B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	People > Ethical and Responsible Sourcing, P49
B5.1	Number of suppliers by geographical region.	By the end of December 2023, the number of suppliers (food and packaging) by region (countries of suppliers) is as follows: • Total: 825 • China: 818 • Overseas: 7
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Food > Food Safety and Quality, P16

*The number does not include casualties that are not attributed to work.

**In 2022, we divided the average training hours per employee by category, including office employees and RGMs. In 2023, we expanded the data scope to include all employees, including restaurant service teams, management teams, RGMs, and office employees. The average number of training hours completed by each employee = total training hours of employees in that category / total FTE of that category.

KPI	Description	Responses
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	People > Ethical and Responsible Sourcing, P49
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Environment > Supply Chain Collaboration, P32
B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	The laws and regulations that Yum China complies with include but are not limited to: • <i>Food Safety Law of the PRC</i> • <i>Advertising Law of the PRC</i> • <i>Trademark Law of the PRC</i> • <i>Law of the PRC on the Protection of Consumer Rights and Interests</i> • <i>Data Security Law of the PRC</i> • <i>Personal Information Protection Law of the PRC</i> Food > Food Safety and Quality, P16 People > Customer Mania, P46
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Yum China had no incidents in which the products sold or shipped subject to recalls for safety and health reasons during the reporting period.
B6.2	Number of products and service related complaints received and how they are dealt with.	In 2023, Yum China did not receive any material complaints related to products and services.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	People > Customer Mania, P46
B6.4	Description of quality assurance process and recall procedures.	We pay attention to food recalls, develop relevant systems to standardize the food recall process, and clarify the involving departments and responsibilities.
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	People > Customer Mania, P46
B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Yum China strictly complies with <i>Company Law of the PRC</i> , <i>Criminal Law of the PRC</i> , <i>Anti-money Laundering Law of the PRC</i> , and other laws and regulations and adopts a 'zero tolerance' attitude towards corruption.
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Governance, P09
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corporate Governance, P09
B7.3	Description of anti-corruption training provided to directors and staff.	Corporate Governance, P09
B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community, P50
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community, P50
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community, P50

GRI Standards Index

Instructions for the use of GRI: Yum China has disclosed the contents described in the GRI Content Index for the period from January 1, 2023 to December 31, 2023 with reference to the GRI Standards.

GRI Standards	Disclosure	Section(s)
GRI 2: General Disclosures	2-1 Organizational details	About Us, P08
	2-2 Entities included in the organization's sustainability reporting	About this Report, P04
	2-3 Reporting period, frequency and contact point	About this Report, P04
	2-4 Restatements of information	Environment > Low-Carbon Operations, P30
	2-5 External assurance	Assurance Report, P74
	2-6 Activities, value chain and other business relationships	About Us, P08
	2-7 Employees	About Us, P08
	2-8 Workers who are not employees	About Us, P08
	2-9 Governance structure and composition	Corporate Governance, P09
	2-10 Nomination and selection of the highest governance body	Corporate Governance, P09
	2-11 Chair of the highest governance body	Corporate Governance, P09
	2-12 Role of the highest governance body in overseeing the management of impacts	Sustainability Strategy, P10
	2-13 Delegation of responsibility for managing impacts	Corporate Governance, P09
	2-14 Role of the highest governance body in sustainability reporting	Sustainability Strategy, P10
	2-15 Conflicts of interest	Corporate Governance, P09
	2-16 Communication of critical concerns	Sustainability Strategy, P10
	2-17 Collective knowledge of the highest governance body	Corporate Governance, P09
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance, P09
	2-19 Remuneration policies	People > Drive Sustainable Growth, P41
	2-20 Process to determine remuneration	People > Drive Sustainable Growth, P41
	2-22 Statement on sustainable development strategy	Sustainability Strategy, P10
	2-23 Policy commitments	People > Drive Sustainable Growth, P41
	2-24 Embedding policy commitments	People > Drive Sustainable Growth, P41



GRI Standards	Disclosure	Section(s)
GRI 2: General Disclosures	2-25 Processes to remediate negative impacts	People > Drive Sustainable Growth, P41
	2-26 Mechanisms for seeking advice and raising concerns	People > Drive Sustainable Growth, P41
	2-27 Compliance with laws and regulations	No legal actions recorded during the reporting period
	2-28 Membership associations	Food > Industry Development and Public Education, P23
	2-29 Approach to stakeholder engagement	Sustainability Strategy, P10
GRI 3: Material Topics	3-1 Process to determine material topics	Sustainability Strategy, P10
	3-2 List of material topics	Sustainability Strategy, P10
	3-3 Management of material topics	Sustainability Strategy, P10
GRI 201: Economic Performance	201-2 Financial implications and other risks and opportunities due to climate change	Environment > Low-Carbon Operations, P30
	201-3 Defined benefit plan obligations and other retirement plans	People > Drive Sustainable Growth, P41
GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported	Community > Rural Revitalization, P53
	203-2 Significant indirect economic impacts	Community > Rural Revitalization, P53
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	Corporate Governance, P09
GRI 206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No legal actions recorded during the reporting period
GRI 301: Materials	301-1 Materials used by weight or volume	Environment > Circular Economy, P34
	301-2 Recycled input materials used	Environment > Circular Economy, P34
	301-3 Reclaimed products and their packaging materials	Environment > Circular Economy, P34
GRI 302: Energy	302-1 Energy consumption within the organization	Environment > Low-Carbon Operations, P30
	302-2 Energy consumption outside of the organization	Environment > Low-Carbon Operations, P30
	302-3 Energy intensity	Environment > Low-Carbon Operations, P30
	302-4 Reduction of energy consumption	Environment > Low-Carbon Operations, P30
	302-5 Reductions in energy requirements of products and services	Environment > Low-Carbon Operations, P30
GRI 303: Water and Effluents	303-1 Interactions with water as a shared resource	Environment > Low-Carbon Operations, P30
	303-2 Management of water discharge related impacts	Environment > Low-Carbon Operations, P30

GRI Standards	Disclosure	Section(s)
GRI 303: Water and Effluents	303-3 Water withdrawal	No issue in sourcing water
	303-4 Water discharge	Total water discharge: 22,549,836 tons
	303-5 Water consumption	Environment > Low-Carbon Operations, P30
GRI 304: Biodiversity	304-2 Significant impacts of activities, products and services on biodiversity	Environment > Supply Chain Collaboration, P32
	305-1 Direct (Scope 1) GHG emissions	Environment > Low-Carbon Operations, P30
GRI 305: Emissions	305-2 Energy indirect (Scope 2) GHG emissions	Environment > Low-Carbon Operations, P30
	305-3 Other indirect (Scope 3) GHG emissions	Environment > Supply Chain Collaboration, P32
	305-4 GHG emissions intensity	Environment > Low-Carbon Operations, P30
	305-5 Reduction of GHG emissions	Environment > Low-Carbon Operations, P30
GRI 306: Waste	306-1 Waste generation and significant waste-related impacts	Environment > Circular Economy, P34
	306-2 Management of significant waste-related impacts	Environment > Circular Economy, P34
	306-3 Waste generated	Environment > Circular Economy, P34
	306-4 Waste diverted from disposal	Environment > Circular Economy, P34
	306-5 Waste directed to disposal	Environment > Circular Economy, P34
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	People > Ethical and Responsible Sourcing, P49
GRI 401: Employment	401-1 New employee hires and employee turnover	People > Drive Sustainable Growth, P41
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	People > Drive Sustainable Growth, P41
	401-3 Parental leave	People > Drive Sustainable Growth, P41
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	People > Drive Sustainable Growth, P41
	403-2 Hazard identification, risk assessment, and incident investigation	People > Drive Sustainable Growth, P41
	403-3 Occupational health services	People > Drive Sustainable Growth, P41
	403-4 Worker participation, consultation, and communication on occupational health and safety	People > Drive Sustainable Growth, P41
	403-5 Worker training on occupational health and safety	People > Drive Sustainable Growth, P41
	403-6 Promotion of worker health	People > Drive Sustainable Growth, P41
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	People > Drive Sustainable Growth, P41



GRI Standards	Disclosure	Section(s)
GRI 403: Occupational Health and Safety	403-8 Workers covered by an occupational health and safety management system	People > Drive Sustainable Growth, P41
	403-9 Work-related injuries	People > Drive Sustainable Growth, P41
	403-10 Work-related ill health	People > Drive Sustainable Growth, P41
GRI 404: Training and Education	404-1 Average hours of training per year per employee	People > Drive Sustainable Growth, P41
	404-2 Programs for upgrading employee skills and transition assistance programs	People > Drive Sustainable Growth, P41
	404-3 Percentage of employees receiving regular performance and career development reviews	People > Drive Sustainable Growth, P41
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	People > Drive Sustainable Growth, P41
	405-2 Ratio of basic salary and remuneration of women to men	People > Drive Sustainable Growth, P41
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	People > Drive Sustainable Growth, P41
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	No child labor recorded during the reporting period
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	No forced or compulsory labor recorded during the reporting period
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	Community > Community Care, P56
	413-2 Operations with significant actual and potential negative impacts on local communities	No evidence of potential impacts on the local community
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	People > Ethical and Responsible Sourcing, P49
	414-2 Negative social impacts in the supply chain and actions taken	People > Ethical and Responsible Sourcing, P49
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	Food > Food Safety and Quality, P16
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No related incidents occurred during the reporting period
GRI 417: Marketing and Labeling	417-1 Requirements for product and service information and labeling	People > Customer Mania, P46
	417-2 Incidents of non-compliance concerning product and service information and labeling	No related incidents occurred during the reporting period
	417-3 Incidents of non-compliance concerning marketing communications	No related incidents occurred during the reporting period
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No related incidents occurred during the reporting period

SASB Index


Topic	Accounting Metrics	Responses
Energy Management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	Environment > Low-Carbon Operations, P30
Water Management	(1) Total water withdrawn (2) Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Environment > Circular Economy, P34
Food & Packaging Waste Management	(1) Total amount of waste (2) Percentage food waste (3) Percentage diverted (1) Total weight of packaging (2) Percentage made from recycled and/or renewable materials (3) Percentage that is recyclable, reusable, and/or compostable	Total amount of waste: 393,364 tons Percentage diverted: 38% Environment > Circular Economy, P34 Total amount of packaging usage: 130,017 tons Environment > Circular Economy, P34
Food Safety	(1) Number of confirmed foodborne illness outbreaks (2) Percentage resulting in U.S. Centers for Disease Control and Prevention (CDC) investigation (1) Number of recalls issued (2) Total amount of food product recalled	N/A Yum China had no incidents in which the products sold or shipped subject to recalls for safety and health reasons during the reporting period. Yum China always regards food safety as the first priority and is committed to providing customers with delicious, safe, nutritious, and high-quality food. We have established and effectively implemented a food safety and quality management system throughout the entire value chain, covering upstream suppliers, suppliers to logistics centers to restaurants and delivery, to fulfill the food safety commitment of 'from farm to table'. We have established a management structure, from the Board of Directors/Food Safety and Sustainability Committee to all relevant functions, to comprehensively supervise the implementation of various management systems, measures, and standards.
	(1) Percentage of restaurants inspected by a food safety oversight body (2) Percentage receiving critical violations	



Topic	Accounting Metrics	Responses
Nutritional Content	(1) Percentage of meal options consistent with national dietary guidelines (2) Revenue from these options (1) Percentage of children's meal options consistent with national dietary guidelines for children (2) Revenue from these options	N/A N/A
	Number of advertising impressions made on children, percentage promoting products that meet national dietary guidelines for children	People > Customer Mania, P46
Labor Practices	(1) Voluntary turnover rate for restaurant employees (2) Involuntary turnover rate for restaurant employees (1) Average hourly wage, by region (2) Percentage of restaurant employees earning minimum wage, by region	Voluntary turnover rate for RGMs: 8.2% Involuntary turnover rate for RGMs: 1.1% We published the <i>Yum China Human Rights Policy</i> , promising to provide a workplace without discrimination and harassment and to ensure that employees receive reasonable remuneration. We adhere to the concept of 'pay based on performance results and business impact' and provide employees with reasonable and competitive compensation and benefits. The salary and benefits we provide to employees are generally higher than the minimum salary standard required by laws and regulations in various regions. People > Drive Sustainable Growth, P41
	Total amount of monetary losses as a result of legal proceedings associated with (1) labor law violations (2) employment discrimination	People > Drive Sustainable Growth, P41
Supply Chain Management & Food Sourcing	Percentage of food purchased that (1) meets environmental and social sourcing standards (2) is certified to third-party environmental and/or social standards Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare Percentage of (1) eggs that originated from a cage-free environment (2) pork that was produced without the use of gestation crates	Environment > Supply Chain Collaboration, P32 Food > Food Safety and Quality, P16 N/A



Assurance Report

 **毕马威**

KPMG Huazhen LLP
25th Floor, Tower II, Plaza 66
1266 Nanjing West Road
Shanghai 200040
China
Telephone +86 (21) 2212 2888
Fax +86 (21) 6288 1889
Internet kpmg.com/cn

毕马威华振会计师事务所
(特殊普通合伙)
中国上海
南京西路1266号
恒隆广场25楼
邮政编码: 200040
电话 +86 (21) 2212 2888
传真 +86 (21) 6288 1889
网址 kpmg.com/cn

Independent Practitioner's Limited Assurance Report
毕马威华振沪字第 2400030 号

To the Board of Directors of Yum China Holdings, Inc.:

Report on the selected information in Yum China Holdings, Inc.'s Sustainability Report as of and for the year ended 31 December 2023

Conclusion

We have performed a limited assurance engagement on whether the selected information in Yum China Holdings, Inc.'s ("Company") 2023 Sustainability Report as of and for the year ended 31 December 2023 has been prepared in accordance with the criteria set forth under the heading Basis of Assured Data of the Sustainability Report ("basis of reporting"). The information that was subject to assurance is indicated in the Basis of Assured Data of the 2023 Sustainability Report ("the Assured Sustainability Information").

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Assured Sustainability Information as of and for the year ended 31 December 2023 is not prepared, in all material respects, in accordance with the basis of reporting.


Our conclusion on the Assured Sustainability Information does not extend to any other information that accompanies or contains the Assured Sustainability Information and our assurance report. We have not performed any procedures with respect to the other information.

Basis for conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

Page 1 of 4

KPMG Huazhen LLP, a People's Republic of China partnership and a member firm of the KPMG global organization of independent member firms affiliated with the KPMG network, a Swiss entity known as the KPMG network, which is a Swiss entity. All member firms of the KPMG network are separate legal entities and are not liable for the acts or omissions of any other member firm. KPMG Huazhen LLP is a separate legal entity from KPMG Huazhen LLP, a People's Republic of China partnership.

 **毕马威**

Independent Practitioner's Limited Assurance Report (Continue)
毕马威华振沪字第 2400030 号

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matter

The information for prior periods were not subject to our limited assurance engagement and, accordingly, we do not express a conclusion, or provide any assurance on such information. Our conclusion is not modified in respect of this matter.


Intended use or purpose

Our report has been prepared for and only for the board of directors of the Company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report. Our conclusion is not modified in respect of this matter.

The Company's responsibilities for the Assured Sustainability Information

The Company is responsible for the preparation of the Assured Sustainability Information in accordance with basis of reporting. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the Assured Sustainability Information that is free from material misstatement, whether due to fraud or error.

Page 2 of 4

 **毕马威**

Independent Practitioner's Limited Assurance Report (Continue)
毕马威华振沪字第 2400030 号

Inherent limitations in preparing the Assured Sustainability Information

Greenhouse gas ("GHG") quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. It was impracticable for us to quantify the potential impact of this on the disclosures of the Assured Sustainability Information in the 2023 Sustainability Report. Accordingly, our report relates solely to the Assured Sustainability Information that have been disclosed to us and in the books and records of the Company made available to us.

In addition, we also draw attention of the readers that currently there are no generally accepted practices to evaluate and measure other non-financial information in the Assured Sustainability Information, therefore there are different measurement methods, which may impact the comparability among entities.

Our responsibilities

We are responsible for:


- Planning and performing the engagement to obtain limited assurance about whether the Assured Sustainability Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to you.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the Assured Sustainability Information that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the Assured Sustainability Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, we:

- Evaluated the suitability in the circumstances of the Company's use of relevant criteria, as the basis for preparing the Assured Sustainability Information;

Page 3 of 4

 **毕马威**

Independent Practitioner's Limited Assurance Report (Continue)
毕马威华振沪字第 2400030 号

- Through inquiries of relevant staff at the Company who are responsible for the preparation of the Assured Sustainability Information, obtained an understanding of the Company's control environment, processes and information systems relevant to the preparation of the Assured Sustainability Information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- Inspected a limited number of items to or from supporting records, as appropriate;
- Performed analytical procedures over the Assured Sustainability Information where appropriate by comparing the expected results to actual results reported and made inquiries of management to obtain explanations for any significant differences we identified;
- Performed recalculations of selected data in the Assured Sustainability Information; and
- Considered the presentation and disclosure of the Assured Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

KPMG Huazhen LLP Shanghai Branch
KPMG Huazhen LLP Shanghai Branch
25th Floor, Tower II, Plaza 66
1266 Nanjing West Road
Shanghai 200040, China
8 April 2024

Page 4 of 4

Basis of Assured Data

No.	Data	Basis
1	Direct (Scope 1) GHG Emissions	Direct (Scope 1) GHG Emissions of Yum China in 2023 were the direct (Scope1) GHG emissions generated by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang and Lavazza restaurants, logistics centers, facilities and vehicles within our operational control in 2023. The majority of 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. The rest of direct (Scope 1) GHG emissions are derived from the consumption of natural gas and liquefied petroleum gas (LPG) at Yum China's company-owned Little Sheep and Huang Ji Huang restaurants and facilities within our operational control. This also includes the gasoline and diesel consumption of company-owned vehicles and mobile equipment at offices, logistics centers, and facilities. The rest of direct emissions were calculated by multiplying the amount of fuel used by the respective emission factors. The emission factors for natural gas and LPG refer to the <i>GHG Emissions Accounting Method and Reporting Guide for Food, Tobacco, Alcohol, Beverage and Refined Tea Enterprises (Trial)</i> issued by the National Development and Reform Commission. Natural gas consumption refers to the data on natural gas bills from restaurant. The default emission factors and carbon oxidation rates for gasoline and diesel refer to the <i>2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories</i> . The calorific values come from the International Energy Agency's <i>World Energy Balance</i> . The GWP refers to the 100-year GWP values in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Consumption data for other fuels were gathered from fuel expense reimbursement vouchers from offices, logistics centers and facilities.
2	Energy Indirect (Scope 2) GHG Emissions	Energy indirect (Scope 2) GHG emissions of Yum China in 2023 were the energy indirect (Scope 2) GHG emissions generated by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang and Lavazza restaurants, offices, logistics centers and facilities within our operational control in 2023. The energy indirect (Scope 2) GHG emissions of Yum China in 2023 is separately calculated and reported using location-based and market-based methods. According to <i>GHG Protocol</i> (including the <i>Scope 2 Guidelines</i> of January 2015) released by the World Resources Institute, location-based method is a method to quantify scope 2 GHG emissions based on average energy generation emission factors for defined geographic locations, including local, subnational, or national boundaries, and market-based method is a method to quantify the scope 2 GHG emissions of a reporter based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with contractual instruments, or contractual instruments on their own. The majority of energy indirect (Scope 2) GHG emissions are derived from electricity consumption, which is calculated by multiplying each restaurant's electricity consumption by the average national carbon dioxide emission factors of power grid. The average national carbon dioxide emission factors of power grid refer to the emission factor of 2022 in the <i>'Notice on the Management of Corporate GHG Emissions Reporting in Power Generation Industry from 2023 to 2025'</i> issued by Ministry of Ecology and Environment. The rest of indirect (Scope 2) emissions are derived from purchased heat, which is calculated by multiplying purchased heat consumption of each restaurant, offices and facilities from heating areas by the carbon dioxide emission factors of heating power supply. The carbon dioxide emission factor for heating power supply refers to the emission factor in the <i>GHG Emissions Accounting Method and Reporting Guide for Food, Tobacco, Alcohol, Beverage and Refined Tea Enterprises (Trial)</i> issued by the National Development and Reform Commission.
3	Total Electricity Consumption	Total electricity consumption of Yum China in 2023 was the electricity consumed by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang and Lavazza restaurants, offices, logistics centers and facilities within our operational control in 2023. Electricity consumption refers to the data on electricity bills and the volume of DPV power consumption from company-owned restaurants, offices, logistics centers and facilities within our operational control.
4	Average Restaurant Electricity Consumption	Average restaurant electricity consumption of Yum China in 2023 was the average electricity consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang and Lavazza restaurants in 2023. The total electricity consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang and Lavazza restaurants is used for calculating the average restaurant electricity consumption.
5	Renewable Energy Consumption	The renewable energy consumption of Yum China in 2023 was the green electricity transactions and solar power consumed by Yum China's company-owned restaurants and logistics centers in 2023. The volume of green electricity transactions refer to the green electricity volume as certified by the National Renewable Energy Information Management Center through Green Electricity Certificate. The solar power is calculated by multiplying the electricity generated by the distributed photovoltaic (DPV) systems at the logistics centers by the proportion of environmental attributes. The generated electricity volume comes from the electricity metering devices at the logistics centers, and the proportion of environmental attributes refer to the DPV generation rights agreement between Yum China and the logistics centers' owners.



No.	Data	Basis
6	Total Water Consumption	Total water consumption of Yum China in 2023 was the water consumed by Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang and Lavazza restaurants in 2023. 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.
7	Average Restaurant Water Consumption	Average restaurant water consumption of Yum China in 2023 was the average water consumption of Yum China's company-owned KFC, Pizza Hut, Taco Bell, Little Sheep, Huang Ji Huang and Lavazza restaurants in 2023.
8	Amount of UCO Converted into Biodiesel in Sichuan Biodiesel Project	Amount of UCO converted into biodiesel in Yum China Sichuan biodiesel project in 2023 was the amount of UCO converted into biodiesel in the project, which was carried out in Yum China's KFC, Pizza Hut and Taco Bell restaurants in Sichuan province in 2023. The amount of UCO converted into biodiesel refers to the data on receipts from UCO collectors.
9	Percentage of RSPO-certified Palm Oil	Percentage of RSPO-certified palm oil of Yum China in 2023 was the percentage of RSPO certified palm oil in all the purchased palm oil products of Yum China in 2023.
10	Percentage of CSR Audited Critical Suppliers	Percentage of CSR audited critical suppliers of Yum China in 2023 was the percentage of CSR audited critical suppliers in all the critical suppliers of Yum China in 2023. 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 two million, IT service suppliers and headquarter suppliers).
11	Share of Women in Total Workforce	Share of women in total workforce of Yum China in 2023 was the percentage of female employees out of all employees of Yum China at the end of 2023. 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 2023, including office staff and restaurant staff. The number of female employees refers to the full-time and part-time female employees directly hired by Yum China at the end of 2023, including office staff and restaurant staff.
12	Lost-time Injury Frequency Rate for Employees	Lost-time injury frequency rate for employees of Yum China in 2023 was the number of lost-time injuries per one million hours worked for employees of Yum China in 2023. The working hours are the total working hours of full-time and part-time employees directly hired by Yum China in 2023, 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 2023, including office staff and restaurant staff. The lost-time refers to the loss of productivity for Yum China as a result of a work-related injury. The following incidents are not considered to be work-related injury: 1) a worker suffers a heart attack while at work that is unconnected with work; 2) a worker driving to or from work is injured in a car accident (where driving is not part of the work, and where the transport has not been organized by Yum China); 3) a worker with epilepsy has a seizure at work that is unconnected with work. The definition of work-related injury is based on the definition from GRI standards-GRI 403: Occupational Health and Safety 2018.
13	Work-related Fatalities for Employees	Work-related fatalities for employees of Yum China in 2023 were the number of fatalities as a result of work-related injury of full-time and part-time employees directly hired by Yum China in 2023, including office staff and restaurant staff. The work-related fatalities refer to the death of an employee arising from an occupational disease or injury sustained while performing work that is controlled by Yum China in 2023. The following incidents are not considered to be work-related injury: 1) a worker suffers a heart attack while at work that is unconnected with work; 2) a worker driving to or from work is injured in a car accident (where driving is not part of the work, and where the transport has not been organized by Yum China); 3) a worker with epilepsy has a seizure at work that is unconnected with work. The definition of work-related injury is based on the definition from GRI standards- GRI 403: Occupational Health and Safety 2018.
14	Total Amount of Packaging Usage	Total amount of packaging usage of Yum China in 2023 was the total amount of customer-facing Plastic and Paper packaging usage in 2023. The amount of paper packaging usage is calculated by adding the amount of raw paper supplied from suppliers and the amount of molded pulp. The amount of plastic packaging usage equals to the weight of each packaging item multiplied by the number of items in either each case or bag, as well as the total number of cases and bags in 2023.