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GOALS

GREEN BUILDINGS
Design, build and operate green buildings to be measurably more sustainable using green building standards to drive reductions in energy consumption, water use, GHG emissions and waste, all while reporting annual progress.

- Reduce average restaurant energy and GHG emissions by an additional 10 percent by the end of 2025
- Reduce average restaurant water consumption by an additional 10 percent by the end of 2025 with a focus on high water-stress areas
- Divert 50 percent of back-of-house operational waste, measured by weight, generated in our U.S. restaurants by the end of 2020

SUPPLY CHAIN
Engage in building a responsible supply chain that protects forests, respects human rights, supports animal welfare and enables good antimicrobial stewardship.

- Source 100 percent of palm oil used for cooking from responsible and sustainable sources by the end of 2018
- Purchase 100 percent of our paper-based packaging with fiber from responsibly managed forests and recycled sources by the end of 2020
- Continue our commitments in the U.S. to source chicken raised without antibiotics important to human medicine
- Seek continuous improvement and establish a reporting mechanism to demonstrate our ongoing commitment to sustainable production systems that protect human, animal and environmental health as stated in our holistic Sustainable Animal Protein Principles & Good Antimicrobial Stewardship Program

MATERIAL ISSUES
- Animal Welfare
- Energy, Emissions & Climate Change
- Sustainable Sourcing
- Waste & Recycling
- Water

KEY STAKEHOLDERS
- Community Members
- Employees
- Franchisees
- Franchisee Employees
- Investors
- NGOs
- Suppliers
**OPPORTUNITIES & CHALLENGES**

- Responding to changes in regulation and operational costs related to GHG emissions and energy consumption throughout our value chain
- Evaluating and implementing new technologies and energy sourcing solutions that can reduce energy use and emissions
- Further understanding and addressing increasing levels of concern about the challenges of industry waste, including lack of infrastructure, lack of influence over consumer behavior and challenges with industry regulation
- Identifying regions of operation in which water scarcity issues are high and addressing water use
- Understanding and addressing the environmental and social risks associated with our key supply chains including palm oil, beef, chicken and paper

**KEY TAKEAWAYS**

- All of our environmental initiatives – from building improvements to efforts to source responsibly sourced timber and palm oil – are examined through the lens of reducing GHG emissions and addressing climate change.
- More than one-third of new restaurants are meeting the requirements of our green building efforts that provide guidelines for reducing energy and water consumption and constructing buildings to leave a smaller footprint on the planet.
- At restaurants worldwide, more efficient equipment – as well as tools that allow restaurants to monitor and manage their consumption – are leading to lower energy use and, therefore, lower emissions. Since 2005, these improvements have saved an estimated 4.3 billion MWh of electricity.
- Taking into account the needs of our diverse global markets, Yum! restaurants reduce water through smart building practices – such as high-efficiency irrigation and low-flow fixtures – that will save an estimated 1.3 billion gallons of water from 2017 initiatives alone.
- Yum! restaurants work to recycle used cooking oil, cardboard and plastic waste, and we are an industry leader in donation of wholesome, surplus food from our restaurants, with 6.9 million pounds of food donated in 2017.
- Yum! Brands works to minimize risk throughout our supply chain by requiring that suppliers follow our Supplier Code of Conduct and by engaging in periodic risk assessments and audits.
- Our Sustainable Animal Protein Principles guide our decisions regarding food safety and quality, animal health, environmental stewardship, food security and supplier relationships related to animal protein sourcing.
- We are aware of the rising global threat of antimicrobial resistance and support the One Health approach by working closely with suppliers on responsible, judicious use and reducing the use of antimicrobials important to human medicine where possible.
- By committing to source 100 percent of palm oil and paper-based packaging from sustainable sources by the end of 2018 and 2020, respectively, Yum! Brands is helping protect forests and the ecosystems and communities they support.
Yum!'s green building strategy is influenced by our belief that we have a responsibility to reduce our environmental impact and the resulting GHG emissions that contribute to climate change. Approximately 38 percent of new company- and franchisee-owned restaurants follow Yum!’s green building standards. As a result of green building activities in 2017, we expect to save an estimated 124,000 MWh of electricity and $18.3 million across the Yum! system in 2018.

We believe in building restaurants that not only allow us to serve great-tasting food, but also are employee- and customer-friendly, produce fewer emissions and waste and complement the natural environments in which they operate. These goals are frequently aligned. For example, better cooking equipment prepares food for customers faster. It also uses less power and generates less heat, which means less air conditioning is required. This reduces GHG emissions and saves franchisees money at the same time.

Yum! Brands has long maintained rigorous standards for the design and construction of green buildings that aim to reduce energy consumption and GHGs. Our standards, which guide restaurant development and renovation, incorporate relevant aspects of the U.S. Green Building Council’s globally recognized green building program, Leadership in Energy and Environmental Design (LEED) certification. We’ve tailored this globally recognized green building standard to the unique demands of our restaurants. We take into consideration green building methods, including energy-efficient equipment and practices, as well as guidance on minimizing urban heat islands, placing new restaurants near public transit services, using sustainable construction materials and educating both employees and consumers on green features.

A FLEXIBLE APPROACH

Our standards are designed to recognize franchisees for what they can do, not what they can’t. We recognize that policies, utility pricing, approach feasibility and consumer preferences may differ greatly among our various markets, making various building standards more or less difficult to achieve. For this reason, brands and markets may adapt our recommendations to fit their unique workflows. KFC has done exactly this, creating a program using its own brand development standards referred to as KFC – Building Green. Building Green uses its own credit system to help KFC markets select credits that will make the greatest impact for the brand.

Our green building strategy focuses on new buildings, which allows us to build green from the start. We aim to make adoption easy by incorporating efficient operational features into restaurant templates and hosting workshops to explain the financial and environmental paybacks that are within franchisees’ reach. Over time, lessons learned are incorporated into remodels and existing restaurants. In 2017, Yum! and our franchisees invested $25 million in innovative technologies for new building construction to reduce energy usage and associated GHG emissions.

38%

Estimated new restaurants built using certified green building practices
Energy Efficiency
Great Taste with Less Impact

Yum! recognizes the global threat of climate change and supports the goals of the Paris Agreement. We also acknowledge our own responsibility to reduce our environmental impact and resulting GHG emissions that contribute to a changing climate.

This is why Energy, Emissions & Climate Change is among our most material issues. Our company is working to reduce our energy consumption in order to build and maintain trust with our stakeholders, realize cost savings and, most importantly, be part of the global community committed to reducing its GHG footprint.

A meaningful way we can accomplish these goals is by improving the efficiency of our restaurants. Restaurants are energy-intensive and open long hours, which makes energy efficiency a key part of our sustainable restaurant design. To minimize the impact of our restaurants on the environment, we employ a combination of new technologies and smart operating practices that allow us to use less energy. Decreasing energy use, in turn, lowers our GHG emissions, allowing us to address U.N. Sustainable Development Goal No. 13: Climate Action.

Since 2005, we have demonstrated a steady track record of reducing energy consumption. Through 2017, we were pleased to achieve a targeted 22 percent reduction in energy use compared to our 2005 base year for company-owned and participating franchise restaurants. Energy initiatives have resulted in saving an estimated 4.3 billion MWh of electricity.

Similarly, transitioning to better technology to reduce building energy usage also provides focus to reduce energy to an entire site. Over 75 percent energy reduction has been achieved while maintaining high security standards for the parking lot, drive-thru and entire site. Greater reduction of light pollution after sunset contributes to the overall sustainability goal.

These system-level efficiencies have occurred even as our restaurant count has grown. We have also made steady improvements in GHG emissions intensity per restaurant. By the end of 2025, we hope to reduce our average restaurant emissions by an additional 10 percent and will continue to report our progress through CDP-Climate and other reporting frameworks.

Our current best practices are included in our green building standards. Although we have ample experience and well-documented strategies, innovations in lighting, air-conditioning, ventilation and cooking equipment are always evolving. We carefully evaluate and apply new technologies when they provide the right balance of environmental and economic benefits.

Yum!’s three brands offer very different menu options — and the opportunities and challenges they face regarding energy efficiency differ as well. On the following page, see how Yum! restaurants worldwide are finding ways to lower their emissions.

“As Yum! grows as a business, we aim to do so in a way that respects the planet. With our system quickly expanding, it’s more important than ever for us to minimize each restaurant’s environmental impact”

JON HIXSON — Yum! Vice President, Government Relations and Global Citizenship & Sustainability

<table>
<thead>
<tr>
<th>Year</th>
<th>GHG Emissions (MT CO₂e)</th>
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<tr>
<td>2013</td>
<td>397</td>
</tr>
<tr>
<td>2014</td>
<td>368</td>
</tr>
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<td>2015</td>
<td>333</td>
</tr>
<tr>
<td>2016</td>
<td>243</td>
</tr>
<tr>
<td>2017</td>
<td>236*</td>
</tr>
</tbody>
</table>

*Per-restaurant GHG emissions can be impacted by factors such as conservation measures, weather conditions and changes in store locations. Numbers are representative of reporting markets. This currently includes our China franchise market. For more information, see our CDP-Climate response.
Energy Efficiency Inside Yum! Buildings

Exhaust Hoods
Exhaust hoods capture heat and steam produced by our cooking equipment and are essential for the safe operation of our kitchens. They are also the primary driver of heating, ventilation and air conditioning (HVAC) energy use because they remove large quantities of air during operating hours. This air needs to be replaced, which uses energy. Restaurants can reduce the volume of air that passes through their hoods by using efficient equipment that generates less heat and by orienting hoods to decrease exhaust rates. At Pizza Hut restaurants in France and Germany, improved hood design reduced exhaust by more than 50 percent, with a payback of less than two years. Taco Bell has implemented higher efficiency HVAC systems in more than 1,000 restaurants from 2012–2017, reducing energy usage by approximately 25 percent.

Lighting
From kitchens to dining areas, parking lots to signage, lighting is an important part of all our restaurants. Transitioning to LED lights in both new and existing restaurants makes for a double win: The lights use less energy and last longer than traditional bulbs, so less material is wasted. When combined with daylight and motion sensors in strategic areas, we can further reduce our electricity use. Installing LED lights at all KFC restaurants in Australia led to a 50 percent decrease in lighting power consumption. Taco Bell is retrofitting its existing restaurants with LED light fixtures.

Pizza Ovens
As with all types of equipment, the design and performance of the ovens that Pizza Hut uses to bake its pizzas has improved greatly over the years. Newer ovens offer benefits in insulation and energy efficiency. Upgrading equipment brings not only cost- and energy-saving benefits, but it also ensures consistency, allowing Pizza Hut to deliver quality pizzas everywhere they operate. New high-efficiency ovens, as well as new HVAC and controls installed in 2017, are expected to save a total of roughly 832.4 MT CO2e at Pizza Hut restaurants in the U.S.

Solar Energy
Frying KFC chicken uses significant amounts of energy, which is why KFC restaurants worldwide have begun to explore the use of solar energy to help power its restaurants. In Australia, more than 50 KFC restaurants, both franchisee- and company-owned, are joining together to get preferred rates on a solar rollout. Meanwhile, four KFC restaurants in South Africa recently installed solar panels, which will deliver a combined savings of more than 130 MT of CO2 per year. At a Taco Bell restaurant in El Paso, Texas, a 3-kilowatt solar photovoltaic system produces 7 MWh of renewable energy per year. Taco Bell is testing self-contained parking lot lighting, site signage and building signage using off-the-grid solar harvesting methods.

Smart Devices
Operating more efficiently means not only upgrading individual pieces of equipment, but also improving the way that equipment and people work together. For example, motion sensors and set points for air conditioners reduce the possibility of using more energy than necessary. At KFC restaurants in Australia, extractor hoods and cookers are linked: The hood dynamically adjusts its extraction rate depending on how many cookers are venting. In certain geographies, both KFC and Pizza Hut restaurants can use smart energy monitoring tools that make them aware of peaks in energy usage and alert them to possible malfunctions. KFC Australia restaurants can monitor power use online in 15-minute intervals and receive a warning if usage spikes by more than 10 percent.

Smaller Footprints
What’s left to do once equipment is fully optimized? Pizza Hut and Taco Bell have discovered that decreasing a restaurant’s physical footprint is an effective way to lower its emissions. Pizza Hut’s delivery-carryout (Delco) restaurants and Taco Bell’s urban in-line locations are our smallest restaurants, which means there’s less space to cool, heat and illuminate. Delco and in-line restaurants also share walls with existing buildings, which leads to greater energy efficiency and fewer construction materials needed. These new restaurant types have become popular both for their cost and energy benefits. More than five years ago, Pizza Hut introduced the “Delco Lite” restaurant concept, shaving several hundred square feet off its traditional Delco restaurants. Taco Bell’s in-line restaurants are a newer introduction, and the brand plans to open up approximately 275 of these restaurant types annually around the world by 2022.
Water Conservation
Making a Difference Drop by Drop

As a global company, some of our restaurants operate in water-stressed areas and are committed to pursuing investments that allow us to continually improve water efficiency.

Good water stewardship matters to employees, customers and shareholders, as underscored by the results of our materiality assessment. It also matters to Yum!. We have been addressing water use in our restaurants since 2005, when we set a goal to reduce water consumption in company-owned restaurants by 10 percent by 2015. Yum! reached our goal in 2017 and avoided using roughly 2.2 billion gallons of water during that time period. These savings have come through implementation of water conservation measures such as low-flow fixtures and improved irrigation techniques.

At Yum! corporate headquarters in Louisville, Ky., we have upgraded our irrigation system to reduce water use by 40 percent, resulting in roughly $2.3 million in savings. Through these efforts, we are helping to address UN Sustainable Development Goal No. 6, which calls for ensuring access to water.

Yum!'s operations and supply chain are dependent on water for many important functions, so we continually monitor and looks for ways to optimize its use. In 2017, we conducted a water risk assessment using the World Resources Institute (WRI) Aqueduct tool, which considers restaurants’ water risk by location, brand and withdrawal volume. Due to the number of new restaurants opened by Yum! Brands and our franchisees each year, we plan to update this water stress review and risk scores every two years to maintain an adequate picture of our risk exposure. In 2017, restaurants in Cape Town, South Africa saw these risks come to life when drought conditions severely restricted water availability.

Yum! shares its water risks and conservation efforts with Carbon Disclosure Project (CDP) and received a Water Score of A minus for 2017. We have partnered with CDP since 2011 to report data for U.S. restaurants. International locations may be included in future reporting efforts as we improve our data collection methods.

While our existing sustainable paper-based packaging and palm oil commitments are not directly related to our restaurant water reduction efforts, we are committed to procuring both from responsible and sustainable sources, which results in improved global forest health and watersheds.

CONSERVING WATER AT TACO BELL
Irrigation can account for up to 45 percent of a restaurant’s water use. With water costs and awareness of water scarcity issues increasing, Taco Bell decided to take action to reduce its impact. After a conservation pilot program in 2012 successfully demonstrated a 40 percent reduction in irrigation water, Taco Bell overhauled the irrigation systems in over 900 of its company-owned restaurants and updated its specification for new construction to a new, less water-intensive standard. The brand’s new 2017 landscape designs, being adopted by both company and franchise restaurants, focus on drought-resistant planting such as zero-scaping and reducing water use through irrigation controls and bioretention design, as well as consideration of regional precipitation and hardiness zones and providing local support as needs differ.
Reducing Water in Yum! Restaurants

WHAT AFFECTS WATER USAGE?

Restaurant Type
Our brands are very different. This is reflected in their water use. In 2017, the average Pizza Hut restaurant in the U.S. used about 3.5 times less water than a KFC restaurant.

Water Stress
Using the WRI Aqueduct tool, we evaluate global shed conditions for the 45,000 restaurants in our system. Approximately 20 percent depend on water supplies located in watersheds facing high levels of stress. In these areas, we implement measures to ensure we don’t use more water than necessary.

Local Regulations
Local regulations, such as those put in place during severe droughts, affect which practices we employ. Jurisdictions with higher prices for water tend to encourage greater conservation by all users.

Green Building Features
Company-owned restaurants and franchisees who choose to participate in our green building efforts have access to market-based tools and best practices for improving water conservation.

HOW ARE WE USING LESS?

Irrigation
Irrigation system improvements, such as sensors that prevent irrigation when it is raining, and the addition of local and drought-tolerant plant species, decrease our need for irrigation water.

Equipment
From dishwashers in the kitchen to ice machines in the dining area, high-efficiency equipment helps us save money and minimize our water use.

Restrooms
Low-flow fixtures like toilets and faucet taps are inexpensive upgrades that make it easy to use less. Another option is to add sensors or time-limited metering devices to hand wash sinks.
Engagement and Education at KFC Australia

KFC restaurants in Australia have long been leaders in building efficiency. The restaurants go well beyond efficient equipment and sustainable building design – they also offer an opportunity to engage employees about the importance of sustainability. Each time a new KFC opens in Australia, employees receive a welcome letter describing the restaurant’s sustainable features, plus a reusable coffee mug to encourage them to cut down on waste.

Efficient operation goes beyond simply installing efficient equipment. Restaurant general managers (RGMs) undergo training about the importance of reducing energy use, including instruction to switch on machinery only when it is needed, rather than upon arrival in the morning. RGMs also have access to online tools that track energy usage in 30-minute intervals, allowing them to make adjustments in real time. This system has been deployed across the majority of franchise restaurants.

Restaurant owners also embrace initiatives that go beyond financial payback, such as tanks to collect rainwater for irrigation and bike racks to encourage environmentally friendly transportation. Low-VOC paints, adhesives and sealants create a healthier indoor environment, and windows installed in the cooking area help bring the outdoors into the kitchen. Franchisees are eager for more buildings like these: In 2018, KFC Australia hopes to achieve Building Green certification for 75 percent of its new restaurants.

KFC Malaysia LEEDs in Building Efficiency

When Malaysia’s government announced a nationwide commitment to sustainable growth, KFC wanted to be part of the solution. The construction of a new restaurant in Nilai Square began with the ambitious goal of incorporating as many green elements as possible into one building. The result was KFC Malaysia’s first green building, which opened in 2015. The restaurant uses solar energy to generate hot water for the kitchen. Natural sunlight, LED lighting and an integrated control system result in 35 percent less energy use than conventional lighting. Irrigation utilizes rainwater that is captured and reused. KFC is also working with upstream operators to convert used cooking oil into biodiesel and with local authorities on waste segregation.
With Waste & Recycling identified as a material issue, we have set an aspirational goal to divert from landfills 50 percent of operational waste, as measured by weight, in our U.S. restaurants by 2020. To achieve this goal, we are focused on four main waste categories: used cooking oil, cardboard, food and packaging. In 2017, it is estimated that we generated 885,000 tons of operational waste in the U.S. and diverted approximately 25 percent of that quantity. We will continue to work to improve our diversion rate primarily through recycling used cooking oil, packaging and donating surplus food.

At KFC restaurants in the U.K. and Ireland, nearly all of our cooking oil is recycled into biodiesel or energy. In Australia, we partner with a third-party supplier who repurposes our used oil for biodiesel and animal feed. U.S. waste oil is also commonly reused. In 2017, it’s estimated that over 9,000 tons of used cooking oil was converted to biodiesel or animal feed.

Packaging is both an opportunity and a challenge. It plays a vital role in reducing food waste by keeping food fresh, but excessive packaging contributes to nonfood and energy waste. We work continuously with our suppliers to remove, reuse or reduce packaging while maintaining products at the highest levels of quality. KFC Australia became the first quick-service restaurant to participate in a nationwide recycling initiative funded by the Australian Packaging Covenant. The market also recycles 98 percent of cardboard generated back-of-house in company-owned restaurants and the majority of cardboard from franchise restaurants.

Reducing wasted food is where Yum! Brands has made the most significant strides. We adhere to the U.S. Environmental Protection Agency’s Food Recovery Hierarchy, which shows that there are much better places for leftover food than the landfill or even the compost bin. According to this hierarchy, reducing food waste begins at the source. We work with suppliers to purchase only as much fresh food as we expect to sell to customers based on our projections.

### Approximate KFC Restaurant Waste by Type

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>40%</td>
</tr>
<tr>
<td>Corrugated Cardboard</td>
<td>15%</td>
</tr>
<tr>
<td>Paper</td>
<td>15%</td>
</tr>
<tr>
<td>Mixed Plastics</td>
<td>15%</td>
</tr>
<tr>
<td>Used Cooking Oil</td>
<td>15%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5%</strong></td>
</tr>
</tbody>
</table>

*As of year-end 2017*
The next best use for surplus food is to feed hungry people. That’s exactly what Yum! has been doing for more than 25 years with our Harvest program in partnership with Food Donation Connection. Through Harvest, KFC and Pizza Hut restaurants donate surplus food from our restaurants to food banks, soup kitchens and other nonprofits. KFC and Pizza Hut’s surplus foods are well-suited for donations since most are in meal-sized portions, like chicken drumsticks and whole pizzas.

Programs like Harvest are known to reduce GHG emissions from landfills and waste combustion. In 2017, the Yum! system avoided an estimated 14,500 MT of GHG emissions through food donation and recycling programs globally.

As our company transforms to comprise a greater proportion of franchise restaurants, we are sharing with franchisees the environmental, social and financial benefits of participating in this program. Learn about the Harvest program’s community benefits.

The Harvest program is the longest-running food donation program in our industry and has made Yum! a leader among our peers. We participate in and co-chair the Food Waste Reduction Alliance (FWRA), a partnership between the Food Marketing Institute®, the Grocery Manufacturers Association and the National Restaurant Association. Yum! representatives recently joined the FWRA in briefing the U.S. Congress on the Alliance’s mission to reduce food waste in the U.S. In the U.K., we are a member of the Waste & Resources Action Programme (WRAP).

We’re also a member of the ReFED advisory council, a multi-stakeholder nonprofit organization committed to reducing the $218 billion worth of food that is wasted each year in the U.S. ReFED works with businesses, investors, innovators and policymakers throughout the food system to implement solutions, envisioning a future where combatting food waste is a core driver of business profits, job creation, hunger relief and environmental protection. With Yum! Brands’ input, ReFED published the Restaurant Food Waste Action Guide in 2018.

Yum! is the only quick-service restaurant that was invited to join the U.S. Food Loss and Waste Champions Group, committed to achieving the U.S. national goal of reducing food waste by 50 percent by 2030. This goal aligns with UN Sustainable Development Goal No. 12.3.
SUPPLY CHAIN
A Recipe for Sustainable Value

We work with thousands of suppliers across the globe. These suppliers are an extension of our brands and true partners in ensuring the availability and safety of the food we serve to millions of customers every day. Most of our U.S. purchases of food, packaging, equipment and other items are managed by Restaurant Supply Chain Solutions, our exclusive supply chain management partner for almost 20 years.

Because of this relationship, as well as our stakeholders’ identifying Sustainable Sourcing as a material issue, an inherent part of our vision to serve “Trust in Every Bite” is a commitment to sustainable sourcing practices that are mindful of our suppliers’ use of energy, water and waste and their impact on animal welfare and sourcing communities.

Yum! suppliers must adhere to our Supplier Code of Conduct, which sets basic requirements for all of our suppliers whether they provide us with food or beverages, packaging or equipment. We support suppliers in their efforts to conduct business in an environmentally and socially responsible way, in accordance with our sustainability policies and practices.

Our current supply chain strategy focuses on four main pillars: food safety, supply continuity, cost-effective innovation and sustainability. We rely on third-party audits to monitor our supply chain. As Yum! becomes more franchised, third-party audits help to ensure consistent analyses across markets.

We also are conducting a supply chain sustainability assessment, which will identify, evaluate and prioritize the risk profile of key commodities and countries of origin. Following the assessment’s findings, we will develop enterprise-wide recommendations for our supply chain sustainability strategy.

As one of the largest restaurant companies in the world, we are a large purchaser of animal protein and produce. We seek continuous improvement in our food sourcing and production systems across our agricultural supply chain, with a particular focus on animal welfare and forest stewardship.

Learn more about our management of Ethics & Human Rights

SUSTAINABLE SOURCING FOCUS AREAS

KFC has a supply chain council in each of its markets and is currently creating a global supply chain council to oversee the brand’s sustainable supply chain strategy.
Our commitment to animal health and well-being is unwavering and guided by our holistic, science-based Sustainable Animal Protein Principles. These principles consider the interrelated, complex issues involved in maintaining sustainable food production systems.

We support the Five Freedoms for all animals used for food in our supply chain, which include:

1. **Food Safety & Quality**: Food safety and quality is our priority. That’s why we regularly audit suppliers to ensure compliance with our standards for animal welfare. Learn more about our food safety and quality governance and practices.

2. **Animal Health & Well-Being**: We believe in the ethical and humane treatment of animals raised for food. Our Animal Welfare Advisory Council, along with our sustainability team, advocates continuous improvement in the farm animal health and well-being practices of our suppliers and engagement with key animal welfare stakeholders. Ensuring animal health and well-being requires comprehensive, carefully considered health management programs that may at times use antimicrobials judiciously to maintain or restore good animal health.

3. **Environmental Stewardship**: In collaboration with our suppliers, we are invested in implementing and maintaining sustainable, integrated livestock production systems that are mindful of air and water quality, land use and GHG emissions. We seek good livestock stewardship and continuous improvement to conserving environmental resources within our supply chain.

4. **Food Security**: Global food security is a key part of the UN Sustainable Development Goals and remains at threat. Our sustainable sourcing practices help support the growing global need for more accessible sources of animal proteins like poultry. The safe and consistent production and availability of poultry is a major priority for Yum!, as consumer demand is expected to rise with population and economic growth.

5. **Responsible Suppliers**: We partner with suppliers that are dedicated to producing safe and more animal proteins over the long term. Our suppliers must follow our Supplier Code of Conduct, which requires them to comply with our food safety and quality standards, maintain fair employment practices, and provide a safe, healthy and productive work environment. We offer third-party independent consultation and science-based education programs focused directly on strengthening their capability.

All chicken, eggs and dairy served domestically by Yum! Brands are USDA-inspected and supplied by domestic farms that operate according to industry-standard animal welfare guidelines. We are now in the process of synchronizing our animal welfare programs globally with the aim of adopting a foundational animal welfare auditing system and policies for poultry, eggs, beef, pork and dairy.
Our dedication to animal health and well-being requires thoughtful, comprehensive health management programs that may necessitate the use of antibiotics to maintain or restore good animal health. We are aware of the rising threat of antimicrobial resistance (AMR) and support One Health, a holistic and multi-sectoral long-term effort to combat AMR by the United Nations World Health Organization (WHO), the Food and Agriculture Organization, the World Organisation for Animal Health and other key stakeholders. We believe AMR jeopardizes several UN Sustainable Development Goals and that responsible and judicious use of antimicrobials in agriculture is critical to world food security and beneficial to human, animal and environmental health. All of Yum!’s brands comply with the USDA guidelines that went into effect in 2017, to minimize antimicrobial resistance requiring that our U.S. suppliers remove medically important antimicrobials used for production purposes and ensuring that the use of such drugs for therapeutic treatment is overseen by a licensed veterinarian.

**YUM! BRANDS ELEMENTS OF GOOD ANTIMICROBIAL STEWARDSHIP**

- Effective animal husbandry practices and alternate interventions that reduce risks to animal health
- Responsible, judicious use of antimicrobials
- Science-based solutions
- Solutions tailored by country and region
- Compliant with local government and regulators
- Surveillance and monitoring of antimicrobial usage

We have been working with our suppliers in recent years to minimize, where possible, the use of antimicrobials (including antibiotics) important to human medicine as defined by WHO. Each of our brands has made significant strides toward eliminating human crossover antibiotics in our poultry supply chain:

- **KFC:** By the end of 2018, all chicken purchased by KFC U.S. will be raised without antibiotics important to human medicine, as part of the brand’s return to its roots, a journey called Re-Colonelization. This effort aims to return KFC to Colonel Sanders’ standards and includes KFC chicken tenders and popcorn chicken. The commitment will also make KFC the first major chicken chain to extend this commitment to its bone-in chicken, which includes the signature Original Recipe, Extra Crispy and Kentucky Grilled Chicken, as well as KFC wings.

- **Pizza Hut:** In 2017, Pizza Hut U.S. removed antibiotics important to human medicine from chicken served as pizza toppings. By 2022, the brand plans to remove antibiotics important to human medicine from its WingStreet wings. This makes Pizza Hut U.S. the first national pizza company to commit to removing medically important antibiotics from all the chicken it serves.

- **Taco Bell:** In 2016, Taco Bell committed to serving chickens raised without the use of antibiotics important to human medicine in all U.S. restaurants. The brand achieved this goal in 2017.

Learn more about our [Good Antimicrobial Stewardship efforts](#).

### SUSTAINABLE BEEF

We are currently exploring long- and short-term goals related to the sustainable sourcing of each of our key animal protein commodities. Taco Bell is one of the largest beef purchasers in the U.S., serving 290 million pounds of 100 percent USDA premium ground beef each year. Given the importance of beef on Taco Bell’s menu, creating a more sustainable beef supply chain in the U.S. is a priority. To that end, Taco Bell is a member of the U.S. Roundtable for Sustainable Beef (USRSB), a network of beef experts from the supply chain, academia and research, environmental and animal welfare organizations and veterinarians. This stakeholder engagement will help Taco Bell ensure that the U.S.-grown beef it sources meets Yum!’s standards for sustainable sourcing.

### CAGE-FREE EGGS

Taco Bell met its 2016 goal to exclusively serve 100 percent cage-free eggs in all U.S. Taco Bell corporate and franchise-owned restaurants, making the transition faster than any other national quick-service restaurant brand. Since then, the brand expanded and achieved its secondary goal to source 100 percent cage-free egg ingredients, meaning ingredients in all of its mayonnaise sauces and desserts are now made using cage-free eggs.
Yum! sources a large volume of paper-based packaging, and we are committed to using environmentally preferable packaging that reduces our impact on the environment and the communities where we operate. We engage with stakeholders, including suppliers, manufacturers, converters, distributors and retailers to support our enterprisewide goal to purchase 100 percent of paper-based packaging with fiber from responsibly managed forests and recycled sources by the end of 2020.

We are making progress. In 2017, markets reported that an estimated 69 percent of our global paper-based packaging and service products came from either certified virgin or recycled sources. Our Paper-Based Packaging Sourcing Policy establishes sustainable sourcing principles to guide our packaging procurement decisions and is based on four principles:

- We do not purchase products made with fiber from illegal or unwanted sources.
- We give preference to third-party-certified suppliers.
- We increase the amount of recycled content used in the paper-based packaging.
- We work to ensure compliance with our policies.

More Sustainable Packaging at Taco Bell

Taco Bell replaced its plastic bags with paper bags made from 100 percent recyclable and renewable raw materials, 100 percent sourced in the U.S. Other sustainable packaging measures include a switch to polypropylene (plastic) side item containers from polystyrene foam and packaging the Mini Skillet Bowl in a reusable and dishwasher-safe container.
SOURCING PALM OIL RESPONSIBLY

Yum!'s second important commodity that can impact deforestation is palm oil. Our policy for sustainably sourcing our palm oil used for cooking is guided by six principles:

- No development on High Conservation Value or High Carbon Stock forests
- No development on peatlands and use of best management practices where production already exists on peatlands
- Compliance with local laws and regulations
- Prevention and resolution of social and/or land conflicts in accordance with the principle of free, prior and informed consent
- Traceability to the extraction mill and validation of fresh fruit bunches
- Respect and protection of human rights, including not employing underage children or forced laborers and prohibiting physical punishment or abuse

Since 2015, Yum! has sought to reduce palm oil used for cooking oil. Certain brands and markets have already achieved this milestone: For example, KFC restaurants in the U.K. fully eliminated palm oil from their food production in 2015. As result of global partnerships among brands, franchisees and suppliers, approximately 80 percent of the palm oil volume purchased in 2017 was reported to be from sustainable sources – an improvement from the estimated 63 percent achieved in 2016. Many of our markets contributed to this progress, including China which moved to sustainable palm oil during the year. By the end of 2018, we will source 100 percent of our palm oil from responsible and sustainable sources.

Markets that continue to use palm oil purchase only from suppliers who meet our sourcing principles and give preference to those who are certified by the Roundtable on Sustainable Palm Oil (RSPO). RSPO works along the full palm oil supply chain to develop and implement global standards that minimize the negative impact of palm oil production on the environment and the communities from which it's sourced.

Yum! sustainable sourcing policies and principles are intended to mitigate our impact on climate change by reducing deforestation related to the timber and palm oil that we source. To track our progress, we survey business units worldwide regarding their accomplishments against our sustainable fiber and palm oil sourcing goals. The results of the survey are used to report on our commitments to sustainable sourcing in our CDP responses on Climate Change and Forests.

Since 2016, Pizza Hut and Taco Bell have also used certified sustainable palm oil as an ingredient in U.S. menu items such as in the Hershey’s® Ultimate Chocolate Chip Cookie and the caramel apple empanada, respectively.