

Yum! Brands, Inc. - Forests 2018

F0. Introduction

F0.1

(F0.1) Give a general description of and introduction to your organization.

Yum! Brands, Inc., headquartered in Louisville, Kentucky, has over 45,000 corporate-owned and franchised restaurants in more than 135 countries and territories. In 2017, Yum! Brands was named to the Dow Jones Sustainability North America Index, was ranked among the top 100 Best Corporate Citizens by Corporate Responsibility Magazine, and is one of Aon Hewitt's Top Companies for Leaders in North America. In 2018 Yum! Brands was recognized as part of the inaugural Bloomberg Gender-Equality Index. The Company's restaurant brands – KFC, Pizza Hut and Taco Bell – are the global leaders of the chicken, pizza and Mexican-style food categories. Worldwide, the Yum! Brands system opens over seven new restaurants per day on average, making it a leader in global retail development.

F0.2

(F0.2) State the start and end date of the year for which you are reporting data.

| | Start Date | End Date |
|----------------|----------------|------------------|
| Reporting year | January 1 2017 | December 31 2017 |

F0.3

(F0.3) Select the currency used for all financial information disclosed throughout your response.

USD

F0.4

(F0.4) Select the stage(s) of the value chain which best represents your organization’s area of operation pertaining to forest risk commodities.

Retailing

F0.5

(F0.5) Do you produce, use, or sell materials or products that contain any of the forest risk commodities?

| | Produce/use/sell | Disclosing | Explanation if produce/use/sell but not disclosing |
|-----------------|------------------|------------|---|
| Timber | Yes | Yes | <Field Hidden> |
| Palm Oil | Yes | Yes | <Field Hidden> |
| Cattle Products | Yes | No | We have elected to focus on timber and palm oil during this reporting cycle as we have set and are working toward meeting goals in these areas. We acknowledge that all commodities which impact deforestation are important and are evaluating reporting in additional areas in the future. Our beef use is largely by our Taco Bell brand, and is primarily sourced from regions with low to no deforestation risk given that the vast majority of the brand’s operations and sourcing are in the U.S. While historically we have directed our focus to other forest risk commodities, Taco Bell joined the U.S. Roundtable for Sustainable Beef in 2017, and is an active participant in the Engagement, Measurement, and Progress Working Group. We are currently conducting a Supply Chain Sustainability Risk Assessment which includes cattle products and will inform our future sourcing strategy and reporting. |

| | Produce/use/sell | Disclosing | Explanation if produce/use/sell but not disclosing |
|----------------|------------------|----------------|---|
| Soy | Yes | No | We have elected to focus on timber and palm oil during this reporting cycle as we have set and are working toward meeting goals in these areas. We acknowledge that all commodities which impact deforestation are important and are evaluating reporting in additional areas in the future. Soy is used in our products as an oil, secondary ingredient, and as animal feed for our animal proteins. Most of soy is used as an embedded, secondary ingredient for which we don't have direct insight or control. Given this, historically we have focused on other forest risk commodities where we can have a more direct impact, but we are currently conducting a Supply Chain Sustainability Risk Assessment which includes soy products (including animal feed) which will inform our future sourcing strategy and reporting. |
| Other - Rubber | No | <Field Hidden> | <Field Hidden> |
| Other | Yes | No | We have elected to focus on timber and palm oil during this reporting cycle as we have set and are working toward meeting goals in these areas. We acknowledge that all commodities which impact deforestation are important and are evaluating reporting in additional areas in the future. We are currently conducting a Supply Chain Sustainability Risk Assessment which includes other forest risk commodities and will inform our future sourcing strategy and reporting. Certain brands in certain markets are already sourcing other forest risk commodities sustainably, such as Taco Bell which uses Rainforest Alliance-certified coffee in its U.S. restaurants. |

F0.6

(F0.6) Are there any parts of your direct operations not included in your disclosure?

Yes

F0.6a

(F0.6a) Identify the parts of your direct operations not included in your disclosure.

Exclusion

Facility

Description of exclusion

Corporate offices and back-of-house restaurant operations

Potential for forests-related risk

Potential for forests-related risk but not evaluated

Please explain

The timber data reported reflects our current sustainable fiber sourcing policy and goal which applies to paper-based food and beverage packaging used in our restaurants and not to our corporate offices, also known as Restaurant Support Centers (RSCs) or to packaging used in the back-of-house in our restaurants (e.g. to transport food packaging and for office supplies). Similarly, any palm oil used as an embedded ingredient in food served or other products used in our corporate offices is not part of our policy and is excluded from this analysis.

F0.7

(F0.7) Are there any parts of your supply chain not included in your disclosure?

Yes

F0.7a

(F0.7a) Identify the parts of your supply chain not included in your disclosure.

Exclusion

Specific product line(s)

Description of exclusion

Palm oil used as a secondary ingredient

Potential for forests-related risk

Potential for forests-related risk but not evaluated

Please explain

The palm oil data reported reflects our current sustainable palm oil policy and goal which applies to palm oil used as cooking oil because the majority of our palm oil is used as cooking oil. Certain brands in certain markets such as Taco Bell US have applied

the policy to all palm oil used – including that which is used as secondary ingredients, but that is not included in this disclosure.

F1. Current state

F1.1

(F1.1) How does your organization produce, use, or sell your disclosed commodity(ies)?

Forest risk commodity

Timber

Activity

Other, please specify (Buying manufactured product: retail/sale)

Form of commodity

Paper

Source

Contracted suppliers (manufacturers)

Country/Region of origin

Algeria

Australia

Austria

Brazil

Canada

Chile

China

Czechia

Estonia

Finland

France
Germany
India
Indonesia
Israel
Italy
Japan
Latvia
Lithuania
Malaysia
Mexico
Netherlands
New Zealand
Poland
Portugal
Russian Federation
Saudi Arabia
South Africa
Republic of Korea
Spain
Sweden
United States of America
Uruguay
Viet Nam

% of procurement spend

6-10%

Comment

Based on our position in the supply chain as a quick-service restaurant company, we procure paper-based packaging manufactured for our food products and in our own printed marketing materials. Paper based packaging is then used to serve, transport, protect and market our food products. Our provided procurement spend has been estimated from submitted global survey responses and is used to approximate our total spend.

Forest risk commodity

Palm Oil

Activity

Other, please specify (Buying manufactured product: retail/sale)

Form of commodity

Please select

Source

Contracted suppliers (processors)

Contracted suppliers (manufacturers)

Country/Region of origin

Indonesia

Malaysia

Thailand

% of procurement spend

1-5%

Comment

Based on our position in the supply chain as a quick-service restaurant company, we procure manufactured palm oil for use as cooking oil to prepare products such as fried chicken. Many markets use alternative cooking oils. Our procurement spend on palm oil has been estimated from submitted global survey responses. Countries of origin for palm oil are also based on information received through the global supplier survey. As such, there may be markets that receive supplies from additional countries.

F1.1a

(F1.1a) Indicate from which State/region(s) and municipality(ies) your disclosed commodity(ies) originate.

Forest risk commodity

Timber

Activity

Other, please specify (Buying manufactured product: retail/sale)

Country/Region of origin

Brazil

State/Region

Specify state/region (São Paulo, Rio Grande do Sul, Paraná)

Municipality

Not disclosing

Please explain

We issued a global survey for our entire business, through our brands, requesting that all countries report on packaging products containing timber (via fiber used in paper packaging). In our 2017 survey, we requested all global timber suppliers to report the states, provinces, and regions within the country of origin (if known). Based on the results of the 2017 surveys, our network of suppliers sourced timber from the São Paulo, Rio Grande do Sul, Paraná regions within Brazil. Detailed location information regarding the specific municipality of origin is not available at this time.

Forest risk commodity

Timber

Activity

Other, please specify (Buying manufactured product: retail/sale)

Country/Region of origin

Indonesia

State/Region

Specify state/region (Kediri)

Municipality

Not disclosing

Please explain

We issued a global survey for our entire business, through our brands, requesting that all countries report on packaging products containing timber (via fiber used in paper packaging). In our 2017 survey, we requested all global timber suppliers to report the states, provinces, and regions within the country of origin (if known). Based on the results of the 2017 surveys, our network of

suppliers sourced timber from the Kediri region within Indonesia. Detailed location information regarding the specific municipality of origin is not available at this time.

Forest risk commodity

Timber

Activity

Other, please specify (Buying manufactured product: retail/sale)

Country/Region of origin

Malaysia

State/Region

Don't know

Municipality

Not disclosing

Please explain

We issued a global survey for our entire business, through our brands, requesting that all countries report on packaging products containing timber (via fiber used in paper packaging). In our 2017 survey, we requested all global timber suppliers to report the states, provinces, and regions within the country of origin (if known). Based on the results of the 2017 surveys, detailed location information regarding the specific states, regions, and municipalities of origin within Malaysia is not available at this time.

Forest risk commodity

Timber

Activity

Other, please specify (Buying manufactured product: retail/sale)

Country/Region of origin

Mexico

State/Region

Specify state/region (Republica Mexicana, Puebla, Hidalgo)

Municipality

Not disclosing

Please explain

We issued a global survey for our entire business, through our brands, requesting that all countries report on packaging products containing timber (via fiber used in paper packaging). In our 2017 survey, we requested all global timber suppliers to report the states, provinces, and regions within the country of origin (if known). Based on the results of the 2017 surveys, our network of suppliers sourced timber from the Sureste Republica Mexicana, Estado de Puebla, and Estado de Hidalgo regions within Mexico. Detailed location information regarding the specific municipality of origin is not available at this time.

Forest risk commodity

Palm Oil

Activity

Other, please specify (Buying manufactured product: retail/sale)

Country/Region of origin

Indonesia

State/Region

Specify state/region (Sumatra, Riau, Borneo)

Municipality

Not disclosing

Please explain

We issued a global survey for our entire business, through our brands, requesting that all countries report on palm oil used for cooking purposes in our restaurants. In our 2017 survey, we requested all global palm oil suppliers to report the states, provinces, and regions within the country of origin (if known). Based on the results of the 2017 surveys, our network of suppliers sourced palm oil from the North Sumatra, South Sumatra, Riau, East Borneo, and West Borneo regions within Indonesia. Detailed location information regarding the specific municipality of origin is not available at this time.

Forest risk commodity

Palm Oil

Activity

Other, please specify (Buying manufactured product: retail/sale)

Country/Region of origin

Malaysia

State/Region

Specify state/region (Bitulu, Selangor, Saba)

Municipality

Not disclosing

Please explain

We issued a global survey for our entire business, through our brands, requesting that all countries report on palm oil used for cooking purposes in our restaurants. In our 2017 survey, we requested all global palm oil suppliers to report the states, provinces, and regions within the country of origin (if known). Based on the results of the 2017 surveys, our network of suppliers sourced palm oil from the Bitulu, Selangor, and Saba regions within Malaysia. Detailed location information regarding the specific municipality of origin is not available at this time.

F1.2

(F1.2) Indicate the percentage of your organization’s revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

| | % of revenue dependent on commodity | Comment |
|--------|-------------------------------------|--|
| Timber | <1% | Timber is used as a raw material for our paper-based packaging which is primarily a vehicle to serve, transport, protect, and market our food products. We don’t calculate revenues generated from our paper-based food packaging as it is not sold independently of our food products. Secondly, our policy and goal for paper-based packaging supports both the sustainable forest management of the raw material and the amount of recycled content going into the manufactured product; the two factors are weighted equally and not evaluated separately (e.g. one’s impact on revenue compared to the other’s). Therefore, we do not know the percent of revenue dependent on timber alone and have selected less than 1%. |

| | % of revenue dependent on commodity | Comment |
|-----------------|-------------------------------------|--|
| Palm Oil | <1% | Palm oil is used primarily for cooking oil for some of our food products in some markets. We don't calculate revenues generated from palm oil alone because it is one of sometimes many ingredients used in the final food product. It is therefore not possible to accurately differentiate revenues derived from each ingredient. Therefore, we do not know the percent of revenue dependent on palm oil alone and have selected less than 1%. |
| Cattle products | <Field Hidden> | <Field Hidden> |
| Soy | <Field Hidden> | <Field Hidden> |
| Other - Rubber | <Field Hidden> | <Field Hidden> |
| Other | <Field Hidden> | <Field Hidden> |

F1.3

(F1.3) Do you own or manage land used for the production of your disclosed commodity(ies)?

Forest risk commodity

Timber

Own and/or manage land?

Don't own or manage land

Type of control

<Field Hidden>

Description of type of control

<Field Hidden>

Country/Region

<Field Hidden>

Land type

<Field Hidden>

Size (Hectares)

<Field Hidden>

Do you have a system in place to monitor forests-related risks?

<Field Hidden>

Type of monitoring system

<Field Hidden>

Description of monitoring system

<Field Hidden>

Recent infraction(s)

<Field Hidden>

Explanation of infraction

<Field Hidden>

Forest risk commodity

Palm Oil

Own and/or manage land?

Don't own or manage land

Type of control

<Field Hidden>

Description of type of control

<Field Hidden>

Country/Region

<Field Hidden>

Land type

<Field Hidden>

Size (Hectares)

<Field Hidden>

Do you have a system in place to monitor forests-related risks?

<Field Hidden>

Type of monitoring system

<Field Hidden>

Description of monitoring system

<Field Hidden>

Recent infraction(s)

<Field Hidden>

Explanation of infraction

<Field Hidden>

F1.4

(F1.4) For your disclosed commodity(ies), indicate if you collect data regarding your own compliance and/or the compliance of your suppliers with the Brazilian Forest Code.

Timber**Do you collect data regarding compliance with the Brazilian Forest Code?**

Yes, from suppliers

Please explain

Yum! Brands began collecting data regarding supplier compliance with the Brazilian Forest Code in 2017 through our annual Supplier Survey. Surveys are requested for all suppliers within each of our global markets and request the monitoring approach and key performance indicators for any supplier that designates Brazil as a country of origin for their timber commodities.

Palm Oil

Do you collect data regarding compliance with the Brazilian Forest Code?

No, we do not produce/source in/from Brazil

Please explain

Cattle products

Do you collect data regarding compliance with the Brazilian Forest Code?

<Field Hidden>

Please explain

<Field Hidden>

Soy

Do you collect data regarding compliance with the Brazilian Forest Code?

<Field Hidden>

Please explain

<Field Hidden>

Other - Rubber

Do you collect data regarding compliance with the Brazilian Forest Code?

<Field Hidden>

Please explain

<Field Hidden>

Other

Do you collect data regarding compliance with the Brazilian Forest Code?

<Field Hidden>

Please explain

<Field Hidden>

F1.4b

(F1.4b) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure the compliance of your suppliers with the Brazilian Forest Code and their performance against these indicator(s).

Forest risk commodity

Timber

KPIs and performance

Other, please specify (Certifications)

Number of suppliers

220

Please explain

Yum! Brands began collecting data regarding supplier compliance with the Brazilian Forest Code in 2017 through our annual Supplier Survey. Surveys are requested for all suppliers within each of our global markets and request the monitoring approach and key performance indicators for any supplier that designates Brazil as a country of origin for their timber commodities. In 2017, 90% of our Timber suppliers that sourced from Brazil reported that they monitor and ensure compliance with the Brazilian Forest Code. Compliance is tracked using Certifications from Forest Stewardship Council (FSC) Brazil and The Programme for the Endorsement of Forest Certification (PEFC); Certificates of Origin; and Certificates of Analysis. The number of suppliers represents a rounded estimate based on the number of Timber suppliers that responded to the Survey for 2017.

F1.5

(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?

| | Data availability/Disclosure |
|-----------------|--|
| Timber | Consumption data available, disclosing |
| Palm Oil | Consumption data available, disclosing |
| Cattle products | <Field Hidden> |

| | Data availability/Disclosure |
|----------------|------------------------------|
| Soy | <Field Hidden> |
| Other - Rubber | <Field Hidden> |
| Other | <Field Hidden> |

F1.5a

(F1.5a) Disclose your production and/or consumption data.

Forest risk commodity

Timber

Data type

Consumption data

Volume

727866

Metric

Metric tons

Data coverage

Partial commodity production/consumption

Please explain

We issued a global survey for our entire business, through our brands, requesting that all countries report on packaging products containing timber (via fiber used in paper packaging). Data from our business units included responses from franchisees and suppliers. We were pleased to include data representing 82% of our global store count of over 45,000 restaurants. For restaurants that were not represented by the survey results, either added an estimate based submitted data from the previous reporting period or added an estimate of consumption based on the global per restaurant average from reporting restaurants. This methodology provides the means to ensure full representation. The resulting total volume collected from the global survey was cross-checked, on an average volume per restaurant basis, with our two largest markets – the United States and China (57% of our restaurants at the end of 2017). Our survey responses in these markets were among the most complete and therefore are a

good representation to compare against. This comparison confirmed that the total reported consumption was reasonable and within the bounds of expectations. Therefore, we are disclosing an estimate of our full consumption data using our partial actual data received in response to our survey.

Forest risk commodity

Palm Oil

Data type

Consumption data

Volume

165033

Metric

Metric tons

Data coverage

Partial commodity production/consumption

Please explain

We issued a global survey for our entire business, through our brands, requesting that all countries report on palm oil used for cooking purposes in our restaurants in 2017. Data from our business units include responses from franchisees and suppliers. We were pleased to receive responses representing an estimated 98% of our global store count of over 45,000 restaurants. For restaurants that were not represented by the survey results, we added an estimate of consumption based on the global per restaurant average from reporting restaurants. This methodology provides the means to ensure full representation. Therefore, we are disclosing an estimate of our full consumption data using our partial actual data received in response to our survey.

F1.6

(F1.6) Have you identified sufficient sources of sustainable materials to meet your current operational needs? If yes, what are you doing to ensure the security/continuity of this supply?

Timber

Sustainable source identified

Yes

Primary action to ensure supply

Engaging in capacity building activities in the value chain

Please explain

Our current operational need is to source 100% of our paper-based packaging with fiber from responsibly managed forests and recycled sources by the end of 2020. To meet this need, we're working with suppliers on capacity planning based on our current and future growth projections, or adding new suppliers to our system. We have also hosted regional supplier workshops to develop knowledge and understanding to align on innovation and sustainability needs. In 2017, we requested all of our global markets to indicate whether or not there are currently sufficient sources of sustainable fiber available to meet their current supply chain needs. Based on the information provided by the survey, the vast majority of our markets indicated that sufficient sources of sustainable fiber are available to meet current expectations of needs and that they are actively collaborating with their suppliers to ensure the security and continuity of their supply.

Palm Oil

Sustainable source identified

Yes

Primary action to ensure supply

Engaging in capacity building activities in the value chain

Please explain

Our current operational need is to source 100% of our palm oil used for cooking from responsible and sustainable sources by the end of 2018. Based on our 2017 global survey results, 80% of palm oil was sourced from sustainable sources in 2017. To continue our progress and achieve 100% sourcing from responsible and sustainable sources by the end of 2018, we're working with suppliers on capacity planning based on our current and future growth projections or adding new suppliers to our system. We have also hosted regional supplier workshops to develop knowledge and understanding to align on innovation and sustainability needs, and have been conducting research and development via product innovation and testing of alternative oil blends or replacements for palm cooking oil. In 2017, we requested all of our global markets to indicate whether or not there are currently sufficient sources of sustainable palm available to meet their current and future supply chain needs (if they were not using 100% certified palm oil already). Based on the information provided by the survey, the vast majority of our markets indicated that sufficient sources of sustainable palm are available, and that they are actively collaborating with their suppliers and/or seeking alternative oil sources to ensure the security and continuity of their supply.

Cattle products

Sustainable source identified

<Field Hidden>

Primary action to ensure supply

<Field Hidden>

Please explain

<Field Hidden>

Soy

Sustainable source identified

<Field Hidden>

Primary action to ensure supply

<Field Hidden>

Please explain

<Field Hidden>

Other - Rubber

Sustainable source identified

<Field Hidden>

Primary action to ensure supply

<Field Hidden>

Please explain

<Field Hidden>

Other

Sustainable source identified

<Field Hidden>

Primary action to ensure supply

<Field Hidden>

Please explain

<Field Hidden>

F1.7

(F1.7) Has your organization experienced any detrimental forests-related impacts?

No

F2. Procedures

F2.1

(F2.1) Does your organization undertake a forests-related risk assessment?

Yes, forests-related risks are assessed

F2.1 a

(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

Timber

Value chain stage

Supply chain

Coverage

Full

Risk assessment procedure

Assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

1 to 3 years

Tools and methods used to identify and assess risks

Internal company methods

External consultants

Other, please specify (NGO Tools and Publications)

Please explain

As part of our supply chain management process, we survey our business units around the world regarding their progress against our sustainable fiber sourcing goal annually. This frequency is based on the lengths of our packaging contracts and our public reporting cycle. This helps us identify potential deforestation risk relating to meeting our goal of 100% sustainable sourcing by the end of 2020. In addition, in 2017 we commenced a long-term Supply Chain Sustainability Risk Assessment with WWF to identify and prioritize the environmental and social risks attributed to key commodities, including forest risks commodities. Tools, methods, and data sources referenced for biodiversity and forest risk include: WWF's Global 200 priority ecoregions, Ramsar Sites, World Database on Protected Areas, and Alliance for Zero Extinction (AZE) sites.

Palm Oil**Value chain stage**

Supply chain

Coverage

Full

Risk assessment procedure

Assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

1 to 3 years

Tools and methods used to identify and assess risks

Internal company methods

External consultants

Other, please specify (NGO Tools and Publications)

Please explain

As part of our supply chain management process, we survey our business around the world regarding progress against our sustainable palm oil sourcing goal annually. This frequency is based on the lengths of our palm oil sourcing contracts and our public reporting cycle. This helps us identify potential deforestation risk remaining relating to meeting our extended goal of 100% sustainable sourcing by the end of 2018. In addition, in 2017 we commenced a long-term Supply Chain Sustainability Risk Assessment with WWF to identify and prioritize the environmental and social risks attributed to key commodities, including forest risks commodities. Tools, methods, and data sources referenced for biodiversity and forest risk include: WWF's Global 200 priority ecoregions, Ramsar Sites, World Database on Protected Areas, and Alliance for Zero Extinction (AZE) sites.

Cattle Products

Value chain stage

<Field Hidden>

Coverage

<Field Hidden>

Risk assessment procedure

<Field Hidden>

Frequency of assessment

<Field Hidden>

How far into the future are risks considered?

<Field Hidden>

Tools and methods used to identify and assess risks

<Field Hidden>

Please explain

<Field Hidden>

Soy

Value chain stage

<Field Hidden>

Coverage

<Field Hidden>

Risk assessment procedure

<Field Hidden>

Frequency of assessment

<Field Hidden>

How far into the future are risks considered?

<Field Hidden>

Tools and methods used to identify and assess risks

<Field Hidden>

Please explain

<Field Hidden>

Other - Rubber

Value chain stage

<Field Hidden>

Coverage

<Field Hidden>

Risk assessment procedure

<Field Hidden>

Frequency of assessment

<Field Hidden>

How far into the future are risks considered?

<Field Hidden>

Tools and methods used to identify and assess risks

<Field Hidden>

Please explain

<Field Hidden>

Other

Value chain stage

<Field Hidden>

Coverage

<Field Hidden>

Risk assessment procedure

<Field Hidden>

Frequency of assessment

<Field Hidden>

How far into the future are risks considered?

<Field Hidden>

Tools and methods used to identify and assess risks

<Field Hidden>

Please explain

<Field Hidden>

F2.1b

(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?

Availability of forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

As part of our supply chain management processes, we evaluate current and projected changes in commodity availability and quality, including palm oil and fiber (timber) used in our paper-based packaging. We assess risk related to availability and quality of these commodities according to their supplier classification, which is based on multiple factors, including food safety risk, brand criticality (e.g. required for a core product), and financial impact (e.g. percentage of total spend and/or volume needed).

Quality of forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

As part of our supply chain management processes, we evaluate current and projected changes in commodity availability and quality, including palm oil and fiber (timber) used in our paper-based packaging. We assess risk related to availability and quality of these commodities according to their supplier classification, which is based on multiple factors, including food safety risk, brand criticality (e.g. required for a core product), and financial impact (e.g. percentage of total spend and/or volume needed).

Impact of activity on the status of ecosystems and habitats

Relevance & inclusion

Relevant, sometimes included

Please explain

We rely on third-party certification to achieve our sustainable sourcing goals and policies. The RSPO certification for palm oil and FSC, SFI, and PEFC certifications for timber allow us to evaluate current impacts of the palm oil and timber (fiber for paper-based packaging) we source on ecosystems and habitats. Because we're still working towards our goals and only portions of our system utilize third-party certification, impact on ecosystems and habitats is only covered for those suppliers, facilities, or product lines with certification. In addition to our current certified supply, we are currently conducting a Supply Chain Sustainability Risk Assessment which addresses the potential impacts of our palm oil and timber sourcing on ecosystems and habitats.

Regulation

Relevance & inclusion

Relevant, always included

Please explain

As a publicly-traded, multinational corporation, we continually assess changes to local regulations associated with our activities in local markets, including with regard to our sourcing of palm oil and timber. For example, the European Parliament passed a resolution in April 2017 aiming to limit the import of palm oil that has caused deforestation and new sustainability criteria for palm oil entering the European market, potentially leading to binding legislation in Europe. After closely monitoring developments in this area, it was downgraded as a risk factor as the regulation only applies to palm oil used as biofuel.

Climate change

Relevance & inclusion

Relevant, sometimes included

Please explain

Our current sustainable sourcing of palm oil and timber is intended to reduce deforestation risk and therefore mitigate our greenhouse gas emissions and impact on climate change. In addition to our current sustainable sourcing strategy, we are currently conducting a Supply Chain Sustainability Risk Assessment which addresses the potential impacts of our palm oil and timber sourcing on climate change.

Tariffs or price increases

Relevance & inclusion

Relevant, always included

Please explain

Financial impact – including tariffs or price increases – is one of the key guidelines we use to assess supply risk. We subscribe to commodity services that provide regular updates on changes in production and pricing in different regions around the world. We also conduct our own internal monitoring of international trade policy and engage in advocacy and partnerships around trade issues of mutual concern.

Loss of markets

Relevance & inclusion

Not relevant, explanation provided

Please explain

In general, we assess the feasibility of starting and maintaining operations in a new market, but not potential loss of market due to deforestation. Loss of market due to deforestation has not been a significant risk in the past, nor is it anticipated to be in the future, compared to other potential risks to loss of market.

Brand damage related to forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

Because of the sensitivity around forest risk commodities, we continually assess brand damage related to these commodities and leverage our progress surveys to determine the level of potential risk measured against certain external factors we track such as complaints or campaigns against major suppliers or regions of forest risk commodities. Potential risk of brand damage is also evaluated as part of our Global Supply Chain Management Protocol, which assesses the importance of the commodity to the brand (e.g. used in a core product, lack of ingredient will result in loss of sales).

Corruption

Relevance & inclusion

Relevant, always included

Please explain

Our Supplier Code of Conduct requires that all applicable local laws and regulations are adhered to, including anti-corruption protections. We continually audit and monitor for compliance with this criteria as part of standard procedures.

Social impacts

Relevance & inclusion

Relevant, always included

Please explain

Our current sustainable sourcing and third-party certification of palm oil and timber is intended to mitigate potential social impacts. For example, our Palm Oil Sourcing Policy is consistent with the RSPO Principle of Free, Prior, and Informed Consent to prevent and resolve social and/or land conflicts. In addition to our existing sustainable sourcing strategy, we are currently conducting a Supply Chain Sustainability Risk Assessment which addresses the potential social impacts of our palm oil and timber sourcing.

Other, please specify

Relevance & inclusion

Not considered

Please explain

We do not consider any additional issues at this time.

F2.1c

(F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

Customers

Relevance & inclusion

Relevant, always included

Please explain

As a company comprised of customer-facing brands, customers are one of our most important stakeholder groups and we are constantly monitoring and measuring insights to meet their expectations. While we don't frequently receive feedback from customers regarding palm oil and timber sourcing, we respond to the occasional inquiry, publicly disclose our sourcing commitments, and track changing customer awareness and expectations, for example through the media and research studies.

Employees

Relevance & inclusion

Relevant, always included

Please explain

Because the supply chain management function is responsible for global sourcing, they also provide key input on forests-related risk assessments such as priority commodities, countries of origin, and other potential supply risks. In addition, we included corporate employee perspectives on forests-related issues in our 2017 corporate materiality assessment.

Investors

Relevance & inclusion

Relevant, always included

Please explain

Many sustainable, responsible and impact (SRI) investors incorporate companies' preparedness and exposure to forests risks into their investment theses. In 2017, we received a shareholder proposal regarding deforestation in our supply chain and engaged in ongoing dialogue with the proponent and the proposal did not end up going to a vote. We also have engaged in dialogue with investor groups who are interested in forests risks in the supply chain. Yum! Brands also monitors investors' forests-related concerns by attending relevant panels at conferences hosted by investor forums like Ceres and USSIF. We also track our scores on investor publications that monitor our environmental performance, like MSCI IVA and Sustainalytics reports, to ensure investors have the correct and most up-to-date information about our sustainability performance. In addition, we included investor perspectives regarding forests-related issues in our 2017 corporate materiality assessment.

Local communities

Relevance & inclusion

Relevant, sometimes included

Please explain

Our current sustainable sourcing and third-party certification of palm oil and timber is intended to mitigate potential social impacts, including to local communities. For example, our Palm Oil Sourcing Policy is consistent with the RSPO Principle of Free, Prior, and Informed Consent to prevent and resolve social and/or land conflicts within local communities. In addition to our existing sustainable sourcing strategy, we are currently conducting a Supply Chain Sustainability Risk Assessment which addresses the potential social impacts of our palm oil and timber sourcing. We understand the role we play in local communities in our supply chain.

NGOs

Relevance & inclusion

Relevant, always included

Please explain

Several prominent NGOs evaluate Yum! Brands' sustainability performance and engage with us on forests-related issues. We have partnered with an NGO during our 2017-2018 Supply Chain Sustainability Risk Assessment to leverage their expertise and embed their recommendations. We also participate in several multi-stakeholder roundtables such as RSPO and USRSB where NGOs are included. Yum! Brands listens to NGOs' forests-related concerns in personal dialogues, industry conferences, and the media as they arise. In addition, we included NGO perspectives of forests-related issues in our 2017 corporate materiality assessment.

Other forest risk commodity users/producers at a local level

Relevance & inclusion

Relevant, sometimes included

Please explain

Our brands will engage with other forest risk commodity users/producers if they express an interest, if there are opportunities to collaborate on shared issues or risks, and/or if required by local regulations.

Regulators**Relevance & inclusion**

Relevant, always included

Please explain

The Yum! Brands Government Affairs team monitors emerging forests-related regulations and engages regulators on these issues when they are relevant to the success of our business operations and supply chain.

Suppliers**Relevance & inclusion**

Relevant, always included

Please explain

Yum! Brands currently receives updates about suppliers' sustainability efforts in our value chain. Suppliers are required to meet our product specifications and sourcing policies. Our annual supplier surveys request information regarding the status of certification schemes, traceability, and any gaps or challenges in transitioning supply so that we can engage with suppliers regarding these risks. Any forests-related issues that cause or have the potential to cause supply chain impacts would be evaluated by our supply chain team.

Other stakeholders, please specify**Relevance & inclusion**

Not considered

Please explain

We do not consider any additional stakeholders at this time.

F3. Risks and opportunities

F3.1

(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

| | Risk |
|-----------------|--|
| Timber | Yes, both in direct operations and the rest of our value chain |
| Palm Oil | Yes, both in direct operations and the rest of our value chain |
| Cattle Products | <Field Hidden> |
| Soy | <Field Hidden> |
| Other - Rubber | <Field Hidden> |
| Other | <Field Hidden> |

F3.1a

(F3.1a) How does your organization define substantive impact on your business?

The Audit Committee discusses risk management during regular committee meetings and receives risk review reports covering significant areas of risk from senior managers responsible for these functional areas, as well as reports from the General Counsel, Internal Audit The Audit Committee then provides a summary to the full board.

The duties of VP of Global Citizenship and Sustainability include the representation of sustainability issues, including forest related issues, on the Yum! risk committee. This senior level committee is responsible for the evaluation and as appropriate, reporting of possible corporate risk to the Audit Committee of the Board of Directors for inclusion in our public filings. This committee, which looks at short, medium and long-term risks, prioritizes risks based on a number of factors that impact the business including, but not limited to, financial, operational and reputational factors. More specifically, the size and scope of the potential impact are considered as are the possible duration, and whether the impact is likely to be a one-time occurrence or recurring in nature. We then consider the effect of the risk on business strategy given the risks and opportunities in both the short and long term. Therefore, forest related risks, which are embodied at the restaurant and supply chain level, are incorporated into the Company's broader risk management process.

For the current reporting cycle, CDP has requested information regarding risks that are substantive at the corporate level and not those at the facility or business unit level. As a global, decentralized, and franchise-focused organization with a diverse supply chain, many risks (such as forests) can be important yet not rise to the provided benchmark of being financially or strategically important at a material, substantive level to the corporation. There is no single definition of what would rise to this level but for a corporation such as Yum!, a system impact (including our direct operations, supply chain, or both) of approximately 5% of net income for the annual reporting period could be considered substantive at the corporate level. While we do not believe that individual instances of forests-related risk would constitute a substantive risk to the corporation on their own due to the total size and decentralized nature of our organization as well as our ability to source from different regions of the globe if it became necessary, the potential cumulative impact of forests-related risks could become substantive over the long term.

F3.1b

(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Forest risk commodity

Timber

Type of risk

Physical

Geographical scale

Please select

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Declining ecosystem services

Primary potential impact

Supply chain disruption

Company-specific description

Shortages or interruptions in the availability and delivery of food and other supplies: The packaging by our Concepts and their franchisees are sourced from a wide variety of domestic and international suppliers. We, along with our Concepts' franchisees, are also dependent upon third parties to make frequent deliveries of supplies that meet our specifications at competitive prices. Shortages or interruptions to our Concepts' restaurants could adversely affect the availability, quality and cost of items we use and the operations of our restaurants. Such shortages or disruptions could be caused by inclement weather, natural disasters, other a variety of other issues. Climate change influences several physical risk drivers that negatively impact timber production, including extreme weather events such as tropical cyclones and changes in precipitation and temperature, forest fires, loss of ecosystem services, reduced crop yields, and thus, availability of certified sustainable material, which is already limited. Inherent social risks such as land tenure changes and disputes, community opposition, and litigation/grievances also present risks, but have a greater potential to be mitigated than physical risk. Our supply chain group monitors potential shortages and/or interruptions so that alternative supply sources can be obtained if needed. An advantage of our global supply chain is the ability to adapt to localized shortages and/or interruptions.

Timeframe

>6 years

Magnitude of potential impact

Medium-low

Likelihood

Unlikely

Potential financial impact**Explanation of financial impact**

A shortage or interruption in the availability of supplies could increase costs and limit the availability of products critical to restaurant operations, which in turn could lead to restaurant closures and/or a decrease in sales. In addition, failure by a key supplier or distributor for our Concepts and/or our Concepts' franchisees to meet its service requirements could lead to a disruption of service or supply until a new supplier or distributor is engaged, and any disruption could have an adverse effect on our business. Impact of any event would be determined by geographical extent and severity of the drought. Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact. Our ability to source from a diversified supplier base helps to minimize potential impacts.

Primary response to risk

Increased use of sustainably sourced materials

Description of response

In 2014 we established our sustainable paper-based packaging goal to purchase 100 percent of paper-based packaging with fiber from responsibly managed forests and recycled sources by the end of 2020. As of 2017, we transitioned 69% of our supply and believe that this has been an effective response to this risk driver. By making progress against this goal, we are improving our resilience to ecosystem vulnerability with the potential to impact our packaging supply. We work continually to maintain a diverse supply chain and positive relationships with supply chain partners by proactively establishing mitigation practices that include menu management and portfolio diversification. This minimizes the impacts on any one part of a country or distribution system due to changes in physical climate parameters.

Cost of response

Explanation of cost of response

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact of the cost of response. The cost of forest-risk management is largely included in broader and risk management efforts. Specific costs are primarily driven by investing in education and training of key stakeholders, especially our employees responsible for procurement, to adopt and implement our strategy to mitigate risk.

Forest risk commodity

Timber

Type of risk

Regulatory

Geographical scale

Please select

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Regulatory uncertainty

Primary potential impact

Increased production costs

Company-specific description

Regulations: Our concepts and their franchisees are subject to numerous laws and regulations around the world. These laws change regularly and are increasingly complex. These include many areas of sustainability including but not limited to environmental laws and regulations, health, sanitation, food, and workplace safety. These regulations are applicable, for timber, especially international and national trade agreements and legislation, moratoria, import tariffs, reporting obligations, and product regulations and standards. Publicity relating to any such noncompliance could also harm our reputation and adversely affect our revenues.

Timeframe

>6 years

Magnitude of potential impact

Medium-low

Likelihood

Unlikely

Potential financial impact

Explanation of financial impact

Compliance with new or existing laws and regulations could impact our or our Concepts' franchisees' operations. The compliance costs associated with these laws and regulations could result in higher forest products costs. Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact. This could either directly impact restaurants or be embedded in the supply chain.

Primary response to risk

Increased use of sustainably sourced materials

Description of response

In 2014 we established our sustainable paper-based packaging goal to purchase 100 percent of paper-based packaging with fiber from responsibly managed forests and recycled sources by the end of 2020. As of 2017, we transitioned 69% of our supply and believe that this has been an effective response to this risk driver. By making progress against this goal, we are improving our resilience to ecosystem vulnerability with the potential to impact our packaging supply. We work continually to maintain a diverse supply chain and positive relationships with supply chain partners by proactively establishing mitigation practices that include menu management and portfolio diversification. This minimizes the impacts on any one part of a country or distribution system due to changes in physical climate parameters.

Cost of response

Explanation of cost of response

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact of the cost of response. The cost of forest-risk management is largely included in broader and risk management efforts. Specific costs are primarily driven by investing in education and training of key stakeholders, especially our employees responsible for procurement, to adopt and implement our strategy to mitigate risk.

Forest risk commodity

Timber

Type of risk

Reputational and markets

Geographical scale

Please select

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased cost of certified sustainable material

Primary potential impact

Increased production costs

Company-specific description

Reputation: Because of the sensitive and controversial nature of forest-based commodities, we are exposed to inherent reputational risks such as negative media coverage, consumer market campaigns, community opposition, and land tenure

changes and disputes. Our success depends in large part upon our ability and our Concepts' franchisees' ability to maintain and enhance the value of our brands and our customers' loyalty to our brands. Brand value is based in part on consumer perceptions on a variety of subjective qualities. Business incidents, whether isolated or recurring, and whether originating from us, franchisees, competitors, suppliers or distributors, can significantly reduce brand value and consumer trust, particularly if the incidents receive considerable publicity or result in litigation. For example, our Concepts' brands could be damaged by claims or perceptions about the quality or safety of our products or the quality or reputation of our suppliers, distributors or franchisees, regardless of whether such claims or perceptions are true. Similarly, entities in our supply chain may engage in conduct, human rights abuses or environmental wrongdoing, and any such conduct could damage our or our Concepts' brands' reputations. The risk for this driver occurs in both Direct Operations and in the Supply Chain as reputation is important for all components of our value chain. As such it is important to all of stakeholders including customers and investors.

Timeframe

>6 years

Magnitude of potential impact

Medium-low

Likelihood

Unlikely

Potential financial impact

Explanation of financial impact

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact. The financial implications of a damaged reputation could negatively impact our market share, stock price and brand equity. For example, same-store sales for China declined 18% in the fourth quarter of 2014 following a supply chain issue in July of that year which adversely impacted our reputation with our customers.

Primary response to risk

Engagement with suppliers

Description of response

We have resources including our VP of Global Citizenship and Sustainability, Chief Communications Officer, and General Counsel to actively monitor and engage in this area. Brand teams, are focused on building three iconic brands people trust and champion. To deliver this commitment to our consumers, our teams focus on developing great-tasting product options at affordable prices built on our rigorous quality and safety standards. We proactively publicly communicate the Company position on being good corporate stewards in our Citizenship and Sustainability Report and other public disclosures such as CDP. For example, when

launching we have held multiple Twitter Chats through a third-party media company called Triple Pundit to share our progress against key environmental goals to engaged stakeholders to demonstrate our commitment to transparency and maintaining a positive brand position. In addition, we regularly engage with stakeholders, including suppliers, to support our Enterprise-wide goal of sustainable sourcing of fiber for paper-based packaging and to better understand potential changes in supply and new product innovations. By continuing our supplier engagement and monitoring the progress against our sustainable sourcing goals, we are improving our resilience to reputational risks with the potential to impact our packaging supply.

Cost of response

Explanation of cost of response

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact of the cost of response. The cost of forest-risk management is largely included in broader and risk management efforts. Specific costs are primarily driven by investing in education and training of key stakeholders, especially our employees responsible for procurement, to adopt and implement our strategy to mitigate risk.

Forest risk commodity

Palm Oil

Type of risk

Physical

Geographical scale

Please select

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Declining ecosystem services

Primary potential impact

Supply chain disruption

Company-specific description

Shortages or interruptions in the availability and delivery of food and other supplies: The palm oil used by our Concepts and their franchisees is sourced from a wide variety of domestic and international suppliers. We, along with our Concepts' franchisees, are also dependent upon third parties to make frequent deliveries of supplies that meet our specifications at competitive prices.

Shortages or interruptions to our Concepts' restaurants could adversely affect the availability, quality and cost of palm oil we use and the operations of our restaurants. Such shortages or disruptions could be caused by inclement weather, natural disasters, other a variety of other issues. Climate change influences several physical risk drivers that could negatively impact production, including extreme weather events such as tropical cyclones and changes in precipitation and temperature, forest fires, loss of ecosystem services, reduced crop yields, and thus, availability of certified sustainable material, which is already limited. Inherent social risks such as land tenure changes and disputes, community opposition, and litigation/grievances also present risks, but have a greater potential to be mitigated than physical risk. Our supply chain group monitors potential shortages and/or interruptions so that alternative supply sources can be obtained if needed. An advantage of our global supply chain is the ability to adapt to localized shortages and/or interruptions.

Timeframe

>6 years

Magnitude of potential impact

Medium-low

Likelihood

Unlikely

Potential financial impact

Explanation of financial impact

A shortage or interruption in the availability of supplies could increase costs and limit the availability of products critical to restaurant operations, which in turn could lead to restaurant closures and/or a decrease in sales. In addition, failure by a key supplier or distributor for our Concepts and/or our Concepts' franchisees to meet its service requirements could lead to a disruption of service or supply until a new supplier or distributor is engaged, and any disruption could have an adverse effect on our business. Impact of any event would be determined by geographical extent and severity of the drought. Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact. Our ability to source from a diversified supplier base helps to minimize potential impacts.

Primary response to risk

Increased use of sustainably sourced materials

Description of response

In 2015 we established our sustainable palm oil sourcing policy and goal of sourcing 100 percent of our palm oil from responsible and sustainable sources by the end of 2018. As of 2017, we are sourcing 80% of our palm oil supply from sustainable sources and believe that this has been an effective response to this risk driver. By making progress against this goal, we are improving our

resilience to ecosystem vulnerability with the potential to impact our palm oil supply. By making progress against this goal, we are improving our resilience to ecosystem vulnerability with the potential to impact our palm oil supply. We work continually to maintain a diverse supply chain and positive relationships with supply chain partners by proactively establishing mitigation practices that include menu management and portfolio diversification. This minimizes the impacts on any one part of a country or distribution system due to changes in physical climate parameters.

Cost of response

Explanation of cost of response

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact of the cost of response. The cost of forest-risk management is largely included in broader and risk management efforts. Specific costs are primarily driven by investing in education and training of key stakeholders, especially our employees responsible for procurement, to adopt and implement our strategy to mitigate risk.

Forest risk commodity

Palm Oil

Type of risk

Regulatory

Geographical scale

Please select

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Regulatory uncertainty

Primary potential impact

Increased production costs

Company-specific description

Regulations: Our Concepts and their franchisees are subject to numerous laws and regulations around the world. These laws change regularly and are increasingly complex. These include many areas of sustainability including but not limited to environmental laws and regulations, health, sanitation, food, and workplace safety. These regulations are applicable, for timber, especially international and national trade agreements and legislation, moratoria, import tariffs, reporting obligations, and

product regulations and standards. Publicity relating to any such noncompliance could also harm our reputation and adversely affect our revenues.

Timeframe

>6 years

Magnitude of potential impact

Medium-low

Likelihood

Unlikely

Potential financial impact

Explanation of financial impact

Compliance with new or existing laws and regulations could impact our or our Concepts' franchisees' operations. The compliance costs associated with these laws and regulations could result in higher forest products costs. Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact. This could either directly impact restaurants or be embedded in the supply chain.

Primary response to risk

Increased use of sustainably sourced materials

Description of response

In 2015 we established our sustainable palm oil sourcing policy and goal of sourcing 100 percent of our palm oil from responsible and sustainable sources by the end of 2018. As of 2017, we are sourcing 80% of our palm oil supply from sustainable sources and believe that this has been an effective response to this risk driver. By making progress against this goal, we are improving our resilience to ecosystem vulnerability with the potential to impact our palm oil supply. We work continually to maintain a diverse supply chain and positive relationships with supply chain partners by proactively establishing mitigation practices that include menu management and portfolio diversification. This minimizes the impacts on any one part of a country or distribution system due to changes in physical climate parameters.

Cost of response

Explanation of cost of response

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact of the cost of response. The cost of forest-risk management is largely included in broader and risk management efforts. Specific costs

are primarily driven by investing in education and training of key stakeholders, especially our employees responsible for procurement, to adopt and implement our strategy to mitigate risk.

Forest risk commodity

Palm Oil

Type of risk

Reputational and markets

Geographical scale

Please select

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased cost of certified sustainable material

Primary potential impact

Increased production costs

Company-specific description

Because of the sensitive and controversial nature of forest-based commodities, we are exposed to inherent reputational risks such as negative media coverage, consumer market campaigns, community opposition, and land tenure changes and disputes. Our success depends in large part upon our ability and our Concepts' franchisees' ability to maintain and enhance the value of our brands and our customers' loyalty to our brands. Brand value is based in part on consumer perceptions on a variety of subjective qualities. Business incidents, whether isolated or recurring, and whether originating from us, franchisees, competitors, suppliers or distributors, can significantly reduce brand value and consumer trust, particularly if the incidents receive considerable publicity or result in litigation. For example, our Concepts' brands could be damaged by claims or perceptions about the quality or safety of our products or the quality or reputation of our suppliers, distributors or franchisees, regardless of whether such claims or perceptions are true. Similarly, entities in our supply chain may engage in conduct, human rights abuses or environmental wrongdoing, and any such conduct could damage our or our Concepts' brands' reputations. The risk for this driver occurs in both Direct Operations and in the Supply Chain as reputation is important for all components of our value chain. As such it is important to all of stakeholders including customers and investors.

Timeframe

>6 years

Magnitude of potential impact

Medium-low

Likelihood

Unlikely

Potential financial impact

Explanation of financial impact

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact. The financial implications of a damaged reputation could negatively impact our market share, stock price and brand equity. For example, same-store sales for China declined 18% in the fourth quarter of 2014 following a supply chain issue in July of that year which adversely impacted our reputation with our customers.

Primary response to risk

Engagement with suppliers

Description of response

We have resources including our VP of Global Citizenship and Sustainability, Chief Communications Officer, and General Counsel to actively monitor and engage in this area. Brand teams are focused on building three iconic brands people trust and champion. To deliver this commitment to our consumers, our teams focus on developing great-tasting product options at affordable prices built on our rigorous quality and safety standards. We proactively publicly communicate the Company position on being good corporate stewards in our Citizenship and Sustainability Report and other public disclosures such as CDP. For example, when launching we have held multiple Twitter Chats through a third-party media company called Triple Pundit to share our progress against key environmental goals to engaged stakeholders to demonstrate our commitment to transparency and maintaining a positive brand position. In addition, we regularly engage with stakeholders, including suppliers, to support our Enterprise-wide goal of sustainable sourcing of fiber for paper-based packaging and to better understand potential changes in supply and new product innovations. By continuing our supplier engagement and monitoring the progress against our sustainable sourcing goals, we are improving our resilience to reputational risks with the potential to impact our packaging supply.

Cost of response

Explanation of cost of response

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact of the cost of response. The cost of forest-risk management is largely included in broader and risk management efforts. Specific costs are primarily driven by investing in education and training of key stakeholders, especially our employees responsible for procurement, to adopt and implement our strategy to mitigate risk.

F3.2

(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?

| | Have you identified opportunities? |
|-----------------|------------------------------------|
| Timber | Yes |
| Palm Oil | Yes |
| Cattle products | <Field Hidden> |
| Soy | <Field Hidden> |
| Other - Rubber | <Field Hidden> |
| Other | <Field Hidden> |

F3.2a

(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.

Forest risk commodity

Timber

Type of opportunity

Markets

Where in your value chain does the opportunity occur?

Direct operation

Supply chain

Primary forests-related opportunity

Driving demand for sustainable materials

Financial incentives

<Field Hidden>

Company-specific description & strategy to realize opportunity

As we developed, published, and began to implement and monitor progress on sustainable sourcing of timber for our paper-based packaging over the past three years, the opportunity to increase demand for sustainable materials has helped increase supply and bring costs down. For example, the availability and affordability of FSC-certified supply in the U.S. when we started our initiative was less than it is today. We started with a flexible policy and phased approach allowing for a range of certifications, including SFI and PEFC, with a preference for FSC and over time, were able to increase our sourcing of FSC-certified supply because of the opportunity created by driving demand for more sustainable materials.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Medium

Likelihood

More likely than not

Potential financial impact

Explanation of financial impact

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact. The financial implications of a driving demand for sustainable materials could positively impact our ability to source sustainable material and meet external stakeholder expectations to fulfill our public goal of sourcing 100% sustainable fiber for paper-based packaging by the end of 2020.

Forest risk commodity

Palm Oil

Type of opportunity

Markets

Where in your value chain does the opportunity occur?

Direct operation

Supply chain

Primary forests-related opportunity

Driving demand for sustainable materials

Financial incentives

<Field Hidden>

Company-specific description & strategy to realize opportunity

As we developed, published, and began to implement and monitor progress on sustainable sourcing of palm oil over the past three years, the opportunity to increase demand for sustainable materials has helped increase supply and bring costs down. For example, the availability and affordability of certified sustainable palm oil in China when we started our initiative was less than it is today. We started with a flexible policy and phased approach and over time, were able to increase our sourcing of RSPO-certified supply from China because of the opportunity created by driving demand for more sustainable materials.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Medium

Likelihood

More likely than not

Potential financial impact

Explanation of financial impact

Due to the diverse and broad nature associated with this risk it is not possible to estimate the potential financial impact. The financial implications of a driving demand for sustainable materials could positively impact our ability to source sustainable material and meet external stakeholder expectations to fulfill our public goal of sourcing 100% palm oil for cooking by the end of 2018.

F4. Governance

F4.1

(F4.1) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available

F4.1a

(F4.1a) Select the options to describe the scope and content of your policy.

| | Scope | Content | Please explain |
|-------|--------------|--|---|
| Row 1 | Company-wide | Commitment to avoiding deforestation and forest degradation Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Recognition of the overall importance of forests and | Yum! Brands, Inc. is committed to implementing several environmental policies, including our Palm Oil and Paper-Based Packaging Sourcing policies, to help prevent deforestation and forest degradation. Both policies are publicly available and apply to all stages of our value chain, including our equity restaurants, franchisees, and suppliers. For palm oil, we are committed to sourcing 100 percent of the product used for cooking from responsible and sustainable sources by the end of 2018. We give preference to suppliers that are certified by the Roundtable on Sustainable Palm Oil (RSPO), and only source palm oil from suppliers whose operations meet our Palm Oil Policy principles, Yum! Brands Supplier Code of Conduct, and Human and Labor Rights Policy which address HCV, HCS, peatland, legality, certification, and human rights. For Timber, we implement a Paper-Based Packaging Sourcing Policy which addresses HCV, legality, certification, recycled content, and human rights. We give preference to suppliers with third-party certification, the most rigorous of which is FSC, whose cut-off date is 1994. We also recognize other national certifications endorsed by the Programme for the Endorsement of Forestry Certification (PEFC) and the Sustainable Forestry Initiative (SFI), provided the fiber avoids the unwanted sources listed in our Sustainable Sourcing Principles. Our policy is publicly-available on the Citizenship section of our company webpage. |

| | Scope | Content | Please explain |
|--|-------|--|----------------|
| | | <p>other natural habitats</p> <p>Recognition of potential business impact on forests and other natural habitats</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p> <p>Reference to international standards and widely-recognized forests-related initiatives</p> | |

F4.1b

(F4.1b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

| | Do you have a commodity specific sustainability policy? | Scope | Content | Please explain |
|--------|---|--------------|--|---|
| Timber | Yes | Company-wide | Commitment to avoiding deforestation and forest degradation Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests- | <p>Yum! Brands, Inc. is committed to implementing our Paper-Based Packaging Sourcing policy to help prevent deforestation and forest degradation. This commitment is supported by our paper-based packaging sourcing principles, Yum! Brands Supplier Code of Conduct, and Human and Labor Rights Policy. Our current goal is to purchase 100% of paper-based packaging with fiber from responsibly managed forests and recycled sources by the end of 2020. We give preference to suppliers with third-party certification, the most rigorous of which is FSC, whose cut-off date is 1994. We also recognize other national certifications endorsed by the Programme for the Endorsement of Forestry Certification (PEFC) and the Sustainable Forestry Initiative (SFI), provided the fiber avoids the unwanted sources listed in our Sustainable Sourcing Principles. We survey our markets and suppliers on an annual basis to assess progress. This policy is publicly available and applies to all stages of our value chain, including our equity restaurants, franchisees, and suppliers Our policy is publicly-available on the Citizenship section of our company webpage.</p> |

| | Do you have a commodity specific sustainability policy? | Scope | Content | Please explain |
|----------|---|--------------|---|---|
| | | | <p>related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p> <p>Reference to international standards and widely-recognized forests-related initiatives</p> | |
| Palm Oil | Yes | Company-wide | <p>Commitment to avoiding deforestation and forest degradation</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain</p> | <p>Yum! Brands, Inc. is committed to implementing our Palm Oil Sourcing policy to help prevent deforestation and forest degradation. This commitment is supported by Palm Oil Policy principles, Yum! Brands Supplier Code of Conduct, and Human and Labor Rights Policy. Our goal is to source 100% of our palm oil used for cooking from responsible and sustainable sources by the end of 2018. We survey our markets and suppliers on an annual basis to assess progress. We give preference to suppliers that are certified by the Roundtable on Sustainable Palm Oil (RSPO), and only source palm oil only from suppliers whose operations meet the principles outlined in our Palm Oil Policy. This policy is publicly available and applies to all stages of our value chain, including our equity restaurants, franchisees, and suppliers. Our policy is publicly-available on the Citizenship section of our company webpage.</p> |

| | Do you have a commodity specific sustainability policy? | Scope | Content | Please explain |
|-----------------|---|----------------|---|----------------|
| | | | <p>covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p> <p>Reference to international standards and widely-recognized forests-related initiatives</p> | |
| Cattle Products | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> |
| Soy | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> |
| Other - Rubber | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> |
| Other | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> |

F4.2

(F4.2) Is there board-level oversight of forests-related issues within your organization?

Yes

F4.2a

(F4.2a) Identify the position(s) of the individual(s) on the board with responsibility for forests-related issues.

| Position of individual | Please explain |
|-------------------------------|--|
| Chief Executive Officer (CEO) | Our CEO has ultimate responsibility for any forest product-related issues, with our Vice President of Global Citizenship and Sustainability responsible for driving company water-related strategies. This Vice President is responsible for: • Leveraging sustainability to promote business growth, drive brand equity and minimize business, social and financial risks of Yum! Brands' global business enterprise; • Focusing on the full scope of the global business model (Franchisee and Corporate) as it relates to ESG issues such as water • Ensuring Yum! Brands operates efficiently and sustainably to drive shareholder value and brand positioning. • Updating of the Audit Committee on an annual basis regarding the Company's ESG commitments and progress. |

F4.2b

(F4.2b) Provide further details on the board's oversight of forests-related issues.

| | Frequency that forests-related issues are a scheduled agenda item | Governance mechanisms into which forests-related issues are integrated | Please explain |
|-------|---|--|---|
| Row 1 | Scheduled - some meetings | <ul style="list-style-type: none"> Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives | <p>Yum! Brands believes that good corporate governance is a critical factor in achieving business success and embraces practices that align with management and shareholder interests. Oversight for environmental, social and governance (ESG) issues ultimately resides with the Yum! Brands Board of Directors, which is briefed through its Audit Committee on an annual basis. The brief typically is performed by our General Counsel and/or our Vice President of Global Citizenship and Sustainability. Key topics for the reporting year included setting of our updated sustainability strategy and progress against goals including our forests-related targets.</p> |

(F4.3) Below board level, provide the highest-level management position(s) or committee(s) with responsibility for forests-related issues.

| Name of the position(s) and/or committee(s) | Responsibility | Frequency of reporting to the board on forests-related issues | Please explain |
|---|---|---|--|
| Chief Sustainability Officer (CSO) | Both assessing and managing forests-related risks and opportunities | Annually | The Vice President of Global Citizenship and Sustainability serves as our CSO, chairs our ESG Council, and is responsible for coordinating the execution of the strategy, including forests-related issues. This senior leader updates the Board annually regarding the Company's environmental commitments and progress, including for forest-related issues. In addition, this person works with sustainably leads at KFC, Pizza Hut, Taco Bell and Yum! corporate to execute the strategy. The duties of Vice President of Global Citizenship and Sustainability include the representation of sustainability issues, including water, on the Yum! risk committee. This senior level committee is responsible for the evaluation and reporting of possible corporate risks to the Audit Committee of the Board of Directors for inclusion in our public filings. This committee, which looks at short, medium and long-term risks, prioritizes risks based on factors that impact the business including, but not limited to, financial, operational and reputational factors. The size and scope of the potential impact are considered as are the possible duration, and whether the impact is likely to be a one-time occurrence or recurring in nature. We also regularly convene a cross-functional ESG Working Group within Yum! corporate that engages in ongoing efforts such as our materiality assessment, disclosures to sustainability ratings and rankings agencies, and our citizenship report. |

F4.4

(F4.4) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

Yes

F4.4a

(F4.4a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues?

| | Who is entitled to benefit from these incentives? | Indicator for incentivized performance | Please explain |
|----------------------------|--|--|---|
| Monetary reward | Chief Sustainability Officer (CSO) Other, please specify (Environment/Sustainability Manager) | Achievement of commitments and targets | The Vice President of Global Citizenship and Sustainability is responsible for leading the execution of the Yum! sustainability strategy, including forests-related issues. Performance of the corporation is factored into incentives. Forests-related goals are delegated to the appropriate business management units/divisions and teams within those business management units/divisions. Performance against these goals impact overall performance scores and compensation adjustments for employees who are accountable for the achievement of our goals. Monetary rewards (such as incentives) are distributed based on company performance and are awarded once we achieve our forests-related commitments and targets. Performance against these commitments and goals is reviewed and calculated on an annual basis and has historically been reported in our annual sustainability report. Employees who are accountable for the achievement of our goals are subject to receive various bonuses and compensation adjustments. These bonuses are calculated as a percentage of our salary and vary according to the level of leadership. |
| Recognition (non-monetary) | Other, please specify (All employees) | Achievement of commitments and targets | Achievements that drive business results, including those that reduce the Company's environmental impacts, are recognized by non-monetary recognition awards. Recognition is an integral part of the Yum! Brands culture and everyone across the Company is encouraged to celebrate the achievements of others. All leaders in the Company have unique personal recognition awards. Awards that have been given for progress in achieving sustainability targets include our "Positive Spark" award which has been presented to employees for their contributions toward our sustainability targets. For example, associates in China and France have received the "Positive Spark" award for sustainability initiatives such as LEED restaurant development. We also have given our "Green Apple" award for contributions toward sustainability education within the company. Individuals in the U.K., China, Australia and the United States have received this recognition. |
| Other non-monetary reward | Other, please specify (All employees) | Achievement of commitments and targets | Employees who contribute to the success of Yum! Brands are eligible for the "Achieving Breakthrough Results" award. This award involves recognition and a monetary award or equity grant for efforts that drive breakthrough results for the Company. It has been awarded to employees who are helping to achieve our sustainability targets through efforts such as our Citizenship Report and CDP responses. |

F5. Business strategy

F5.1

(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

| | Are forests-related issues integrated? | Long-term time horizon (years) | Please explain |
|-----------------------------------|--|--------------------------------|---|
| Long-term business objectives | Yes, forests-related issues are integrated | 21-30 | Our fundamental, long term environmental sustainability strategy is twofold: First, it is to design, build and operate restaurants to be measurably more sustainable using green building standards to drive reductions in energy, GHG emissions, waste and water use and to report progress annually through CDP disclosures. Second is to work elevate the supply chain to reduce deforestation though objectives including the sourcing 100 percent of palm oil used for cooking and paper-based packaging from responsible and sustainable sources. The setting of this strategy is the most substantial business decision made during the reporting year that has been influenced by forest-related issues. Please note that Yum! Brands currently defines our long-term time horizon as any time period greater than 5 years. We have selected the threshold that best fits our definition. |
| Strategy for long-term objectives | Yes, forests-related issues are integrated | 21-30 | Our fundamental, long term environmental sustainability strategy is twofold: First, it is to design, build and operate restaurants to be measurably more sustainable using green building standards to drive reductions in energy, GHG emissions, waste and water use and to report progress annually through CDP disclosures. Second is to work elevate the supply chain to reduce deforestation though objectives including the sourcing 100 percent of palm oil used for cooking and paper-based packaging from responsible and sustainable sources. The setting of this strategy is the most substantial business decision made during the reporting year that has been influenced by forest-related issues. Please note that Yum! Brands currently defines our long-term time horizon as any time period greater than 5 years. We have selected the threshold that best fits our definition. |
| Financial planning | Yes, forests-related issues are integrated | 21-30 | Our fundamental, long term environmental sustainability strategy is twofold: First, it is to design, build and operate restaurants to be measurably more sustainable using green building standards to drive reductions in energy, GHG emissions, waste and water use and to report progress annually through CDP disclosures. Second is to work elevate the supply chain to reduce deforestation though objectives including the sourcing 100 percent of palm oil used for cooking and paper-based packaging from responsible and sustainable sources. The setting of this strategy is the most substantial business decision made during the reporting year that has been influenced by forest-related issues. Please note that Yum! Brands currently defines our long-term time horizon as any time period greater than 5 years. We have selected the threshold that best fits our definition. |

F6. Implementation

F6.1

(F6.1) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?

Yes

F6.1 a

(F6.1a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?

Other, please specify (Roundtable on Sustainable Palm Oil)

F6.1 b

(F6.1b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.

Commodity coverage

Timber

Criteria

No conversion of High Conservation Value areas

No sourcing of illegally produced and/or traded forest risk commodities

No sourcing of forest risk commodities from unknown/controversial sources

Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

Operational coverage

Supply chain

% of total production/ consumption covered by commitment

100%

Commitment timeframe

2020

Please explain

Our commodity-specific policies address several deforestation and forest degradation criteria. Our sustainable fiber for paper-based packaging policy addresses HCV, legality, certification, and human rights. Our goal is to purchase 100% of paper-based packaging with fiber from responsibly managed forests and recycled sources by the end of 2020.

Commodity coverage

Palm Oil

Criteria

No new development on peatland

No conversion of High Conservation Value areas

No conversion of High Carbon Stock forests

Adoption of Free, Prior and Informed Consent (FPIC) principles

No sourcing of illegally produced and/or traded forest risk commodities

No sourcing of forest risk commodities from unknown/controversial sources

Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

Operational coverage

Supply chain

% of total production/ consumption covered by commitment

100%

Commitment timeframe

2018

Please explain

Our commodity-specific policies address several deforestation and forest degradation criteria. Our palm oil policy addresses HCV, HCS, peatland, FPIC legality, certification, and human rights. For example, as a member of RSPO and a buyer of RSPO-certified sustainable palm oil, we abide by the RSPO Principles and Criteria, including the FPIC guiding principles for companies to ensure local community rights are protected. Our goal is to source 100% of our palm oil used for cooking from responsible and sustainable sources by the end of 2018. Our original goal to meet this target by the end of 2017 was extended.

F6.2

(F6.2) Did you have any quantified targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?

Yes

F6.2a

(F6.2a) Provide details of your target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.

Target reference number

Target 1

Forest risk commodity

Timber

Form of commodity covered

Please select

Type of target

Sustainable procurement standard

Coverage

Supply chain

Traceability point

<Field Hidden>

Third-party certification scheme

<Field Hidden>

Start year

2014

Start figure

1-10%

Target year

2020

Target

100%

% achieved

61-70%

Please explain

Our public goal is to purchase 100% of paper-based packaging with fiber from responsibly managed forests and recycled sources by the end of 2020. Our public policy gives explicit preference to suppliers who provide paper packaging certified by a third-party who meets the most rigorous forest management standards, which is FSC. We also accept PEFC and SFI certifications.

Target reference number

Target 2

Forest risk commodity

Palm Oil

Form of commodity covered

Please select

Type of target

Sustainable production standard

Coverage

Supply chain

Traceability point

<Field Hidden>

Third-party certification scheme

<Field Hidden>

Start year

2015

Start figure

21-30%

Target year

2018

Target

100%

% achieved

71-80%

Please explain

Our public goal is to source 100% of our palm oil used for cooking from responsible and sustainable sources by the end of 2018. Our public policy gives explicit preference to suppliers certified by RSPO. Our original goal to meet this target by the end of 2017 was extended.

F6.3**(F6.3) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?**

| | Do you have system(s) in place? |
|-----------------|---------------------------------|
| Timber | Yes |
| Palm Oil | Yes |
| Cattle products | <Field Hidden> |
| Soy | <Field Hidden> |
| Other - Rubber | <Field Hidden> |

| | |
|-------|---------------------------------|
| | Do you have system(s) in place? |
| Other | <Field Hidden> |

F6.3a

(F6.3a) Provide details on the level of traceability your organization has for your disclosed commodity(ies).

| | % of total production/consumption volume traceable | Point to which commodity is traceable | Description of traceability system | Exclusions | Description of exclusion |
|--|--|---------------------------------------|------------------------------------|------------|--------------------------|
| | | | | | |

| | % of total production/consumption volume traceable | Point to which commodity is traceable | Description of traceability system | Exclusions | Description of exclusion |
|--------|--|---------------------------------------|---|---|---|
| Timber | 41-50% | Mill | <p>As we are a large, decentralized company with numerous packaging suppliers globally, we have multiple systems that enable traceability of our commodities. Our supply chain management and quality assurance processes include traceability of our product ingredients and suppliers' incoming raw materials. We conduct food safety and quality systems audits to verify suppliers' traceability information. We also give preference to suppliers who have FSC certification (or secondarily, SFI or PEFC), thus providing us with additional, third-party certified traceability. Depending on the specific certification scheme used per market, there are multiple points to which timber used in paper packaging could be deemed traceable in the system, varying from the country down to the forest depending on the We issued a global survey for our entire business, through our brands, requesting that all countries report on packaging products containing timber (via fiber used in paper packaging). Data from our business units included responses from franchisees and suppliers. We were pleased to include data representing 82% of our global store count of over 45,000 restaurants. Based on our survey results, the analysis showed that 41% of our total timber consumption was traceable in 2017 and that the majority of responding suppliers are able to provide traceability at the mill-level.</p> | <p>Source/country/geographical area Specific supplier(s) Other, please specify (Information not available)</p> | <p>Our results for the percent of total consumption that is traceable reflects the various certification schemes reported by our markets (and the associated points to which they are traceable). The reported results reflect data gaps that are due to factors including geographic area and supplier limitations. We look forward to improving our ability to gather and report on this information in the future.</p> |

| | % of total production/consumption volume traceable | Point to which commodity is traceable | Description of traceability system | Exclusions | Description of exclusion |
|----------|--|---------------------------------------|--|---|---|
| Palm Oil | 71-80% | Plantation | <p>As we are a large, decentralized company with numerous palm oil suppliers globally, we have multiple systems that enable traceability of our commodities. Our supply chain management and quality assurance processes include tracking traceability of our product ingredients and suppliers' incoming raw materials. We conduct food safety and quality system audits to verify suppliers' traceability information. While we give preference to RSPO's Mass Balance, Segregated, and Identify Preserved palm oil supply chain certification schemes, the specific scheme used varies by market. There are multiple points to which palm oil is traceable in the system and it varies between plantation, mill and country, depending on the scheme used. We issued a global survey for our entire business, through our brands, requesting that all countries report on the traceability of palm oil procured for cooking in our restaurants in 2017. Data from our business units included responses from franchisees and suppliers. We were pleased to have an estimated representation of 98% of our global store count of over 45,000 restaurants in the survey results. Based on our survey results, the analysis showed that an estimated 72% of our total consumption was traceable in 2017.</p> | <p>Source/country/geographical area Specific supplier(s) Other, please specify (Information not available)</p> | <p>Our results for the percent of total consumption that is traceable reflects the various certification schemes reported by our markets (and the associated points to which they are traceable). The reported results reflect data gaps that are due to factors including geographic area and supplier limitations. We look forward to improving our ability to gather and report on this information in the future.</p> |

| | % of total production/consumption volume traceable | Point to which commodity is traceable | Description of traceability system | Exclusions | Description of exclusion |
|-----------------|--|---------------------------------------|------------------------------------|----------------|--------------------------|
| Cattle products | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> |
| Soy | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> |
| Other - Rubber | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> |
| Other | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> | <Field Hidden> |

F6.4

(F6.4) Do you specify any third-party certification schemes for your disclosed commodity(ies)? Indicate the volume and percentage of your production and/or consumption covered.

Forest risk commodity

Timber

Do you specify any certification scheme?

Yes

Third-party certification scheme

FSC Forest Management certification

PEFC Sustainable Forest Management certification

PEFC Chain of Custody

SFI Chain of Custody

SFI Fiber Sourcing certification

FSC Chain of Custody

FSC Controlled Wood

FSC Recycled

% of total production/consumption volume certified

50

Form of commodity

Paper

Volume of production/ consumption certified

360502

Metric

Metric tons

Please explain

Our public policy states that we will give preference to suppliers who provide paper-packaging certified by a third-party, which meets the most rigorous forest management standards, which is currently FSC. However, to account for market differences, we also recognize other national certifications endorsed by the PEFC and SFI, provided the fiber avoids the unwanted sources listed in our Sustainable Sourcing Principles. We issued a global survey for our entire business, through our brands, requesting that all countries report on fiber used in our paper-based packaging in 2017. Data from our business units include responses from franchisees and suppliers. The responses we received represent 82% of our global store count of over 45,000 restaurants. An estimated 50% of our paper-based packaging volume supply came from certified sources of virgin fiber based on reported data. An additional estimated 19% of our reported paper-based packaging came from recycled sources. Non-recycled, non-certified paper based packaging currently is estimated to be 31% of our supply based on reported data. Our public goal is to reach 100% of fiber used in paper packaging from responsible and recycled sources by the end of 2020.

Forest risk commodity

Palm Oil

Do you specify any certification scheme?

Yes

Third-party certification scheme

Please select

% of total production/consumption volume certified

80

Form of commodity

Please select

Volume of production/ consumption certified

131919

Metric

Metric tons

Please explain

Our public policy states that we will give preference to palm oil suppliers who are certified by RSPO, as well only source palm oil from suppliers who meet our six principles of our Palm Oil Policy. We issued a global survey for our entire business, through our brands, requesting that all countries report on palm oil used for cooking purposes in our restaurants in 2017. Data from our business units include responses from franchisees and suppliers. The responses we received represent an estimated 98% of our global store count of over 45,000 restaurants. Data from our business units include responses from franchisees and suppliers. Based on reported data, an estimated 80% of the procured palm oil volume came from certified sources. Our public goal to source 100% of our palm oil used for cooking from responsible and sustainable sources has been extended to the end of 2018.

F6.5

(F6.5) Do you specify any sustainable production/procurement standards for your disclosed commodity(ies), other than third-party certification? Indicate the percentage of production/consumption covered and if you monitor supplier compliance with these standards.

Forest risk commodity

Timber

Do you specify any sustainability standards?

Yes

Type of standard

Procurement

Description of standard

Our policy for sourcing our paper-based packaging is guided by four key principles to: (1) not purchase products made with fiber made from illegal or unwanted sources; (2) give preference to third-party suppliers; (3) increase the amount of recycled content used in the paper-based packaging; and (4) seek substantiation of compliance with our policy and the above claims. Our publicly-available policy can be reviewed on the Citizenship and Sustainability section of our company website.

% of total commodity volume covered by standard

100%

Do you have a system in place to monitor compliance with this standard?

Yes

Type(s) of monitoring system

Auditing

Third-party auditing

% of suppliers in compliance with standards

61-70%

Please explain

Our policy for sourcing our paper-based packaging is guided by four key principles to: (1) not purchase products made with fiber made from illegal or unwanted sources; (2) give preference to third-party suppliers; (3) increase the amount of recycled content used in the paper-based packaging; and (4) seek substantiation of compliance with our policy and the above claims. Our policy is enforced through supplier contracts and auditing as well as third-party auditing to ensure compliance with their certification standards. For example, in order to claim we are sourcing FSC-certified fiber for paper packaging, our supplier is audited by a third-party as part of the FSC certification process.

Forest risk commodity

Palm Oil

Do you specify any sustainability standards?

Yes

Type of standard

Procurement

Description of standard

Our policy for sourcing our palm oil is guided by six key principles: (1) No development on High Conservation Value (HCV) landscape or High Carbon Stock (HCS) forests; (2) No development on peatlands; (3) Compliance with country laws and regulations; (4) Prevention and resolution of social and/or land conflicts consistent with the principle of free prior and informed consent (FPIC); (5) Traceability to the extraction mill and validation of fresh fruit bunches (FFBs); and (6) Respect and protect human rights, including not employing underage children or forced laborers and prohibiting physical punishment or abuse. Our publicly-available policy can be reviewed on the Citizenship and Sustainability section of our company website.

% of total commodity volume covered by standard

100%

Do you have a system in place to monitor compliance with this standard?

Yes

Type(s) of monitoring system

Auditing

Third-party auditing

% of suppliers in compliance with standards

71-80%

Please explain

Our policy for sourcing our palm oil used for cooking is guided by six principles: (1) No development on High Conservation Value (HCV) landscape or High Carbon Stock (HCS) forests; (2) No development on peatlands; (3) Compliance with country laws and regulations; (4) Prevention and resolution of social and/or land conflicts consistent with the principle of free prior and informed consent (FPIC); (5) Traceability to the extraction mill and validation of fresh fruit bunches (FFBs); and (6) Respect and protect human rights, including not employing underage children or forced laborers and prohibiting physical punishment or abuse.. Yum! will only source from suppliers who meet these principles. Our policy is enforced through supplier contracts and auditing as well as third-party auditing to ensure compliance with their certification standards. For example, in order to claim we are sourcing from suppliers that utilize RSPO-certified supply chains, they are audited against the RSPO Supply Chain Certification Standard.

F6.7

(F6.7) Are you working with your direct suppliers to support and improve their capacity to supply sustainable raw materials?

| | Are you working with direct suppliers? | Supplier engagement approach | Please explain |
|-----------------|--|--|--|
| Timber | Yes, working with direct suppliers | Encouraging certification Encouraging work with multi-stakeholder groups Workshops and training Supplier questionnaires on environmental and social indicators Supplier audits | In 2017, we engaged with nearly 100 percent of our direct suppliers, with varying levels of engagement to improve capacity to improve capacity to supply sustainable raw materials, and procurement teams to understand current progress against our goal of sourcing 100% sustainable fiber by the end of 2020. We support our suppliers that share our goals around sustainable materials by recognizing their achievements and continuing our partnership. We are proud of the progress we've made and are working with our suppliers to ensure that they are on track to meet our commitment. For example, we're proud that two of our packaging suppliers in North America won an American Forest and Paper Association sustainability award for sustainable forest management. |
| Palm Oil | Yes, working with direct suppliers | Encouraging certification Encouraging work with multi-stakeholder groups Workshops and training Supplier questionnaires on environmental and social indicators | In 2017, we engaged with nearly 100 percent of our direct suppliers, with varying levels of engagement to improve capacity to improve capacity to supply sustainable palm oil, and procurement teams to understand current progress against our goal of sourcing 100% sustainable palm oil by the end of 2018. In particular, we focused on suppliers in markets requiring additional time to transition their supply. We also had multiple engagements with RSPO regarding the revision of the Principles and Criteria and ongoing monitoring of potential supplier risk. |
| Cattle products | <Field Hidden> | <Field Hidden> | <Field Hidden> |
| Soy | <Field Hidden> | <Field Hidden> | <Field Hidden> |
| Other - Rubber | <Field Hidden> | <Field Hidden> | <Field Hidden> |

| | Are you working with direct suppliers? | Supplier engagement approach | Please explain |
|-------|--|------------------------------|----------------|
| Other | <Field Hidden> | <Field Hidden> | <Field Hidden> |

F6.8

(F6.8) Are you working beyond your first-tier supplier(s) to manage and mitigate forests-related risks?

| | Are you working beyond first tier? | Please explain |
|-----------------|------------------------------------|--|
| Timber | Yes, working beyond first tier | Our sustainable fiber sourcing policy is global and applies to all paper-based food and beverage packaging, therefore, it applies to all suppliers providing these items whether they are first tier suppliers or further back into the supply chain. Some of our global markets have the ability to work beyond the first tier of the supply chain due to the volumes they procure and level of access to and influence with suppliers. Some of our suppliers are vertically integrated which is a helpful enabling factor to working beyond the first tier to manage and mitigate risk. In addition, we engage beyond the first tier through multi-stakeholder dialogues, industry conferences, trade associations, and supply chain collaborations. |
| Palm Oil | Yes, working beyond first tier | Our sustainable palm oil sourcing policy is global and applies to cooking oil, therefore, it applies primarily to our suppliers providing us with cooking oil versus suppliers who are manufacturing products for us containing palm oil and purchasing palm oil further back in the supply chain. Some of our global markets have the ability to work beyond the first tier of the supply chain due to the volumes they procure and level of access to and influence with suppliers. Some of our suppliers are vertically integrated which is a helpful enabling factor to working beyond the first tier to manage and mitigate risk. In addition, we engage beyond the first tier through multi-stakeholder dialogues, industry conferences, trade associations, and supply chain collaborations. As a result of working beyond the first tier, some of our large regions are already sourcing sustainable palm oil in their secondary ingredients, above and beyond the minimum requirements of our policy (which is focused on our primary use, which is cooking oil). |
| Cattle products | <Field Hidden> | <Field Hidden> |
| Soy | <Field Hidden> | <Field Hidden> |
| Other - Rubber | <Field Hidden> | <Field Hidden> |

| | | |
|-------|------------------------------------|----------------|
| | Are you working beyond first tier? | Please explain |
| Other | <Field Hidden> | <Field Hidden> |

F6.9

(F6.9) Do you participate in external initiatives or activities to further the implementation of your policies concerning the sustainability of your disclosed commodity(ies)?

Forest risk commodity

Timber

Do you participate in activities/initiatives?

No

Activities

<Field Hidden>

Initiatives

Please select

Please explain

From 2013 – 2014, we worked with WWF to develop our initial public policy and goal. In 2017, we worked with WWF to commence a supply chain sustainability risk assessment of key commodities, including Timber.

Forest risk commodity

Palm Oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

Please select

Please explain

In October 2017, we officially joined RSPO as an Ordinary Member company after several years of sourcing RSPO-certified palm oil.

F7. Linkages and trade-offs

F7.1

(F7.1) Has your organization identified any linkages or trade-offs between forests and other environmental issues in its direct operations and/or other parts of its value chain?

Yes

F7.1a

(F7.1a) Describe the linkages or trade-offs and the related management policy or action.

Linkage/tradeoff

Linkage

Type of linkage/tradeoff

Decreased GHGs emissions

Description of linkage/tradeoff

Our goals of sourcing 100% of palm oil from responsible and sustainable sources and 100% of paper-based packaging with fiber from responsibly managed forests and recycled sources reduce deforestation, and in turn, reduces GHG emissions, improves biodiversity, and helps to protect watersheds.

Policy or action

We maintain policies regarding palm oil and paper-based packaging sourcing in support of our goals that are integrated into our business strategy. These are publicly posted and be viewed on our website. At this point, we are unable to quantify the specific GHG emissions from this linkage but will explore the possibility of collecting this data in the future.

F8. Verification

F8.1

(F8.1) Do you verify any forests information reported in your CDP disclosure?

No, we are waiting for more mature verification standards/processes

F9. Barriers and challenges

F9.1

(F9.1) Describe the key barriers or challenges to avoiding forests-related risks in your direct operations or in other parts of your value chain.

Forest risk commodity

Timber

Coverage

Supply chain

Primary barrier/challenge type

Limited availability of certified materials

Comment

Currently, there is not enough sustainable, third-party certified supply to meet company requirements, nor at price parity. This creates a challenging business case, at least over the short-term, especially for new, struggling, or thin margin businesses. In addition, limited visibility and traceability of long, complex, supply chains means there is always some uncertainty and risk and that solutions have to come from all along the supply chain. The underlying reasons for deforestation are often not addressed (e.g. increasing demand for virgin timber products for raw materials) so solutions have trade-offs (positive environmental impact, negative social impact) and ultimately are not sustainable (deforestation in Brazil started to increase again starting in 2015).

Forest risk commodity

Palm Oil

Coverage

Supply chain

Primary barrier/challenge type

Limited availability of certified materials

Comment

Currently, there is not enough sustainable, third-party certified supply to meet demand (RSPO has the best coverage, but is still only 21% of the market), nor at price parity. This creates a challenging business case, at least over the short-term, especially for new, struggling, or thin margin businesses. In addition, limited visibility and traceability of long, complex, supply chains means there is always some uncertainty and risk and that solutions have to come from all along the supply chain. The underlying reasons for deforestation are often not addressed (e.g. poverty in palm oil-producing regions of Southeast Asia) so solutions have trade-offs (positive environmental impact, negative social impact) and ultimately are not sustainable (deforestation in Brazil started to increase again starting in 2015).

F9.2

(F9.2) Describe the main measures that would improve your organization's ability to manage forests-related risks.

Forest risk commodity

Timber

Coverage

Supply chain

Main measure

Incentives to produce sustainable raw materials

Comment

Incentives to produce sustainable raw materials would reduce reliance on third-party certifications, and could increase supply and reduce cost. In addition, better aligning expectations of different governing bodies and certifications so they're consistent would improve their functionality and effectiveness. For example, some stakeholders think RSPO and SFI are not robust enough so they're supplemented with other requirements that can be burdensome and confusing for the teams expected to implement policies and for suppliers who get conflicting information from different customers.

Forest risk commodity

Palm Oil

Coverage

Supply chain

Main measure

Incentives to produce sustainable raw materials

Comment

Incentives to produce sustainable raw materials would reduce reliance on third-party certifications, and could increase supply and reduce cost. In addition, better aligning expectations of different governing bodies and certifications so they're consistent would improve their functionality and effectiveness. For example, some stakeholders think RSPO and SFI are not robust enough so

they're supplemented with other requirements that can be burdensome and confusing for the teams expected to implement policies and for suppliers who get conflicting information from different customers.

F10. Signoff

F-FI

(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

F10.1

(F10.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

| | Job Title | Corresponding job category |
|-------|---|------------------------------------|
| Row 1 | Vice President of Global Citizenship and Sustainability, who serves as our Chief Sustainability Officer | Chief Sustainability Officer (CSO) |

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

| | Public or Non-Public Submission | I am submitting to |
|-----------------------------|---------------------------------|--------------------|
| I am submitting my response | Public | Investors |

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I have read and accept the applicable Terms



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