



KFC WESTERN EUROPE SUSTAINABLE SOURCING POLICY

Our vision

Although KFC does not own any farms or fields, we regard sustainable procurement as important for all commodities and recognise our responsibility to work with our suppliers to ensure that our food, ingredients, packaging and oil are sourced and made responsibly and sustainably all the way from the grower or farmer to our restaurants. Our aim is to promote sustainable practices throughout our supply chain that protect and preserve the environment, its natural biodiversity, and ecosystems. We aim to use natural resources sustainably considering the full life cycle of our commodities and products working together with our supply chain partners.

In addition, YUM!, the parent company of KFC, endorsed the New York Declaration on Forests (NYDF) and the private sector goal of eliminating deforestation from the production of agriculture commodities such as palm oil, soy, paper and beef products, and striving to end natural forest loss by 2030.

Scope of the Policy

All suppliers to KFC Western Europe must comply with the Sustainable Sourcing Policy [the Policy] wherever they are based. The Policy sets out the minimum, not maximum, defined Sustainability standards required as part of supplier agreements to supply KFC. We are committed to partnering with our suppliers to deliver continuous improvement to further reduce our impact on the environment and drive up standards. The Policy should not be used to prevent any suppliers from exceeding these standards.

Implementation of the Policy

As part of their contract with KFC, suppliers are expected to establish management systems for delivering compliance and to maintain records demonstrating this. Suppliers must take appropriate steps to ensure that there is regular engagement with relevant management teams about the need for compliance and appropriate training is provided to key employees.

KFC expects any non-compliance to be reported by our supplier so that we can work together to create a time-measured plan to correct the situation as quickly as possible.

Our focus is on where we can make a difference and have greatest impact. As such, KFC expects their direct suppliers to provide due diligence records of the controls that they have in place within their own supply chains who are in any way involved in the production of KFC products. These records must meet the requirements of the Policy throughout. Suppliers are also required to permit KFC representatives (including third party auditors) access to supplier documentation, management and workers to determine compliance and progress against the Policy.

KFC aims to be transparent with our stakeholders on our sustainability performance and would encourage our suppliers to do likewise.

1. Supplier requirements

Certification

We need to be aware of key raw materials in our supply chain which are subject to specific social, economic or environmental impacts and we therefore expect all suppliers to demonstrate due diligence on their sourcing practices including sustainability status and certification. This is important to ensure our suppliers source all our food, ingredients and packaging sustainably.

Palm oil

KFC WE does not permit the use of palm oil or palm oil blended oil for frying.

The utilisation of palm oil as an ingredient must be limited (needed for technical reasons), and where palm oil remains an ingredient or derivative, it must be RSPO certified, no later than the end of 2022.

Soy

Suppliers that use soy must follow the KFC Western Europe Soy Policy in **Appendix**.

This is covering all soy within our supply chain, in animal feed (embedded soy) or used as an ingredient (beans, lecithin, oil...)

Wood, Paper and Pulp products

Suppliers must source wood, paper and pulp products from well-managed, sustainable sources, not harvested illegally or sourced from protected forest areas.

Suppliers must buy wood fibre that is certified as responsibly sourced by the Forest Stewardship Council (FSC) or national certification systems endorsed by the Program for Endorsement of Forest Certification (PEFC), such as the Sustainable Forestry Initiative (SFI).

This commitment is applicable to paper-based consumer-facing packaging (KFC branded or third-party packaging, and pre-packed food products).

This should be extended as much as possible to back of house packaging (boxes).

This applies to all new products, and for the actual ones, this should be put in place no later than the end of 2022.

Vegetables and fruits

Suppliers of fresh fruit and vegetables (produce) are required to source product from Global GAP certified growers, a voluntary scheme aimed at setting the standards for Good Agricultural Practice worldwide. Equivalent schemes will be considered but must be approved prior to supply by KFC Western Europe QA Team.

In addition to sourcing from Global GAP certified growers, suppliers of fresh fruit and vegetables must be able to demonstrate 100% traceability to all growers being used to supply product to KFC Western Europe.

Coffee, tea, cane sugar and cocoa (in beverages)

Suppliers of key commodities for tea, coffee and cane sugar (buy as is), and also cocoa (in beverages) will be required to be certified by Rainforest Alliance, Fairtrade, or Organic.

This applies to all new products, and for the actual ones, this should be put in place no later than the end of 2023.

Management of natural resources

Suppliers are also expected to develop appropriate environmental management systems that recognise the key environmental impacts of their specific business processes and monitor and report performance against improvement targets. KFC expects suppliers to be leaders in meeting or exceeding environmental standards and year-on-year work to reduce the relative environmental footprint of their operations, such as carbon emissions and water usage.

- Suppliers must minimise negative environmental and social impacts and have in place clear environmental policies and management systems.
- Suppliers must minimise use of energy, water and raw materials including solid waste and effluent and dispose of it in a safe, efficient and environmentally responsible manner, to avoid contamination of the local environment and ensure that air, noise and odour limits are within nationally defined limits.
- Suppliers must minimise chemical use and abide by international, national and sector specific Codes of Practice for the use, handling and disposal of pesticides and chemicals.

Carbon footprint and Greenhouse Gas (GHG) Emissions

Supplier must use best endeavours to reduce its greenhouse gas. GHG emissions must be measured and recorded, and all actions should be in place to aim to reduce them for at least 46% (based on 2019 levels) by 2030 on per-metric ton supplied (align with Yum! Commitment on GHG reductions).

Supplier must report to KFC Western Europe annually on the following matters, starting in 2023 :

- Measurement of Greenhouse gas emissions and carbon footprint
- Greenhouse gas emissions reductions achieved by Supplier in the reporting year;
- Actions taken by Supplier to reduce its emissions in the reporting year;
- Actions that Supplier will take in the upcoming reporting year to reduce its greenhouse gas emissions

Yum! has taken the commitment to be a Net-Zero business by 2050.

Packaging and waste management

We recognise the need to remove, reuse or reduce packaging, but never at the expense of food quality or our ability to serve food safely, quickly and conveniently. We also understand that packaging has a huge environmental contribution to make by preserving food and thereby reducing food waste. We therefore want to minimise the negative environmental impacts of packaging production and waste wherever possible whilst balancing this with potential environmental benefits and are committed to working with our suppliers to ensure this.

Suppliers are required to work towards the commitments of KFC Western Europe's Supply Chain Packaging vision where appropriate:

- 100% reusable, recyclable or compostable packaging in Western Europe by 2025.
- Reduce virgin plastic content by 10% by 2025 (baseline 2019)
- To remove 1500 tonnes of plastic from our packaging by 2025 (baseline 2019)
- To remove 100% of unnecessary plastic in the KFC system by 2025

This commitment is applicable to consumer-facing packaging (KFC branded or third-party packaging, and pre-packed food products).

This should be extended as much as possible to back of house packaging (boxes and bags).

We will look to suppliers to help us achieve year-on-year relative reductions in total tonnage of packaging as a percentage of our total sales.

As part of the life cycle approach of our packaging including origin of material and energy used, suppliers are required to maximise both the recycled content in packaging and the recyclability of packaging to ensure legal compliance and mitigate risk of increased environmental legislation and fiscal measures.

Any supplier producing customer packaging for KFC (KFC branded or third-party packaging) must also ensure that all of our packaging always carries clear and honest labelling to indicate its recyclability and its sustainability, according to the market where the product is sold.

In line with European Single-use plastic directive, we also ban plastic straws, plates, cutlery and stirrers from our restaurants in all KFC Western Europe markets.

Traceability

An important part of our quality assurance system is the ability to trace with confidence every one of our products back to its source. Our suppliers are required to ensure the rigorous processes are in place for tracing our products from farm or forest all the way to our restaurants. These processes should be maintained so that every product supplied to KFC in Western Europe has a unique supplier code, batch number and where applicable best before date. By maintaining this process, we know with confidence, where our product originates and the standards that have been applied from farm, field or forest right up to delivery at our restaurants.

Measuring and Reporting

To ensure we have full traceability and chain of custody across our supply chain, we will undertake the following:

- We will require suppliers to provide annual reports on certification compliance where appropriate and be able to show certificates and other related evidence at any given time on request.
- Ensure KFC employees and company representatives, including third party auditors are given access to sites used to produce KFC products and access to related documents and records.
- We require suppliers to accurately and openly communicate when these standards are not being met or are unlikely to be met and when support is required from KFC to meet these standards.

2. KFC Implementation Commitments

KFC are committed to ensuring that the requirements of this Policy are fully implemented by undertaking the following:

- Provide appropriate training on this Policy to all key employees
- Communicate this policy to all direct suppliers and make it publicly available.
- Undertake a supply chain risk assessment to identify and prioritise suppliers and products with higher environmental risk across all purchasing categories.
- Develop and communicate to our employees, our suppliers and within our public reporting, our strategy for future development and monitoring of supplier compliance with this Policy.
- Review and revise this Policy on an annual basis.
- Report on progress in improving social, ethical and environmental standards both internally and externally.

APPENDIX : KFC Western Europe Soy Policy

As part of KFC's sustainability strategy to combat climate change and biodiversity loss, we are committed to an environmentally and socially responsible global soy supply chain.

In 2019, our parent company Yum! Brands endorsed the New York Declaration on Forests (NYDF) and the private sector goal of eliminating deforestation from the production of agriculture commodities such as beef, soy, palm oil and paper products. NYDF members have collectively committed to ending natural forest loss by 2030.

In this perspective, we are accelerating our efforts to eliminate deforestation from our supply chains.

Soy, in particular, is an important commodity for KFC, although we don't purchase directly the vast majority of soy volumes entering in our supply chain. The majority of volumes are used through chicken feed.

By **2030**, we aim to source 100% of the soy in our supply chain (embedded soy or soy used as an ingredient) from physically traceable, sustainable, deforestation and conversion-free (both legal and illegal) sources.

We understand deforestation-free and conversion-free soy to be soy that is: 'legal and cultivated in a way that protects against conversion of forests and valuable native vegetation'.

Suppliers of branded goods are expected to have noted the requirements of this policy and to have established similar arrangements in their own supply chain.

This commitment also reinforces procurement procedures, considering compliance with the main socio-environmental criteria, in particular on deforestation in Argentina (Chaco biome), Brazil (Amazon and Cerrado biomes), and Paraguay (Chaco biome).

This commitment is also directly linked to our Ethical Sourcing Policy, as we want to promote responsible production of soy, which benefits farmers and surrounding communities, and which respects and upholds the rights of workers, indigenous peoples and communities

Our strategy for soy will be based on three key pillars :

Transparency

- Map our soy supply chain. This mapping should include :
 - Soy footprint, location (sub-national if possible), and proportion which is verified deforestation and conversion-free
 - Soy traders present in the supply chain, including the percentage of total soy volume sourced from each trader
- Support or participate in different working groups with NGOs or other relevant stakeholders (e.g. World Wildlife Fund (WWF), UK Roundtable on Sustainable Soya, Tropical Forest Alliance) to create greater transparency and aim to engage major soy traders
- Align overall actions with the Accountability Framework
- Annual Reporting at KFC Western Europe level on relevant KPIs, and through CDP Forests and Yum!'s annual citizenship and sustainability report

Certification and Engagement

- Suppliers that use soy (embedded soy or soy used as an ingredient) must sign up and comply with the Amazon Soy Moratorium
- Suppliers that use soy (embedded soy or soy used as an ingredient) must set a cut-off date no later than January 2020
- Suppliers must establish and utilize a system to trace soy used to the first point of aggregation or to be able to demonstrate alignment with company's requirements through credible assurance mechanisms (e.g. certification schemes, landscape approaches).
- Suppliers are expected to provide traceability data for their soy supply chain on an annual basis to KFC Western Europe and Yum!
- Suppliers must comply with all applicable laws and regulations at the national and international levels, and demonstrate compliance with legal requirements, e.g. the Brazilian Forest Code.
- We will promote the use of standards/schemes when they are endorsed by independent and competent stakeholders and ensure reliable responsible sources, in particular for soy originating from high-risk regions.
We want to increase each year the part of certified soy in our supply chain, recognizing in priority the following schemes :
 - Pro-Terra
 - Roundtable for Responsible Soy RTRS
 - International Sustainability & Carbon Certification ISCC+
 - Cefetra Certified Responsible Soya CRS
 - Donau Soja/Europe Soja

Alternative Solutions and Reduction

- Engage in working groups with poultry suppliers, feed suppliers and NGOs to study and test alternative feed solutions (animal proteins, insect meals or oils, other vegetable sources of protein, spirulina or amino acids, etc.)
- Work and partner with our suppliers to reduce risk of deforestation in key landscapes (high-risk regions) and ensure support for deforestation-free supply chains.

We will continue to make and report progress on our deforestation journey.