

Supply Chain Impact on Deforestation 2017 – Yum! Brands, Inc.

Yum! Brands' (YUM) utilizes beef, soy, palm oil, and pulp/paper in its business. These commodities are the leading drivers of deforestation globally. YUM's limited action on deforestation exposes the company to significant business risks including supply chain reliability, damage to the company's brand value, and failure to meet shifting consumer and market expectations.

Deforestation has attracted significant attention from civil society, business and governments. It accounts for over 10% of global greenhouse gas emissions and contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, community land conflicts and forced labor. Commercial agriculture accounted for over 70% of tropical deforestation between 2000 and 2012, half of which was illegal. Supply chain sources that are illegally engaged in deforestation are vulnerable to interruption as enforcement increases. Conserving forests by increasing agricultural productivity and use of already cleared land will stabilize soils and climate while regulating regional water flows.

"Consumers are increasingly demanding that businesses become more responsible and transparent", according to Technomic, a leading food industry consultancy. "In many cases, they are rewarding those they perceive to be good environmental stewards and corporate citizens."

YUM has begun to address deforestation in its palm oil and packaging supply chains; however, the company lacks an overall deforestation policy and has not made public commitments to source sustainable beef or soy, the leading drivers of deforestation. YUM scored 3 out of 5 in the Forest 500 company scorecard; 0 out of 100 on UCS's palm oil scorecard; and 0 out of 100 on UCS' beef scorecard. In contrast, peer companies such as McDonald's, Danone, Unilever and Nestlé committed to eliminate deforestation in their global supply chains. Many of these companies signed The New York Declaration on Forests to support and help meet the private-sector goal of eliminating deforestation from the production of agricultural commodities such as palm oil, soy, paper and beef products by no later than 2030. These companies also participate in the CDP Forests Program, a reporting framework supported by investors with over US\$22 trillion in assets.

RESOLVED: Shareholders request that YUM develop a comprehensive, cross-commodity policy and implementation plan to eliminate deforestation and related human rights issues from its supply chain.

Supporting Statement: Proponents believe a meaningful response could include:

- A commitment to buy exclusively from suppliers independently verified as not engaged in deforestation (including peatlands, high conservation value, or high carbon stock forests), or land and labor rights abuses;
- Evidence of proactive implementation efforts, such as a time-bound plan, verification processes, non-compliance protocols and regular reporting on a public platform such as the CDP Forests questionnaire; and
- A commitment to work towards strengthening third-party verification programs and multi-stakeholder initiatives to achieve compliance with the company's policy