



Pizza Hut UK and Europe Sourcing Code of Practice – Nov' 19

Sourcing Code of Practice

For supply to Pizza Hut UK and Europe



1. Overview

Our vision on responsibility and performance

“Pizza Hut UK & Europe aims to be a responsible and trusted company with a sustainable and ethical supply chain, we therefore partner only with high performing suppliers to deliver our ambition of Trust in Every Bite.

Ultimately, by working with our supply partners, our goal is not to minimise any negative impacts, it is to find ways to make a positive difference across our supply chain, from the grower or farmer right up to our restaurants. This is an ambitious and complex goal; however, we believe that through robust policies, procedures and strong relationships we can source our products responsibly.

How we work with our supply partners to achieve the specific standards in our Code will evolve, however our commitment to a responsible, high-performing, sustainable and ethical supply chain remains fixed. By providing a clear vision for responsible sourcing our Sourcing Code of Practice defines our expectations on issues such as labour rights, sustainability and animal welfare.”

Mark Mason, Supply Chain Director, Pizza Hut UK and Europe.

Scope of the Sourcing Code of Practice

This Sourcing Code of Practice [**The Code**] must be read in conjunction with Yum! Supplier Code of Conduct (appendix 1) and the Pizza Hut Supplier Food Safety and Quality Assurance handbook. All suppliers to Pizza Hut UK and Europe must comply wherever they are based. The Code sets out the minimum, not maximum, defined social, ethical and environmental standards we require suppliers to follow as part of their agreement to supply Pizza Hut. We expect all suppliers to comply with all applicable local and international laws (including EU import legislation), regulations and industry standards. Where standards differ, the standard which offers the greater degree of protection and ethical standard must be met. We are committed to partnering with our suppliers to deliver continuous improvement to further drive up standards and The Code should not be used to prevent any suppliers from exceeding these standards. Suppliers of branded goods are expected to have noted the requirements of The Code and to have established similar arrangements in their own supply chain.

Our key areas of engagement with our suppliers set out in The Code are as follows:

- Ethical business practice
- Sustainable sourcing
- Animal welfare

Implementation of The Code

As part of the contract with Pizza Hut, suppliers are expected to establish management systems for delivering compliance and to maintain records demonstrating this. Suppliers must take appropriate steps to ensure that:

- The Code is communicated to all relevant employees.
- There is regular engagement with relevant management teams about the need for compliance.
- Appropriate training on The Code is provided to key employees.



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- Processes and systems are in place to provide means for workers to report or discuss non-compliance confidentially.

Pizza Hut expects any non-compliance or drop in performance 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. Where local socio-economic and cultural factors might impact the implementation of The Code and where such complexities exist, we require suppliers to engage with us immediately for both parties to develop the most appropriate programme to ensure compliance.

Our focus is on where we can make a difference and have greatest control. As such, Pizza Hut expects suppliers to maintain written records that all sub-contractors and companies in their own supply chain which are in any way involved with Pizza Hut products, are provided with the Code and confirm, in turn, their compliance. Suppliers are also required to permit Pizza Hut representatives (including third party auditors) access to supplier documentation, management and workers to determine compliance and progress against the Code.

Minimum requirements of The Code

- *The Code is part of the contract of working with us.*
- *All suppliers, wherever they are based, supplying products to Pizza Hut UK and Europe must comply with The Code and have in place systems to deliver management and communication of The Code.*
- *Suppliers must confirm the compliance of any third party or contractors involved with the supply of Pizza Hut products.*
- *The Code sets out minimum not maximum standards and should not be used to prevent any company exceeding the standards.*
- *Non-compliance should be reported, and a programme established to ensure return to compliance.*



2. Ethical Business Practice

Our vision

We are very aware of the responsibility we share with our suppliers to further the rights of workers who produce products and ingredients for Pizza Hut. Our ambition is to work with our suppliers to ensure best ethical business practice and we will therefore only work with suppliers who share our values and uphold internationally agreed standards on human rights and labour, most notably the Universal Declaration of Human Rights. The required standards we set out here are consistent with the internationally agreed conventions and recommendations of:

- The eight core International Labour Organisation (ILO) conventions and recommendations on workers' rights
- The Ethical Trading Initiative (ETI) Base Code
- The ETI Base Code Guidance on Modern Slavery;
- any local legislation in the UK and European Pizza Hut markets such as the UK Modern Slavery Act

Pizza Hut aims to be transparent with our stakeholders on our ethical performance and would encourage our suppliers to do likewise. The recent UK anti-slavery legislation requires companies to provide information on their steps to eliminate human trafficking and slavery in their supply chain as well as anti-slavery risk management and actions. The Code is an integral part of this requirement.

Key areas

Supplier Code of Conduct

Yum! the parent company of Pizza Hut has very clear expectations for the behaviour of all its employees, contractors, agents, agencies and suppliers and has documented these expectations in a code of conduct. The Supplier Code of Conduct is an appendix to the Code and is a non-negotiable part of the relationship between Pizza Hut and its suppliers. Any breach of the Code of Conduct by an employee, agent, contractor or supplier of our supplier would be considered a material breach of our contractual agreement and could in some circumstances result in immediate termination.

Monitoring

We recognise the importance of being fully aware of the ethical and social practices and any associated risks in our supply chain. To ensure this, we undertake independent and third-party audits of suppliers' sites and thorough self-assessment questionnaires. This allows us to focus on the areas of greatest risk and greatest potential benefit, and to work co-operatively with our suppliers to mitigate the risk and maximise the benefits. Pizza Hut UK and Europe use SEDEX as the industry benchmark.

Open communication with our suppliers is critical for identifying and resolving any supply chain issues so that together we can respond rapidly and fully to ethical issues.

Human rights

We support the Ethical Trading Initiative (ETI) Base Code of Conduct which promotes and improves the implementation of corporate codes of practice which cover supply chain working conditions. This sets out the labour standards we expect our suppliers to meet



Fair Trade/Rainforest Alliance

All Coffee and Tea is to be sourced from certified Fair-Trade and/ or Rainforest Alliance suppliers where applicable by 2021 and encourage all our suppliers to do the same for sugar used in the manufacture of our products.

Anti-Bribery

Suppliers will at all times comply with the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977 and not act in any way that would put Pizza Hut in breach of these laws or any other anti-bribery laws.

Bribery and improper payment Pizza Hut will not condone, under any circumstances, the offering or receiving of bribes or any other forms of improper payment, including what are known as 'facilitating payments'. Even the appearance of a breach of anti-bribery or anti-corruption laws will not be tolerated by Pizza Hut.

Gifts and entertainment

The giving and receiving of gifts has a role to play in establishing and building long term business relationships. However, they should never create improper influence or obligate the recipient. Suppliers must note that Pizza Hut employees should not provide or accept excessive or inappropriate entertainment and must only ever offer or accept occasionally. Every Pizza Hut employee is obligated to record all such events and seek authority before the giving or receiving of any gifts or entertainment.

Conflicts of Interest

Pizza Hut employees and suppliers should avoid situations where any conflict of interest may occur and are obligated to inform Pizza Hut when and if such a conflict may represent any risk to either business.

Competition, anti-trust

All Pizza Hut suppliers must comply with all anti-trust and competition laws which apply to our business.

Minimum required standards:

- *Comply with the Yum! Supplier Code of Conduct at all times.*
- *Meet all internationally agreed standards on human rights and labour, comply with applicable national laws, and work to continually improve workplace and employment standards.*
- *Suppliers and their raw material producers supplying Pizza Hut UK and Europe provide Pizza Hut transparency of all applicable risk assessments and audits.*
- *Provide employment that is freely chosen, there is no forced or bonded labour and employees are free to leave their employer after reasonable notice. Have in place policies, systems, risk assessment, training and measurement to ensure no forced labour or slavery exists.*



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- *Allow employees the freedom to associate, organise and join a trade union (or collective bargaining group acting for them) in a lawful and peaceful manner without penalty or interference.*
- *Have in place a clear public commitment to working against bribery and corruption in all its forms, comply with all applicable local and international laws, including EU import legislation, UK Bribery Act and US Foreign Corrupt Practices Act.*
- *Ensure workers have knowledge of their rights and are able to report any issues confidentially and without detriment to a designated person/committee.*



3. Sustainable sourcing

Our vision

Although Pizza Hut 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. The aim of Pizza Hut is that our supply chain causes neither long term, critical depletion of natural resources nor lasting damage to species, habitats, biodiversity or climate.

Key areas

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 all commodities sustainably.

Environmental management

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. Pizza Hut 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.

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 restaurant. These processes should be maintained so that every product supplied to Pizza Hut in UK and 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.

Produce

Vegetable suppliers are required to source product from Global GAP certified growers or from growers certified to Yum! GAP, both schemes aimed at setting the standards for Good Agricultural Practice worldwide.

Palm oil

Pizza Hut has been continuously removing palm oil from our products. Suppliers should ensure that no palm oil is used in the manufacture of Pizza Hut products. Where there is no suitable alternative, supplier must provide signed statement that palm oil is 100% sustainably sourced, such as the Roundtable on Sustainable Palm Oil (RSPO) certification standard.

Soy

As part of our requirement that no products or ingredients contribute to global deforestation, we require suppliers that use soy in feed to sign the Soy Moratorium on deforestation in the Amazon. If soy is used as an ingredient this must be responsibly sourced with efforts made to source from an RTRS approved supply, or equivalent body in the market of operation.



Product Packaging

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. We expect our suppliers to ensure that all packaging comes from sources that don't damage the environment and is from well managed sustainable sources, certified by a third party. However, we also understand that packaging has a huge environmental contribution to make by preserving food and thereby reducing food waste. We want to minimise the environmental impacts of packaging wherever possible and are committed to working with our suppliers to ensure this.

We also aim to work with suppliers to design new ways to reduce the overall volume of packaging used by Pizza Hut. Design and innovation have a key role to play to support us in achieving year-on-year relative reductions in total tonnage of packaging as a percentage of our total sales. We also look to suppliers to help us reduce the amount of packaging they use to transport goods while also maintaining our ability to serve food safely, quickly and conveniently.

Pizza Hut Branded Packaging

We require our packaging suppliers to source wood fibre, paper and pulp products from well-managed, sustainable and that is certified as responsibly sourced by a third party, so that we can be sure it meets the most rigorous forest management standards. We also expect suppliers to demonstrate full chain of custody throughout their supply chain to cover growing, processing and packaging. The third-party certifications we accept are the Forest Stewardship Council (FSC) and national certification systems endorsed by the Program for Endorsement of Forest Certification (PEFC), such as the Sustainable Forestry Initiative (SFI).

Pizza Hut's aim is to use recycled product wherever we can, and we will work with our suppliers to maximise the amount of recycled content in our packaging. This also covers plastics in packaging, and our long-term aim is that all Pizza Hut-branded plastics are made using either recycled, readily-recyclable or compostable materials.

Minimum Required standards:

- *Measure, record and minimise negative environmental and social impact and have in place clear environmental policies and management systems.*
- *Measure record and minimise use of energy, water and raw materials and minimise 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.*
- *Measure record and minimise chemical use and abide by international, national and sector specific Codes of Practice for the use, handling and disposal of pesticides and chemicals.*
- *Vegetable suppliers to source product from Global GAP or Yum! GAP certified growers.*
- *Source wood, paper and pulp products from well-managed, sustainable sources, not harvested illegally or sourced from protected forest areas, but 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).*
- *Never use palm oil as an ingredient for Pizza Hut products and if present in a supplier branded product ensure that it is 100% sustainably certified.*



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- *Suppliers that use soy in feed and oil to sign and comply with the Soy Moratorium on deforestation in the Amazon. Soy used as an ingredient must be responsibly sourced.*
- *Work with Pizza Hut to maximise both the recycled content in packaging and the recyclability of packaging. Always print clear and honest consumer recyclability labelling.*



4. Animal welfare

Our vision

The single greatest product responsibility for Pizza Hut is to ensure that the highest standards of food quality and safety are always maintained in our supply chain. It is also an important ethical concern and we work closely with our suppliers to ensure that the animals reared for Pizza Hut are well cared for and are reared in the right way. Pizza Hut will only work with suppliers committed to recognised humane practices, good animal husbandry and welfare standards. Pizza Hut therefore supports the commonly accepted Five Freedoms of animal welfare:

1. Freedom from hunger or thirst by ready access to fresh water and a diet to maintain full health and vigour.
2. Freedom from discomfort by providing an appropriate environment including shelter and a comfortable resting area.
3. Freedom from pain, injury or disease by prevention or rapid diagnosis and treatment.
4. Freedom to express normal behaviour by providing sufficient space, proper facilities and company of the animal's own kind.
5. Freedom from fear and distress by ensuring conditions and treatment which avoid mental stress.

Pork and Beef:

All pork and beef sold within Pizza Hut must be sourced from farms that are certified by a relevant national farm assurance scheme that is annually independently audited by a recognised certification body and uphold animal welfare certification.

Suppliers must have well-established policies adhering to EU regulations on the use of antibiotics ensuring that no animals in Pizza Hut UK and Europe's supply chain receive anti-biotics for prophylactic use and does not use antibiotics for their use for production purposes i.e. for enhancing growth or to improve feed efficiency. Antibiotics are only to be used for therapeutic use, which is for the treatment of injury or for health reasons under strict veterinary supervision. It is our desire to continually do things better and ensure that our approach is science-led so that we make the right decisions for the future, and most importantly in a way that avoids detriment to animal welfare.

We expect suppliers to ensure antibiotics of critical importance to human health (as defined by WHO and RUMA) is limited to situations where veterinary guidance justifies the use.

Poultry:

All poultry sold within Pizza Hut must be sourced from Yum! approved farms or from farms that are certified by a relevant national farm assurance scheme that is annually independently audited by a recognised certification body and uphold animal welfare certification.

Pizza Hut UK and Europe support the European Chicken Commitment and as such we will expect our suppliers to meet the following requirements by 2026 for 100% of the [fresh, frozen, and processed] chicken in our supply chain:

1. Comply with all EU animal welfare laws and regulations, regardless of the country of production.



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2. Implement a maximum stocking density of 30kg/m² or less. Thinning is discouraged and if practiced must be limited to one thin per flock.
3. Adopt breeds that demonstrate higher welfare outcomes: either the following breeds, Hubbard JA757, 787, 957, or 987, Rambler Ranger, Ranger Classic, and Ranger Gold, or others that meet the criteria of the RSPCA Broiler Breed Welfare Assessment Protocol.
4. Meet improved environmental standards including:
 - At least 50 lux of light, including natural light.
 - At least two metres of usable perch space, and two pecking substrates, per 1,000 birds.
 - On air quality, the maximum requirements of Annex 2.3 of the EU broiler directive, regardless of stocking density.
 - No cages or multi-tier systems.
5. Adopt controlled atmospheric stunning using inert gas or multi-phase systems, or effective electrical stunning without live inversion.
6. Demonstrate compliance with the above standards via third-party auditing and annual public reporting on progress towards this commitment.

Eggs:

All eggs (whole/shell and product/ingredient eggs) sold within Pizza Hut must originate from free range farms.

No eggs or egg product to be sourced from hens in caged systems, including 'enriched-cages' and combination cages ('combi-cages'). This also includes multi-tier systems that allow hens to be permanently enclosed or which restrict movement within tiers via internal partitions.

Dairy:

All milk used in our mozzarella within Pizza Hut must be sourced from farms that are certified by a relevant national farm assurance scheme that is annually independently audited by a recognised certification body and uphold animal welfare certification.

Fish and Seafood:

All farmed fish and seafood sold within Pizza Hut must be sourced from farms that are certified by BAP (min 2 star), ASC or Global GAP that has been audited by a recognised certification body and uphold certification.

All wild fish and seafood sold within Pizza Hut must be from a sustainable source and caught using selective fishing techniques, e.g. pole & line for tuna and free from fish aggregative devices (FAD's).

We encourage companies to set continuous improvement targets for their welfare outcomes, monitored and supported through a proactive programme.

Minimum Required standards:

- *All protein must be sourced from farms that are certified by a relevant national farm assurance scheme that is independently audited annually.*
- *Suppliers must practise the Five Freedoms of Animal Welfare.*



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- *Suppliers that use eggs (whole/shell and product/ingredient eggs) in the manufacture of any Pizza Hut Products should source only from free range hens.*
- *All farmed fish must be from sourced that are certified by Global Gap, BAP (min 2 star) or ASC.*



Appendix 1: - Yum! Supplier Code of Conduct

YUM! SUPPLIER CODE OF CONDUCT

The Vendor shall comply and ensure that all of its subcontractors, suppliers and their respective factories comply with the following:

(a) Child Labour: The Vendor shall not utilise child labour. The word "child" shall be defined as a person younger than fifteen (15), (or fourteen (14) where local law allows) or, if higher, the local legal minimum age for employment or the age for completing compulsory education. Irrespective of age, the Vendor shall treat all employees in compliance with all applicable laws and regulations.

(b) Coercion and Harassment: All employees shall be treated with dignity and respect. Actions such as corporal punishment, threats of violence and/or other forms of physical, sexual, psychological, verbal abuse and/or harassment will never be allowed or condoned.

(c) Non-discrimination: There shall be no discrimination by the Vendor with regard to hiring and employment practices, including salary, benefits, advancement, discipline, termination or retirement on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.

(d) Health and Safety: The Vendor will provide employees with a safe and healthy workplace (and employee housing, if applicable) in compliance with all applicable laws and regulations. At a minimum the Vendor will also ensure reasonable access to potable water, sanitary facilities, proper ventilation, adequate lighting and fire safety.

(e) Involuntary Labour: The Vendor shall not use any forced or involuntary labour, whether prison, bonded, indentured or otherwise.

(f) Association: The Vendor will respect the rights of employees to associate, organise and bargain collectively in a lawful and peaceful manner without penalty or interference.

(g) Protection of the Environment: All applicable environmental laws and regulations will be adhered to by the Vendor.

(h) Compensation: The Vendor will comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime, maximum hours, piece rates and other elements of compensation and provide legally mandated benefits. Except in extraordinary business circumstances, the Vendor shall not require employees to work more than the lesser of: (i) forty-eight (48) hours per week and twelve (12) hours overtime, or (ii) the limits on regular and overtime hours allowed by local law. Except in extraordinary business circumstances, where local law does not limit the hours of work, the regular work-week plus twelve (12) hours overtime. In addition, except in extraordinary business circumstances, employees will be entitled to at least one day off in every seven-day period. The Vendor will compensate employees for overtime hours at such premium rate as is legally required or if there is no legally prescribed premium rate, compensation will be equal to the regular hourly compensation rate as a minimum. Where local industry standards are higher than applicable legal requirements, the Vendor will be expected to meet the higher standards.

(i) Other Laws: The Vendor will comply with all applicable laws and regulations, including those pertaining to the manufacture, pricing, sale and distribution of merchandise. All references to "applicable laws and regulations" in this Agreement shall include local and national codes, rules and regulations as well as applicable treaties and voluntary industry standards.



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(j) Monitoring and Compliance: The Vendor acknowledges and agrees that YRI and/or its agents shall have the right to engage in monitoring activities to confirm compliance with this Agreement. Monitoring activities may include, without limitation, unannounced on-site inspections of manufacturing facilities (including those of any subcontractors) and employer-provided housing, reviews of books and records relating to employment matters and private interviews with Vendor's employees. The Vendor must, and agrees to, maintain on site all documentation that may be needed to demonstrate compliance with these policies.

(k) Subcontractors: In the event that the Vendor desires to utilise subcontractors for the manufacture, processing or development of YRI Products, the Vendor shall obtain YRI's consent prior to utilization of said subcontractors.

(l) Publication: The Vendor will take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to employees, including the prominent posting of a copy of these provisions in the local language and in a place readily accessible to employees at all times.