

F0. Introduction

F0.1

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

PepsiCo products are enjoyed by consumers more than one billion times a day in more than 200 countries and territories around the world. PepsiCo generated more than \$67 billion in net revenue in 2019, driven by a complementary food and beverage portfolio that includes 22 brands that generate more than \$1 billion each in estimated annual retail sales (e.g., Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana). Our new vision is to be the global leader in convenient foods and beverages by Winning with Purpose. To advance this vision, we will focus on becoming Faster, Stronger and Better in everything we do. We will become better by continuing to integrate our purpose agenda into our business strategy and doing even more for the planet and our people. Winning with Purpose acknowledges PepsiCo’s leadership in integrating sustainability with strategy for more than a decade, and conveys our belief that sustainability can be an even greater contributor to our success in the marketplace. Winning with Purpose aims to build a more sustainable food system by intensifying our efforts on critical initiatives including deforestation.

Cautionary Statement - Statements in this submission that are “forward-looking statements” are based on currently available information, operating plans and projections about future events and trends. Terminology such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “expressed confidence,” “forecast,” “future,” “goal,” “guidance,” “intend,” “may,” “objective,” “outlook,” “plan,” “position,” “potential,” “project,” “seek,” “should,” “strategy,” “target,” “will” or similar statements or variations of such terms are intended to identify forward-looking statements, although not all forward-looking statements contain such terms. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such forward-looking statements. Such risks and uncertainties include, but are not limited to: changes in demand for PepsiCo’s products; changes in, or failure to comply with, applicable laws and regulations; imposition or proposed imposition of new or increased taxes aimed at PepsiCo’s products; imposition of labeling or warning requirements on PepsiCo’s products; changes in laws related to packaging and disposal of PepsiCo’s products; PepsiCo’s ability to compete effectively; political conditions, civil unrest or other developments and risks in the markets where PepsiCo’s products are made, manufactured, distributed or sold; PepsiCo’s ability to grow its business in developing and emerging markets; uncertain economic conditions in the countries in which PepsiCo operates; the ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption; increased costs, disruption of supply or shortages of raw materials and other supplies; business disruptions; product contamination or tampering or issues or concerns with respect to product quality, safety and integrity; damage to PepsiCo’s reputation or brand image; failure to successfully complete or integrate acquisitions and joint ventures into PepsiCo’s existing operations or to complete or manage divestitures or franchisings; changes in estimates and underlying assumptions regarding future performance that could result in an impairment charge; increase in income tax rates, changes in income tax laws or disagreements with tax authorities; failure to realize anticipated benefits from PepsiCo’s productivity initiatives or global operating model; PepsiCo’s ability to recruit, hire or retain key employees or a highly skilled and diverse workforce; loss of any key customer or disruption to the retail landscape; any downgrade or potential downgrade of PepsiCo’s credit ratings; PepsiCo’s ability to implement shared services or utilize information technology systems and networks effectively; fluctuations or other changes in exchange rates; climate change or water scarcity, or legal, regulatory or market measures to address climate change or water scarcity; failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages; infringement of intellectual property rights; potential liabilities and costs from litigation, claims, regulatory, or legal proceedings, inquiries or investigations; and other factors discussed in the risk factors section of PepsiCo’s filings with the Securities and Exchange Commission. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. PepsiCo undertakes no obligation to update any forward-looking statements.

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 2019	December 31 2019

F0.3

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

USD

F0.4

(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on. For each forest risk commodity selected, identify the stages of the supply chain which best represents your organization's area of operation.

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Retailing	<Not Applicable>
Palm oil	Disclosing	Manufacturing	<Not Applicable>
Cattle products	Not disclosing	Manufacturing	Cattle products are only used in a few PepsiCo products in a small number of countries. Our current focus is on timber and palm oil, as we source substantially more of these commodities.
Soy	Not disclosing	Manufacturing	All soybean oil is procured from Brazil through two direct suppliers, Bunge and Cargill, primarily for use in our Latin American food business. PepsiCo procures approximately 18,500 metric tons of soybean oil annually. In 2019, we purchased less than 0.1% of the global supply of soy. As CDP guidance evolves with regard to disclosure on coffee, PepsiCo has current prioritized disclosure on the other two required commodities, timber and palm oil, for which we have implemented strong programs due to the substantive nature of consumption.
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	Not disclosing	Manufacturing	PepsiCo procures approximately 34,000 metric tons of cocoa annually. Cocoa is primarily procured for use in our North America and Latin America food businesses. The top 4 suppliers, which represent over 80% of our global cocoa procurement, are Barry Callebaut, Blommer, Cargill and Olam, with top sourcing locations being Ivory Coast and Ghana. As CDP guidance evolves with regard to disclosure on cocoa and our current consumption is relatively small, PepsiCo has current prioritized disclosure on the other two required commodities, timber and palm oil, for which we have implemented strong programs due to the substantive nature of consumption.
Other - Coffee	Not disclosing	Manufacturing	As CDP guidance evolves with regard to disclosure on coffee, PepsiCo has current prioritized disclosure on the other two required commodities, timber and palm oil, for which we have implemented strong programs due to the substantive nature of consumption.

F0.5

(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?

No

F1. Current state

F1.1

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

Timber products

Activity

Retailing/onward sale of commodity or product containing commodity

Form of commodity

Paper
Primary packaging
Secondary packaging
Tertiary packaging

Source

Contracted suppliers (manufacturers)

Country/Area of origin

Argentina
Australia
Austria
Brazil
Canada
Chile
China
Colombia
Costa Rica
Ecuador
Egypt
Finland
France
Germany
India
Latvia
Mexico
New Zealand
Pakistan
Republic of Korea
Russian Federation
Saudi Arabia
Spain
Sweden
Turkey
United States of America

% of procurement spend

1-5%

Comment

Wood fiber products are used in a wide range of PepsiCo's primary, secondary, and tertiary packing. Source locations are identified through our divisions, which are: Frito-Lay North America (FLNA), Quaker Foods North America (QFNA), PepsiCo Beverages North America (PBNA), Latin America (LATAM), Europe Sub-Saharan Africa (ESSA), and Asia, Middle East and North Africa (AMENA). Procurement dollar spend % is based on our last calculation from 2016. Countries of origin are based on 2019 updated data.

Palm oil

Activity

Using as input into product manufacturing

Form of commodity

Refined palm oil
Palm oil derivatives

Source

Contracted suppliers (processors)

Country/Area of origin

Brazil
Cambodia
Cameroon
Colombia
Costa Rica
Dominican Republic
Ecuador
Guatemala
Honduras
India
Indonesia
Malaysia
Mexico
Nicaragua
Panama
Papua New Guinea
Peru
Philippines
Thailand

% of procurement spend

1-5%

Comment

In 2019, our global purchase of palm oil was 485,756 metric tons, of which palm kernel oil comprised 2,040 MT. Our top suppliers were Cargill, Oleofinos, and Wilmar, and the top three countries from which PepsiCo sourced palm oil were Indonesia, Malaysia, and Mexico. PepsiCo uses refined palm oil and palm oil derivatives. Procurement dollar spend is based on our last calculation from 2016.

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 products	Please select	This information is confidential.
Palm oil	Please select	This information is confidential.
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F1.5

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

	Data availability/Disclosure
Timber products	Consumption data available, disclosing
Palm oil	Consumption data available, disclosing
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F1.5a

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

Forest risk commodity

Timber products

Data type

Consumption data

Volume

1281130484

Metric

Other, please specify (Kilograms)

Data coverage

Full commodity production/consumption

Please explain

<Not Applicable>

Forest risk commodity

Palm oil

Data type

Consumption data

Volume

485756

Metric

Metric tons

Data coverage

Full commodity production/consumption

Please explain

<Not Applicable>

F1.5b

(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.

Forest risk commodity

Timber products

Country/Area of origin

Argentina

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

0.47

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Forest risk commodity

Timber products

Country/Area of origin

Australia

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

1.05

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

3.18

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Forest risk commodity

Timber products

Country/Area of origin

Colombia

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

2.62

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Forest risk commodity

Timber products

Country/Area of origin

Ecuador

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

0.16

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Forest risk commodity

Timber products

Country/Area of origin

India

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

3.33

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Forest risk commodity

Timber products

Country/Area of origin

Mexico

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

6.14

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Forest risk commodity

Timber products

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

75.05

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Forest risk commodity

Timber products

Country/Area of origin

Unknown origin

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

8

Please explain

Method: We perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk. At the time of submission, we are not able to report by country for this portion of supply; however we have confirmed with the appropriate contacts that the information is available.

Forest risk commodity

Palm oil

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Pará)

% of total production/consumption volume**Please explain**

PepsiCo requests quarterly sourcing information from suppliers on traceability of supply to the mill level and publishes an annually updated mill list (see <https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-mill-list-2019.pdf>) While, we do not have the % of total production/consumption volume by sourcing region, PepsiCo has developed and implemented a Traceability Protocol for all direct suppliers which requires the names of all palm oil and palm kernel oil mills, their location coordinates and the percentage of PepsiCo's volume that is traceable to the mills. The protocol is the basis for independent verification undertaken by suppliers to verify the quality of the management systems used to collect their supply chain data. 100% of our Tier 1 suppliers' mill traceability data has been independently verified.

Forest risk commodity

Palm oil

Country/Area of origin

Cambodia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Kaôh Kong)

% of total production/consumption volume**Please explain**

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Forest risk commodity

Palm oil

Country/Area of origin

Cameroon

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Littoral)

% of total production/consumption volume**Please explain**

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Forest risk commodity

Palm oil

Country/Area of origin

Colombia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Antioquia, Bolívar, Casanare, Cesar, Cundinamarca, Magdalena, Meta, Nariño, Norte de Santander, Santander, Valle del Cauca)

% of total production/consumption volume

Please explain

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Forest risk commodity

Palm oil

Country/Area of origin

Ecuador

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Esmeraldas, Los Ríos, Manabí, Orellana, Santo Domingo de los Tsáchilas, Sucumbios)

% of total production/consumption volume

Please explain

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Forest risk commodity

Palm oil

Country/Area of origin

Guatemala

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Alta Verapaz, Escuintla, Izabal, Petén, Quezaltenango)

% of total production/consumption volume

Please explain

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Forest risk commodity

Palm oil

Country/Area of origin

Honduras

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Atlántida, Colón, Yoro)

% of total production/consumption volume

Please explain

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Forest risk commodity

Palm oil

Country/Area of origin

India

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Andhra Pradesh, Telangana)

% of total production/consumption volume

Please explain

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Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Aceh, Bangka Belitung, Bengkulu, Gorontalo, Jambi, Kalimantan Barat, Kalimantan Selatan, Kalimantan Tengah, Kalimantan Timur, Kepulauan Riau, Lampung, Riau, Sulawesi Barat, Sumatera Barat, Sumatera Selatan, Sumatera Utara)

% of total production/consumption volume**Please explain**

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Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Johor, Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Perak, Pulau Pinang, Sabah, Sarawak, Trengganu)

% of total production/consumption volume**Please explain**

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Forest risk commodity

Palm oil

Country/Area of origin

Mexico

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Campeche, Chiapas, Tabasco, Veracruz)

% of total production/consumption volume**Please explain**

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Forest risk commodity

Palm oil

Country/Area of origin

Nicaragua

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Atlántico Sur)

% of total production/consumption volume**Please explain**

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Forest risk commodity

Palm oil

Country/Area of origin

Panama

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Chiriquí)

% of total production/consumption volume**Please explain**

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Forest risk commodity

Palm oil

Country/Area of origin

Papua New Guinea

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (West New Britain)

% of total production/consumption volume

Please explain

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Forest risk commodity

Palm oil

Country/Area of origin

Peru

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Loreto, San Martín, Ucayali)

% of total production/consumption volume

Please explain

PepsiCo requests quarterly sourcing information from suppliers on traceability of supply to the mill level and publishes an annually updated mill list (see <https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-mill-list-2019.pdf>) While, we do not have the % of total production/consumption volume by sourcing region, PepsiCo has developed and implemented a Traceability Protocol for all direct suppliers which requires the names of all palm oil and palm kernel oil mills, their location coordinates and the percentage of PepsiCo's volume that is traceable to the mills. The protocol is the basis for independent verification undertaken by suppliers to verify the quality of the management systems used to collect their supply chain data. 100% of our Tier 1 suppliers' mill traceability data has been independently verified.

Forest risk commodity

Palm oil

Country/Area of origin

Philippines

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Palawan)

% of total production/consumption volume

Please explain

PepsiCo requests quarterly sourcing information from suppliers on traceability of supply to the mill level and publishes an annually updated mill list (see <https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-mill-list-2019.pdf>) While, we do not have the % of total production/consumption volume by sourcing region, PepsiCo has developed and implemented a Traceability Protocol for all direct suppliers which requires the names of all palm oil and palm kernel oil mills, their location coordinates and the percentage of PepsiCo's volume that is traceable to the mills. The protocol is the basis for independent verification undertaken by suppliers to verify the quality of the management systems used to collect their supply chain data. 100% of our Tier 1 suppliers' mill traceability data has been independently verified.

Forest risk commodity

Palm oil

Country/Area of origin

Thailand

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Chumphon, Krabi, Nakhon Si Thammarat, Surat Thani, Trang)

% of total production/consumption volume

Please explain

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Forest risk commodity

Palm oil

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

Please explain

PepsiCo requests quarterly sourcing information from suppliers on traceability of supply to the mill level and publishes an annually updated mill list (see <https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-mill-list-2019.pdf>) While, we do not have the % of total production/consumption volume by sourcing region, PepsiCo has developed and implemented a Traceability Protocol for all direct suppliers which requires the names of all palm oil and palm kernel oil mills, their location coordinates and the percentage of PepsiCo's volume that is traceable to the mills. The protocol is the basis for independent verification undertaken by suppliers to verify the

quality of the management systems used to collect their supply chain data. 100% of our Tier 1 suppliers' mill traceability data has been independently verified.

F1.6

(F1.6) Has your organization experienced any detrimental forests-related impacts?

Yes

F1.6a

(F1.6a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.

Forest risk commodity

Timber products

Impact driver type

Reputational and markets

Primary impact driver

Increased stakeholder concern or negative stakeholder feedback

Primary impact

Brand damage

Description of impact

i. Description: PepsiCo has witnessed a growing interest among civil society, Socially Responsible Investors (SRIs), governments and other key stakeholders in our practices associated with forest impact. PepsiCo closely monitors consumer and customer interest in our response to deforestation risks, including potential campaigns against consumer facing companies. ii. Scale of impact: Increased stakeholder concerns have not yet represented substantive detrimental impacts on our business. However, PepsiCo's aim is to demonstrate our responsibility toward forest-related stewardship and transparently communicate our efforts to tackle deforestation, so that a negative reaction to PepsiCo's reputation relative to the environment, which could adversely affect PepsiCo's business, does not arise.

Primary response

Greater due diligence

Total financial impact

Description of response

i. Stakeholders and outcomes: PepsiCo is committed to realizing zero net deforestation in our company-owned and -operated activities and global supply chains from direct supplier to source. This is facilitated through proactively utilizing certification programs to verify compliance; for timber in our packaging, 88% of our total volume was certified to one of the following standards in 2019: CERFLOR, CSA, FSC, PEFC, or SFI. PepsiCo recognizes the importance of having a credible system for third parties to raise concerns where they believe our standards are not being met. Our agricultural supply chain grievance mechanism helps prevent, identify and manage environmental and social concerns throughout our value chain, including those associated with timber. This allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain. We have engaged our direct suppliers who source from the companies at the center of complaints in 2019 to 1) Validate the allegations, 2) Demonstrate the importance we attach to addressing the concerns raised, 3) Understand corrective action steps already taken and planned in the future, and 4) Influence those actions, monitor progress towards completion and ultimately address the complaint. ii. Cost impact is confidential.

Forest risk commodity

Palm oil

Impact driver type

Reputational and markets

Primary impact driver

Increased stakeholder concern or negative stakeholder feedback

Primary impact

Brand damage

Description of impact

i. Description: Agriculture is an integral part of PepsiCo's supply chain. The raw materials we use to produce our products are largely commodities subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty or government incentives and controls. We have witnessed a growing interest among civil society, Socially Responsible Investors (SRIs), governments and other key stakeholders in the role of consumer facing companies like PepsiCo tackle deforestation in their palm oil supply chains. PepsiCo closely monitors consumer and customer interest in our response to deforestation risks, including potential campaigns against consumer facing companies. ii. Scale of impact: Increased stakeholder concerns have not yet represented substantive detrimental impacts on our business. However, PepsiCo's aim is to demonstrate our responsibility toward forest-related stewardship and transparently communicate our efforts to tackle deforestation, so that a negative reaction to PepsiCo's reputation relative to the environment, which could adversely affect PepsiCo's business, does not arise.

Primary response

Engagement in multi-stakeholder initiatives

Total financial impact

Description of response

i. Stakeholders and outcomes: PepsiCo's strategy for sourcing sustainable palm oil is based on four interconnected pillars: Risk management (how we understand areas of concern and opportunity in our supply chain); Supplier engagement: (how we engage with suppliers to communicate expectations and improve performance); Positive impact: (how we work collaboratively to help transform the wider industry; and Transparency and stakeholder engagement (how we report on our progress and engage with the broader stakeholder community). We disclose our progress through annual reports. Collaboration with peers, the wider industry and stakeholders is vital to achieving our goal of sourcing 100% sustainable palm oil by the end of 2020. In 2019, we continued to play an active role in industry platforms (e.g. Palm Oil Collaboration Group, Consumer Goods Forum, AIM-Progress, and the Tropical Forest Alliance) and met regularly with civil society to consider ways to achieve shared objectives. In response to issues raised in 2019 we: updated our palm oil policy to apply to companies at the company-wide level; co-led the development of a workshop with industry and civil society at RT17 to discuss the role of independent verification, and committed to convene and participate in follow-up meetings; accommodated requests for greater clarity and visibility into the review of our agricultural grievance process, led by an expert external organization. ii. Cost impact is confidential.

F2. Procedures

F2.1

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

Yes, forests-related risks are assessed

(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.**Timber products****Value chain stage**

Direct operations
Supply chain

Coverage

Full

Risk assessment procedure

Assessed as a standalone issue

Frequency of assessment

Annually

How far into the future are risks considered?

1 to 3 years

Tools and methods used

Internal company methods
External consultants

Please explain

i. Tools, methods, effectiveness: PepsiCo assesses deforestation risks in our paper-based packaging supply chain on an annual basis using internal methods, supplemented with external support from Proforest on an as-needed basis, with results being reported to the senior vice president, chief supply officer. The combination of internal and external input into our risk assessment process helps ensure that necessary expertise is available to have thorough coverage of stakeholder considerations and the overall commodity landscape. The risk assessment procedure is chosen to help identify the sustainability risks in the commodity and where they exist in our supply chain. This is part of an ongoing process through which we work with our suppliers to help them become more environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. To enable a greater understanding of and visibility into our supply chain, PepsiCo has been working with Proforest since 2016, to trace the supply chain and support implementation of our policies related to paper packaging. ii. Example: Proforest conducts on an ongoing basis an assessment of certification schemes that we recognize (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in our Forestry Stewardship, Land Use and Sustainable Packaging policies. In addition, Proforest conducted a rapid assessment of our current performance and overview of risks involved in the main regions/countries of our paper packaging supply base. These findings are being addressed as we began renewing contracts starting in 2018; we have seen our percent certified material increase in identified areas of higher risk as we renew contracts from 5% to 82% in Russia, 19% to 33% in China, 0% to 100% in Thailand, as well as 10% to 100% in Brazil, comparing 2015 to 2019 volumes. We also added 11% certified material from Pakistan and 3% certified material in India. Additionally, we perform an annual analysis of our contracted volumes to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk.

Palm oil**Value chain stage**

Direct operations
Supply chain

Coverage

Full

Risk assessment procedure

Assessed as a standalone issue

Frequency of assessment

Annually

How far into the future are risks considered?

> 6 years

Tools and methods used

Internal company methods
External consultants

Please explain

i. Tools, methods, effectiveness: We assess risks in our supply chain and the palm oil industry to identify geographic areas and issues that have the highest likelihood of risk and prioritize our efforts to raise standards. We also rely on other sources to assess risks, including: Engagement with direct and indirect suppliers; Feedback from assessments and audits conducted as part of our Sustainable Sourcing Program (SSP) and sustainable agriculture programs; Participation in collaborative forums; Feedback from civil society; Experience and knowledge of PepsiCo employees; Working with organizations with expertise in managing natural resources sustainably; Risks discovered and addressed through our grievance mechanism. PepsiCo engages in industry platforms designed to tackle risks, including the World Resource Institute's Global Forest Watch (GFW) Universal Mill List and the GFW Pro platform, to identify risks at the mill and plantation level. The combination of methods is effective to ensure thorough coverage of stakeholder considerations and the overall commodity landscape. ii. Examples: PepsiCo worked with Peterson and Proforest to develop and implement a Traceability Protocol, and also commissioned internal reports from Proforest on the structure of the palm oil industry and associated social and environmental risks in several global geographies. Additionally, PepsiCo leads the development of the NDPE Implementation Reporting Framework to help companies track progress in delivering NDPE commitments in their palm oil supply chains. PepsiCo also convenes the Palm Oil Collaboration Group to discuss sustainability issues such as human rights and social issues, independent verification of progress, addressing deforestation outside concessions, and monitoring and reporting on progress. Internally, our SSP assesses risk and compliance with our Supplier Code of Conduct as well as third-party auditing of business-critical suppliers. In 2019, we expanded our SSP to include third-party labor suppliers and franchisees in select markets, with a total of 92 countries included in the program. We also revised our SAQ to enable better understanding of supplier practices, gaps, and risks and updated our SAQ grading matrix to align with PepsiCo's salient Human Rights issues. Feedback from audits conducted as part of our SSP is then integrated into our risk assessments.

(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

i. Importance of issue: We believe that our most significant influence on forests is through our sourcing of paper and wood-based products and raw agricultural materials, particularly palm oil. PepsiCo is working to realize zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. The availability of forest risk commodities, specifically, the availability and quality of commodities that meet specific certification criteria or other measures of sustainable procurement is vital to meet our goal. ii. Tools used and how results are used in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts throughout the business on our key environmental risks. Factored criteria include, but are not limited to: regulation, changes in commodity availability, price increases for commodities and reputational risk. On palm oil, we worked with Proforest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on High Carbon Stock (HCS), High Conservation Values (HCV), peatlands, land rights, including Free, Prior and Informed Consent (FPIC), human rights, as defined by the United Nations Universal Declaration of Human Rights, and no burning, as described by RSPO. This work involves a risk assessment of direct suppliers and their supply base (leveraging the mill traceability data) to identify, assess, prioritize and address top compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments and wider engagement. The process entails site-based verification assessments and eventual engagement with site-assessed suppliers to monitor implementation of continuous improvement plans. We utilize the information from the assessments to ensure our activities will support progress against our related goals.

Quality of forest risk commodities**Relevance & inclusion**

Relevant, always included

Please explain

i. Importance of issue: We believe that our most significant influence on forests is through our sourcing of paper and wood-based products and raw agricultural materials, particularly palm oil. PepsiCo is working to realize zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. The availability of forest risk commodities, specifically, the availability and quality of commodities that meet specific certification criteria or other measures of sustainable procurement is vital to meet our goal. ii. Tools used and how results are used in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts throughout the business on our key environmental risks. Factored criteria include, but are not limited to: regulation, changes in commodity availability, price increases for commodities and reputational risk. On palm oil, we worked with Proforest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on HCS, HCV, peatlands, land rights, including FPIC, human rights, as defined by the UN Universal Declaration of Human Rights, and no burning, as described by RSPO. This work involves a risk assessment of direct suppliers and their supply base (leveraging the mill traceability data) to identify, assess, prioritize and address top compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments and wider engagement. The process entails site-based verification assessments and eventual engagement with site-assessed suppliers to monitor implementation of continuous improvement plans. We utilize the information from the assessments to ensure our activities will support progress against our related goals.

Impact of activity on the status of ecosystems and habitats**Relevance & inclusion**

Relevant, always included

Please explain

i. Importance of issue: Like many of our stakeholders, PepsiCo has ongoing concerns about how some palm oil is produced. Rainforest conversion, biodiversity loss and other impacts to ecosystems and habitats persist in various producing regions. Our commodity purchasing activities also run the risk of HCS/HCV forest and peatlands being converted to other land uses, resulting in noncompliance with our Forestry Stewardship Policy. ii. Tools used and how results are used in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts throughout the business on our key environmental risks. Factored criteria include, but are not limited to: regulation, changes in commodity availability, price increases for commodities and reputational risk. We utilize the information from the assessments to ensure our activities are in compliance with our Forestry Stewardship Policy.

Regulation**Relevance & inclusion**

Relevant, always included

Please explain

i. Importance of issue: PepsiCo operates globally, which requires us to comply with numerous local regulations, as well as our policies and commitments. As PepsiCo implements its risk assessment process, we believe that environmental and human rights issues are systemic in some regions. Adding to the challenge are inconsistent federal and local regulations that vary from place to place. As a result of these factors, broad industry collaboration and investment are beneficial, but coordination on such a broad level requires new mechanisms, improved institutions and greater capacity than currently exists. We are seeing increasing interest from national governments and supra-national agencies in the impact of deforestation and in setting regulations to increase transparency and reduce the environmental and social impacts of deforestation around the world. We have also seen an increase in international cooperation. ii. Tools used and how results are used in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts and Government Affairs experts throughout the business on our key environmental risks. Factored criteria include, but are not limited to: regulation, changes in commodity availability, price increases for commodities and reputational risk. Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, Palm Oil Action Plan and Sustainable Packaging Policy, PepsiCo has created a robust framework to help achieve our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct suppliers to source by the end of 2020. Our policy framework, deforestation-related sourcing standards, and decision-making processes are meant to help us stay ahead of regulatory requirements. Additionally, PepsiCo has been working to develop country-specific risk profiles starting with our largest sources of supply, thereby identifying regions that have the highest likelihood of noncompliance and prioritizing our efforts to raise standards accordingly.

Climate change

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: There is an increased focus, including by governments and civil society, investors, customers and consumers, on these and other environmental sustainability matters, including deforestation, land use, climate impact and water use. Our reputation could be adversely affected if we do not act, or are perceived not to act, responsibly with respect to our impact on the environment. ii. Tools used and how results are used in decision-making: Realizing the connection between deforestation and climate change, PepsiCo established an ambitious science-based goal to reduce absolute greenhouse gas (GHG) emissions by at least 20% across our value chain by 2030. Our GHG emissions reduction goal covers our entire value chain (scope 3) and has been approved by the Science Based Targets Initiative, a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) that defines and promotes best practice in science-based target setting. Our approved goal means that PepsiCo is doing its part to help limit global temperature increase to 2° Celsius. In early 2020, we signed the UN's Business Ambition for 1.5°C pledge, joining other leading companies in committing to set science-based emissions-reduction targets, across our entire value chain, aimed at limiting global warming to 1.5°C above pre-industrial levels, while also developing a long-term strategy for achieving net-zero emissions by 2050. To progress against this ambitious goal, we must reduce emissions associated with deforestation including in our timber and palm oil supply chains, by implementing our NDPE policy commitments (specifically no deforestation and no development on peatlands). This directly ties to PepsiCo's efforts to realize our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. Recognizing potential environmental benefits, including climate and biodiversity, as well as human rights, we have committed to source 100% physically-certified palm oil by the end of 2020.

Impact on water security

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: There is an increased focus, including by governments and civil society, investors, customers and consumers, on these and other environmental sustainability matters, including deforestation, land use, climate impact and water use. Our reputation could be adversely affected if we do not act, or are perceived not to act, responsibly with respect to our impact on the environment. ii. Tools used and how results are used in decision-making: PepsiCo continues to assess environmental risk, including those related to water security, in our supply base; this includes supporting industry platforms - such as WRI's GFW Universal Mill List and the GFW Pro platform - to identify risks at the mill and plantation level (<https://www.globalforestwatch.org/>). Additionally, in our efforts to achieve our water efficiency goals, we are investing in projects in high water-risk watersheds that improve the quantity and/or the quality of the water in the watershed. These include watershed protection projects like reforestation, wetlands rehabilitation, and aquifer recharge.

Tariffs or price increases

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Many of the commodities used in our products are purchased in the open market. The prices we pay for such items are subject to fluctuation, and any increases could adversely impact our costs and operating profit. ii. Tools used and how results are used in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts. PepsiCo manages this risk through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures. In addition, risk to our supply of certain raw materials is mitigated through purchases from multiple geographies and suppliers. When prices increase, we may or may not pass on such increases to our customers. In addition, we are making investments to improve the sustainability and resources of our agricultural supply chain, including the development of our initiative to advance sustainable farming practices by our suppliers and expanding it globally.

Loss of markets

Relevance & inclusion

Not relevant, explanation provided

Please explain

Loss of markets is not a relevant issue for consideration in our forests-related risk assessments.

Brand damage related to forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Damage to our reputation or brand image, or loss of consumer confidence in our products or employees could result in decreased demand for our products and could adversely affect our business, financial condition or results of operations, as well as require additional resources to rebuild our reputation. There is an increased focus, including by governments and civil society, investors, customers and consumers, on these and other environmental sustainability matters, including deforestation, land use, climate impact and water use. This interest may lead to brand damage and reputational risk, a key criterion considered not just in our commodity-specific risk assessment process but also in our Enterprise Risk Management process. For example, our company has faced accusations related to our palm oil supply chain and our efforts to address both environmental and social sustainability within the space. ii. Tools used and how results are used in decision-making: PepsiCo closely monitors consumer and customer interest in palm oil, deforestation and the role of consumer facing companies like PepsiCo, including through campaigns. as part of our due diligence approach to ensure our strategy and actions are appropriate. Consumer concerns received directly and through civil society have helped to shape our approach to transparency and grievance management in particular. Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts throughout the business on our key environmental risks. Factored criteria include: reputational risks, such as potential brand damage caused by increased stakeholder concerns regarding social and environmental impacts of PepsiCo's activities with regard to our forest-risk commodities.

Corruption

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Like many of our stakeholders, PepsiCo has ongoing concerns about how some palm oil is produced. Some commodities are sourced from countries experiencing civil unrest or political instability, where corruption may also be present, leading to potential disruption in supply. Finally, there is also an increased focus, including by governments and civil society, investors, customers and consumers on these and other environmental sustainability matters, including deforestation and land use, where risks could be exacerbated by corruption. Our reputation could be adversely affected if we or others in our industry do not act, or are perceived not to act, responsibly with respect to our impact on the environment. ii. Tools used and how results are used in decision-making: In July 2017, we formalized a grievance mechanism for our agricultural supply chain to complement our existing programs and processes to prevent, identify, and manage environmental and social concerns throughout our value chain. The mechanism allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain. Consistent with our alignment with the UN Guiding Principles on Business and Human Rights, we have sought to use our relationships to bring resolution to deforestation-related complaints involving our supply chain. Consistent with our alignment with the UN Guiding Principles on Business and Human Rights, we have sought to use our relationships to bring resolution to deforestation-related complaints involving our supply chain. PepsiCo prohibits all forms of bribery and corruption in our operations, and we expect our third parties, including suppliers, service providers, agents and contractors to do the same. Many of our third parties are required through mandatory contract provisions to comply with our Supplier Code of Conduct which prohibits corruption and bribery and incorporates by reference PepsiCo's Global Anti-Bribery Compliance Policy. We also conduct anticorruption due diligence on third parties. No third party may be engaged by PepsiCo until required anticorruption due diligence processes have been completed and it has successfully gone through PepsiCo's Third Party Due Diligence (TPDD) program review.

Social impacts

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Like many of our stakeholders, PepsiCo has ongoing concerns about how some palm oil is produced. Human rights abuses persist in certain producing regions. As with other agricultural commodities that rely on seasonal labor and workers meeting "piece-rate" quotas, there are a number of risks for workers in the supply chain. This includes rights of temporary workers, working hours and pay, forced labor and underage labor. ii. Tools used and how results are used in decision-making: PepsiCo is committed to respecting the rights of all workers and local communities throughout our operations and value chain. To help ensure that we are in the best position to prevent, identify, and address potential impacts across our value chain, we have established a global human rights management approach that is guided by the UN Guiding Principles on Business and Human Rights (UNGPs). Additionally we are leading or involved in a number of programs seeking to manage social impacts in our palm oil supply chain including through the Palm Oil Collaboration Group, and the Child Protection and Safeguarding Coalition (Business for Social Responsibility (BSR) led). In addition our grievance mechanism for dealing with environmental and social complaints involving palm oil and other agricultural raw materials in our supply chain aims to uphold our policies and achieve positive outcomes related to social as well as environmental concerns in a way that is consistent with our alignment with the UN Guiding Principles on Business and Human Rights. At the end of 2019, a total of 18 grievances were registered in our system, including legacy grievances. The majority of concerns relate to palm oil production in South East Asia. Most have a combination of environmental and social concerns, primarily deforestation and labor rights issues. A total of three of the grievances have been closed, while we continue to monitor eight other grievances in implementing measures to address the issues raised. The other seven remain open and we continue to engage with suppliers, peers who share these grievances, and others to make progress. We expect to publish more detailed information on grievances and our grievance management in 2020.

Other, please specify

Relevance & inclusion

Not considered

Please explain

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

i. Why the stakeholder is considered: Damage to our reputation or brand image, or loss of consumer confidence in our products or employees could result in decreased demand for our products and could adversely affect our business, financial condition or results of operations, as well as require additional resources to rebuild our reputation. There is an increased focus, including by governments and civil society, investors, customers and consumers, on these and other environmental sustainability matters, including deforestation, land use, climate impact and water use. This interest may lead to brand damage and reputational risk, a key criterion considered not just in our commodity-specific risk assessment process but also in our Enterprise Risk Management process. For example, our company has faced accusations related to our palm oil supply chain and our efforts to address both environmental and social sustainability within the space. ii. Method of engagement: Transparency is important for our risk mitigation efforts in response to customer concerns, particularly in relation to potential reputational impacts. PepsiCo's sustainability agenda includes a comprehensive sustainability reporting effort across a wide array of topics, including deforestation and palm oil. We provide regular, detailed information on progress toward delivering on our sustainability goals, all of which are publicly available to stakeholders on our website. Additionally, we solicit feedback from civil society through direct meetings and workshops and consider reports by civil society and other organizations.

Employees

Relevance & inclusion

Not relevant, explanation provided

Please explain

PepsiCo seeks feedback from employees on sustainability issues and recognizes the increasing role that our approach on sustainability has on employee satisfaction and retention. Where we can review and incorporate feedback directly into our forestry stewardship approach we will do so but we do not currently directly engage employees on our strategy and approach.

Investors

Relevance & inclusion

Relevant, always included

Please explain

i. Why the stakeholder is considered: PepsiCo has witnessed a growing interest among investors, particularly SRIs, in the link between palm oil and deforestation. This interest may lead to reputational risk, a key criterion considered not just in our commodity-specific risk assessment process but also in our Enterprise Risk Management process. Additionally, commodity-specific risks such as availability and quality of the inputs required to make our products could potentially disrupt business operations, leading to investor concern. ii. Method of engagement: Transparency is important for our risk mitigation efforts in response to investor concerns, particularly in relation to potential reputational risk. We provide regular, detailed information on progress toward delivering our sustainability goals, all of which are publicly available to stakeholders on our website. In terms of potential business disruption related to commodity risks, this communication demonstrates to investors PepsiCo's long-term priority to make our growth, our operations and our impact more sustainable.

Local communities

Relevance & inclusion

Relevant, always included

Please explain

i. Why the stakeholder is considered: There is growing potential for land rights disputes as new plantations are established. While some laws are in place, enforcement is patchy and certification schemes are not well established, meaning that companies need to have policies in place and work on implementation on the ground. PepsiCo introduced a land rights policy in 2014, which includes the requirement that suppliers implement Free, Prior and Informed Consent (FPIC) in line with the International Finance Corporation (IFC) Performance Standards. We will continue to engage with RSPO and others to ensure that sufficient standards are in place and look for opportunities to increase knowledge and capacity throughout Indonesia. PepsiCo will also seek to engage with an external organization to improve the way we can manage and implement issues on the ground. ii. Method of engagement: PepsiCo is committed to doing business the right way and has a zero tolerance for illegal activities in our supply chain and land displacements of any legitimate land tenure holders which are contrary to the International Finance Corporation (IFC) Performance Standards. PepsiCo has also made a number of time-bound implementation plans regarding its land rights commitments in Brazil, Mexico, Thailand and Indonesia. For example, PepsiCo committed to participate in Oxfam's FAIR Company-Community Partnerships project in Indonesia. The project promotes a model for sustainable palm oil that benefits women, smallholder farmers, local communities, the environment and participating companies. In Riau, Indonesia, PepsiCo is one of seven companies who are working together on a landscape program for sustainable palm oil in the districts of Siak and Pelalawan. The goal of the program is to create sustainable landscapes across both districts that will produce deforestation-free and exploitation-free palm oil and maintain or enhance key conservation areas. This will build upon existing local efforts and multi-stakeholder platforms to advance a shared vision of sustainable, inclusive palm oil production models. In 2019, the partners made significant progress, including the development of a draft five-year plan for coalition support to the landscape.

NGOs

Relevance & inclusion

Relevant, always included

Please explain

i. Why the stakeholder is considered: PepsiCo has witnessed a growing interest among SRIs, governments and civil society including NGOs, and other key stakeholders in the link between palm oil and deforestation. PepsiCo has closely monitored consumer and customer campaigns and their general interest in the responsible sourcing of palm oil in our business. This interest may lead to reputational risk, a key criterion considered not just in our commodity-specific risk assessment process but also in our Enterprise Risk Management process. ii. Method of engagement: Transparency is important for our risk mitigation efforts in response to NGO concerns, particularly in relation to potential reputational risk. We provide regular, detailed information on progress toward delivering our sustainability goals, all of which are publicly available to stakeholders on our website. Additionally, we solicit feedback from civil society through direct meetings and workshops and consider reports by civil society and other organizations. For example, PepsiCo became a founding member of the Coalition for Sustainable Livelihoods (CSL). CSL is a group of civil society and private sector organizations with a shared interest in sustainable development, active investments in the Aceh and North Sumatra provinces of Indonesia, and a strong desire to work collaboratively with government. The coalition members have agreed to work collectively to achieve common objectives for smallholder livelihoods, sustainable agricultural production and conservation in North Sumatra and Aceh. Finally, PepsiCo speaks regularly with NGOs, with missions ranging from environmental conservation to protection of human rights. In particular, we regularly engage with civil society and other stakeholders to review our policy, our progress and our future actions. We continually work to address issues raised via this feedback process, such as a desire for clearer statements on our aspirations for an NDPE free supply chain, the scope of our policy and the request to apply our policy to companies in our supply chain at the company wide level, and the need for greater confidence in the independent verification that standards are being met throughout the palm oil supply chain.

Other forest risk commodity users/producers at a local level

Relevance & inclusion

Relevant, always included

Please explain

i. Why the stakeholder is considered: As a buyer of palm oil, PepsiCo is an important participant in addressing land-related human rights issues in the industry, which can affect other forest risk commodity users/producers with whom PepsiCo and our suppliers do business. PepsiCo has identified land rights as an important human rights issue - the human right at risk with the potential for severe impact on the Company's operations and supply chains. PepsiCo's human rights issues also include the human right to water and vulnerable workers. ii. Method of engagement: A key milestone in PepsiCo's approach to the sustainable sourcing of palm oil was our 2014 commitment to "zero tolerance" for land grabs across our supply chains. PepsiCo has also made several time-bound implementation plans regarding its land rights commitments in Brazil, Mexico, Thailand and Indonesia. For example, in Mexico, Proforest, an organization with expertise in managing natural resources sustainably, conducted a two-tier assessment on potential land rights and other human rights issues in PepsiCo's palm oil and sugarcane supply chain. The first phase, a desk-based study including consultation with external stakeholders to understand the issues, including the legal and policy framework, and evidence of existing conflicts, was completed in July 2017, and can be found here in English and here in Spanish. Our initial response to the report can be found here. The findings have influenced work in our own supply chain, as well as collaboration with peers, civil society and others to address the systemic actions found in the report. Finally, PepsiCo committed to participate in Oxfam's FAIR Company-Community Partnerships project in Indonesia. The project promotes a model for sustainable palm oil that benefits women, smallholder farmers, local communities, the environment and participating companies.

Regulators

Relevance & inclusion

Relevant, always included

Please explain

i. Why the stakeholder is considered: PepsiCo is seeing increasing interest from national governments and supra-national agencies in the impact of deforestation and in setting regulations to increase transparency and reduce the environmental and social impacts of deforestation around the world. We have also seen an increase in international cooperation, which is highlighted by UN Conference of the Parties (COP)-17 and the Rio+20 Conferences that led to the REDD+ program enhancement, the U.S. Lacey Act and the European Union Timber regulations. PepsiCo stays informed of current and emerging regulatory risks for compliance purposes and also looks to collaborate with regulators and governments to build capacity for the sustainable production of commodities such as palm oil while maintaining availability and quality. ii. Method of engagement: PepsiCo continues to work with the RSPO and other trade associations, governments, civil society, and other critical stakeholders to help bring about positive change and improvements in the operation, regulation and governance of the palm oil industry. As the largest buyer of palm oil in Mexico, PepsiCo has published a detailed analysis of land tenure risks and impacts and is now carrying out training on High Conservation Values (HCV) and High Carbon Stock assessments, as well as separate capacity-building programs with the national association of palm oil mills and producers, smallholders and the federal government. Additionally, PepsiCo is a founding member of the Coalition for Sustainable Livelihoods (CSL) which aims to create sustainable commodity value chains (including palm oil) in North Sumatra and Aceh. This includes supporting efforts to prevent deforestation for palm oil production in the Leuser ecosystem. In 2018, the CSL worked on scoping and baselining of opportunities, culminating in a workshop that brought together more than 130 representatives from across government, private sector, financial institutions and civil society. Among other outcomes, participants agreed on the need to strengthen farmer livelihoods, build solutions with government and develop impact programs that can achieve scale.

Suppliers

Relevance & inclusion

Relevant, always included

Please explain

i. Why stakeholder is considered: Approximately 40% of palm oil is grown by smallholder farmers who often lack access to expertise, capacity building and infrastructure for sustainable practices. Their participation in the shift to sustainable palm requires industry-wide collaboration to remove barriers so that certification can be achieved in markets particularly dependent on smallholders, such as Indonesia and Mexico - two of the top three countries from which PepsiCo sources palm oil. We evaluate and participate in several positive impact programs that bring industry supply chain actors together to engage and build capability for these smallholders. These programs are guided in part by a risk assessment process that identifies relevant geographic areas within our supply chain. ii. Method of engagement: PepsiCo aims to work with suppliers to see that our palm oil policies are implemented in a way that supports the inclusion of smallholders. We launched a holistic program for sustainable palm oil in Mexico that engages the entire supply chain: from the national palm oil federation Femexpalma to our main supplier Oleofinos, to Oleopalma and the smallholders in their supply base. We are working with Femexpalma to consolidate its role in supporting the sustainability of the palm oil sector, strengthening the expertise of the team to support to its members through capacity building and applied research. PepsiCo engages with Oleofinos to improve transparency and traceability. In 2018-2019, PepsiCo supported development and implementation of Oleopalma's roadmap for certification of their Jalapa and Palenque mills. In March 2020, Oleopalma became the first RSPO certified mill in Mexico. PepsiCo is also working with RSPO and Oleopalma to support smallholder farmers in Mexico to achieve RSPO independent group certification which helps to increase sustainable palm practices and positively impact livelihoods. PepsiCo is also investing in piloting studies and adapting global approaches to the Mexico context, specifically in Environmental and Social Impact Assessments and High Conservation Value (HCV). A study surveyed 200,000 hectares in Chiapas and Tabasco, assessed the presence of High Conservation Values (HCV) in over 70,000 hectares of land; this assessment includes recommendations for the management and monitoring of the HCVs identified.

Other stakeholders, please specify

Relevance & inclusion

Not considered

Please explain

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 identified?
Timber products	Yes
Palm oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.1a

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

PepsiCo incorporates the following factors when defining substantive change in PepsiCo's direct operations, revenue or expenditures from forest risks: 1) magnitude of potential impact on operating costs and/or current and future revenue; and 2) potential impact on stakeholder expectations or perceptions. Substantive change would generally be considered any material change (+/- 5%) to a site's operating environment/costs and/or to PepsiCo's reputation locally, regionally or globally. Should such material change occur, the impact (and any potential need to review the definition) would be reviewed and reassessed by our senior executive team. This definition of substantive change applies to both direct operations and to elements of our supply chain and value chains.

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 products

Type of risk

Physical

Geographical scale

Country

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

The materials PepsiCo uses to produce our products are largely commodities subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty, or government incentives and controls. Particular to timber, PepsiCo recognizes that severe weather events, losses of ecosystem services, and an unsteady supply of certified sustainable material have the potential to adversely impact our supply chain over the next 1-3 years.

Timeframe

1-3 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

Many of the commodities used in our products are purchased on the open market. The prices we pay for such items are subject to fluctuation, and any increases could adversely impact our operating costs and decrease our operating profit growth.

Primary response to risk

Other, please specify (Global purchasing programs and hedging strategies)

Description of response

i. Timeframe: In the normal course of business, we currently manage these risks through a variety of strategies, including global purchasing programs and systematic hedging strategies. Our global purchasing programs include fixed-price contracts, purchase orders and pricing agreements. Our hedging strategies include the use of derivatives to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for agricultural products, energy and metals. ii. Response effectiveness: Commodity Risk Management provides reasonable predictability of cost across our global commodity exposures while allowing controlled flexibility to adapt to unique market circumstances. For timber, PepsiCo considers country of origin and supplier business continuity planning by region. We have identified specific goals at the regional level to address the identified risks, thereby increasing our resilience to mitigate potential impacts.

Cost of response

0

Explanation of cost of response

As our management methods for these risks occur during the normal course of business and are interrelated with several other potential risks that may not be specific to forests, we consider our specific cost to manage these risks to be zero (0).

Forest risk commodity

Timber products

Type of risk

Regulatory

Geographical scale

Country

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Regulatory uncertainty

Primary potential impact

Fines, penalties or enforcement orders

Company-specific description

We are seeing increasing interest from national governments and supra-national agencies in the impact of deforestation and in setting regulations to increase transparency and reduce the environmental and social impacts of deforestation around the world. We have also seen an increase in international cooperation, which was highlighted in the past by UN Conference of the Parties (COP)-17 and the Rio+20 Conferences that led to the REDD+ program enhancement, the U.S. Lacey Act, and the European Union Timber regulations. PepsiCo must stay informed of these developments to facilitate ongoing compliance and alignment with our deforestation-related policies.

Timeframe

1-3 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

The financial impact of this risk is confidential.

Primary response to risk

More ambitious forest-related commitments

Description of response

i. Timeframe: Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, Palm Oil Action Plan, and Sustainable Packaging Policy, PepsiCo has created a robust framework to help achieve our goal of zero deforestation in our company-owned and operated facilities and global supply chains from direct suppliers to source by the end of 2020. ii. Response effectiveness: PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which such schemes deliver PepsiCo requirements outlined in our policies. In addition, Proforest conducted a rapid assessment of PepsiCo's current performance and overview of risks involved in main regions/countries of our current paper packaging supply base. We believe this groundwork, along with our policy framework and timber specific sourcing standards and goals will help us stay ahead of regulatory requirements.

Cost of response**Explanation of cost of response**

The cost of managing this risk is confidential.

Forest risk commodity

Timber products

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased stakeholder concern or negative stakeholder feedback

Primary potential impact

Reduced demand for products and services

Company-specific description

We are a leading global beverage and food company with brands that are respected household names throughout the world. Maintaining a good reputation globally is critical to selling our branded products. Socially Responsible Investors (SRIs), governments, civil society, the media and other key stakeholders have shown a growing interest in the link between timber for packaging and deforestation in company-owned operations and supply chains, leading to increased pressure on PepsiCo to respond to related concerns. PepsiCo has closely monitored consumer and customer campaigns, and their overall interest in responsible timber sourcing in our business and how we are addressing deforestation issues that may arise.

Timeframe

1-3 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

PepsiCo's reputation and the behavior of consumers in choosing our products are important to the market value and revenue generation of the Company. Changes in consumer preference, for example, due to a negative reaction to PepsiCo's reputation relative to the environment could adversely affect PepsiCo's business.

Primary response to risk

More ambitious forest-related commitments

Description of response

i. Timeframe: Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, Palm Oil Action Plan and Sustainable Packaging Policy, PepsiCo has created a robust framework to help achieve our goal of zero deforestation in our company-owned and operated facilities and global supply chains from direct supplier to source by the end of 2020. ii. Response effectiveness: To help us to better understand the risks in our supply chain, we are working with Proforest to provide traceability data of our supply chain. This includes conducting supply chain mapping with suppliers to identify high-risk suppliers, regions and countries where interventions are required. In addition, we plan to revise our paper packaging-related policies to clarify scope, make implementation targets more explicit and further develop requirements on recycled content. We believe that our policy framework and timber-specific sourcing standards and goals will help us manage the increasing reputational risk associated with timber and deforestation.

Cost of response**Explanation of cost of response**

The cost of managing this risk is confidential.

Forest risk commodity

Palm oil

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Availability of certified sustainable material

Primary potential impact

Supply chain disruption

Company-specific description

As a leading global food and beverage company with a complementary portfolio of brands, including Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana, we make, market, distribute and sell a wide variety of convenient beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories. As such, agriculture is an integral part of PepsiCo's supply chain. The raw materials we use to produce our products are largely commodities subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty, or government incentives and controls.

Timeframe

1-3 years

Magnitude of potential impact

Medium-low

Likelihood

About as likely as not

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

Many of the commodities used in our products are purchased on the open market. The prices we pay for such items are subject to fluctuation, and any increases could adversely impact our operating costs and decrease our operating profit growth.

Primary response to risk

Other, please specify (Global purchasing and hedging strategies)

Description of response

i. Timeframe: In the normal course of business, we currently manage these risks through a variety of strategies, including global purchasing programs and systematic hedging strategies. Our global purchasing programs include fixed-price contracts, purchase orders and pricing agreements. Our hedging strategies include the use of derivatives to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for agricultural products, energy and metals. ii. Response effectiveness: Commodity Risk Management provides reasonable predictability of cost across our global commodity exposures, while allowing controlled flexibility to adapt to unique market circumstances. For palm oil, PepsiCo considers country of origin, supplier business continuity planning by region and commodity risk management through financial planning on market-based commodities, thereby increasing our resilience to mitigate potential impacts.

Cost of response

0

Explanation of cost of response

As our management methods for these risks occur during the normal course of business and are interrelated with several other potential risks that may not be specific to forests, we consider our specific cost to manage these risks to be zero (0).

Forest risk commodity

Palm oil

Type of risk

Regulatory

Geographical scale

Country

Where in your value chain does the risk driver occur?

Direct operation

Supply chain

Primary risk driver

Regulatory uncertainty

Primary potential impact

Increased operating costs

Company-specific description

While most of the mechanisms to deliver more sustainable palm oil (e.g., RSPO, Consumer Goods Forum) are non-regulatory, we are seeing increasing interest from governments in using regulation to drive change. PepsiCo must stay informed of these developments to facilitate ongoing compliance and alignment with our palm oil-related policies and action plan.

Timeframe

4-6 years

Magnitude of potential impact

Low

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

The financial impact of this risk is confidential.

Primary response to risk

More ambitious forest-related commitments

Description of response

i. Timeframe: PepsiCo has taken a multi-faceted approach to address our palm oil supply chain by enacting a number of policies and programs on this issue. In 2015, we published the PepsiCo Palm Oil Action Plan, describing our strategy for sourcing sustainable palm oil and achieving our goal of sourcing 100% sustainable palm oil by the end of 2020. We also publicize our Forestry Stewardship Policy, Land Use Policy and annual palm oil reporting describing strategic collaborations, use of new tools and impact programs. ii. Response effectiveness: We are also working with Proforest to develop risk analysis and mitigation plans for key regions, as well as a verification process that stresses PepsiCo's goals on High Carbon Stock, High Conservation Values, peatlands, land rights, including Free, Prior and Informed Consent, human rights, and no burning, as described by RSPO. This work involves a risk assessment of direct suppliers and their supply base (leveraging the mill traceability data) to identify, assess, prioritize and address top compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments and wider engagement. We expect that this work will increase the level of engagement with suppliers to monitor implementation of continuous improvement plans. We believe our progress against our Palm Oil Action Plan and related deforestation policies will help us stay ahead of regulatory requirements.

Cost of response**Explanation of cost of response**

The cost of managing this risk is confidential.

Forest risk commodity

Palm oil

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Direct operation

Supply chain

Primary risk driver

Increased stakeholder concern or negative stakeholder feedback

Primary potential impact

Reduced demand for products and services

Company-specific description

We are a leading global beverage and food company with brands that are respected household names throughout the world. Maintaining a good reputation globally is critical to selling our branded products. SRIs, governments, civil society, the media and other key stakeholders have shown a growing interest in the link between palm oil and deforestation in company-owned operations and supply chains. PepsiCo has closely monitored consumer and customer campaigns and general interest in responsible palm oil sourcing in our business.

Timeframe

1-3 years

Magnitude of potential impact

Low

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial

PepsiCo's reputation and the behavior of consumers in choosing our products are important to the market value and revenue generation of the Company. Changes in consumer preference, for example, due to a negative reaction to PepsiCo's reputation relative to the environment could adversely affect PepsiCo's business.

Primary response to risk

More ambitious forest-related commitments

Description of response

i. Timeframe: In 2015, we published the PepsiCo Palm Oil Action Plan, describing our strategy for sourcing sustainable palm oil and achieving our goal of sourcing 100% sustainable palm oil by the end of 2020. ii. Response effectiveness: Transparency is important for our risk mitigation efforts in response to NGO concerns, particularly in relation to potential reputational impacts. We provide regular, detailed information on progress toward delivering our palm oil-related goals, all of which are publicly available to stakeholders on our website. Additionally, we solicit feedback from civil society through direct meetings and workshops and consider reports by civil society and other organizations. Our stakeholder collaboration efforts, including participation in the Palm Oil Working Group of the Consumer Goods Forum, membership in the Tropical Forest Alliance 2020, and regular meetings with NGOs to discuss our efforts, exchange information and consider ways to achieve shared objectives have resulted in increased confidence in our efforts. As evidence of our progress, the WWF 2016 Palm Oil Scorecard ranked PepsiCo as leading the way in progress on essential actions taken to source sustainable palm oil. In July 2017, we formalized a grievance mechanism for our agricultural supply chain, allowing third parties to raise concerns regarding compliance within our agricultural supply chain and mitigating potential reputational impacts.

Cost of response**Explanation of cost of response**

The cost of managing this risk is confidential.

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 products	Yes
Palm oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

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 products

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Other parts of the value chain

Primary forests-related opportunity

Increased brand value

Company-specific description & strategy to realize opportunity

i. Explanation of opportunity: PepsiCo understands the unique role packaging holds in shaping the way our products are presented to consumers, customers and communities. In addition to understanding its necessary role in protecting the quality and experience consumers have with our products, we believe that our most significant influence on forests is through our sourcing of paper and wood-based products and raw agricultural materials. ii. Explanation of strategy: Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, and Sustainable Packaging Policy, PepsiCo has created a robust framework to help achieve our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. PepsiCo seeks to purchase only responsibly sourced wood fiber products and will not knowingly accept from its supply chain paper-based packaging that may contain wood fiber harvested illegally or sourced from protected forest areas. We are focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. iii. Implementation case study: PepsiCo is working with our suppliers to help them become more environmentally sustainable in their practices by following credible forestry standards and purchasing fiber only from sources that support responsible forest management, as outlined in our policies. PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements outlined in our policies. In addition, Proforest conducted a rapid assessment of PepsiCo's current performance and overview of risks involved in main regions/countries of our paper packaging supply base.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

PepsiCo's reputation and the behavior of consumers in choosing our products are important to the market value and revenue generation of the Company. Changes in consumer preference, for example, due to a positive reaction to PepsiCo's reputation relative to the environment, could cause a corresponding positive effect on PepsiCo's business.

Forest risk commodity

Palm oil

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Other parts of the value chain

Primary forests-related opportunity

Increased brand value

Company-specific description & strategy to realize opportunity

i. Explanation of opportunity: Socially Responsible Investors, governments, civil society, the media and other key stakeholders have shown a growing interest in the link between palm oil and deforestation in our company-owned operations and supply chains. PepsiCo has closely monitored consumer and customer campaigns and general interest in responsible palm oil sourcing in our business. As awareness around palm oil grows, improved consumer response to products carrying RSPO-certified sourced material represents a potential opportunity to grow our revenue. ii. Explanation of strategy: In 2015, we published the PepsiCo Palm Oil Action Plan, describing our strategy for sourcing sustainable palm oil. The action plan includes our commitment to source 100% physically-certified sustainable palm oil by the end of 2020, achieve and maintain PepsiCo and our suppliers' compliance with our various deforestation-related policies and Supplier Code of Conduct; engage suppliers on various capacity-building initiatives; and achieve greater traceability. We disclose results of our work annually in Palm Oil Progress Reports, synchronized with our Annual Communication of Progress to the RSPO. iii. Implementation case study: In 2019, we achieved 82% physically-certified sustainable palm oil and addressed the gap by purchasing RSPO credits. We encouraged our direct suppliers to be RSPO members; since 2017, 100% of our direct suppliers have been RSPO members. We are also mapping to the mill of origin and aiming for 100%, with a concurrent goal to achieve traceability to the farm/plantation by the end of 2020. In 2019, 97% of our supply was traceable to the mill. Since launching our Traceability to Plantation Protocol, 31 suppliers representing 41% of our volume reported traceability to plantation in 2019. Our Supplier Scorecards provide a means to track and encourage our suppliers' progress towards establishing policies and programs to enhance performance and capability in sustainable palm. Our Palm Oil Traceability Protocol, developed in collaboration with palm experts and industry partners, supports the development of better information systems to help achieve our goals and prioritize opportunities for improvement. Finally, our impact programs prioritize capacity building, particularly training and development.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Low

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

PepsiCo's reputation and the behavior of consumers in choosing our products are important to the market value and revenue generation of the Company. Changes in consumer preference, for example, due to a positive reaction to PepsiCo's reputation relative to the environment, could cause a corresponding positive effect on PepsiCo's business.

F4. Governance

F4.1

(F4.1) Is there board-level oversight of forests-related issues within your organization?

Yes

F4.1a

(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.

Position of individual	Please explain
Board-level committee	i. Responsibility: Under PepsiCo's By-Laws and Corporate Governance Guidelines, the board has the responsibility to manage the business of the Company. Because sustainability matters, including forests-related issues, are integrated into our business, the board considers them an integral part of its oversight. The Public Policy and Sustainability Committee assists the Board in providing more focused oversight over the company's policies, programs and related risks that concern key sustainability and climate matters. The PepsiCo Executive Committee (PEC) has direct oversight of the sustainability agenda, including strategic decisions and performance management. ii. Decision: In 2019, the PEC took the decision to create the Sustainability Sub-Committee comprising the CEO, the CFO and functional heads for additional direct oversight of sustainability, including forests-related matters.

F4.1b

(F4.1b) 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	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 corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	i. The Public Policy and Sustainability Committee assists the Board with oversight of PepsiCo's policies, programs and risks concerning key sustainability matters. The committee meets 4x/year and is comprised of independent directors with expertise in the scientific, financial, technological and non-profit sectors. The primary agenda item for these meetings is a review of progress on our goals, including those related to deforestation. The Board also oversees PepsiCo's integrated risk management framework to address top strategic, financial, operating, business, compliance, safety, reputational and other risks, including forests-related issues across the organization. The PepsiCo Risk Committee (PRC) is a cross-functional diverse group that meets regularly and is responsible for reporting progress on risk mitigation efforts to the Board. For example, the PRC reviews potential impacts in agricultural commodity supplies and regulatory changes that may impact PepsiCo's business. The Board receives updates on key risks throughout the year. Key risks related to forests-related issues are included in our 2019 Annual Report on Form 10-K. ii. The governance mechanisms selected contribute to the Board's oversight of forest issues in that they reflect PepsiCo's comprehensive approach to sustainability. The full Board considers sustainability issues an integral part of its business oversight, as sustainability topics are integrated into, and not separate from, our business strategy.

F4.2

(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

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	Quarterly	i. Role, rationale, responsibilities, reporting: Overall responsibility lies with PepsiCo's Chief Sustainability Officer (CSO), who reports directly to the CEO. With a specific focus on sustainability, forests-related issues monitoring and overseeing the delivery of our forests-related goals fall directly under the role's responsibilities. The CSO is involved in the day-to-day management of our strategy toward delivery of our sustainability agenda; responsibilities include providing strategic direction, guidance and leadership on critical forests-related issues facing the company and actions the company must take. In 2019, PepsiCo's CEO convened a PepsiCo Executive Committee Sustainability Subcommittee, which comprises executives including the CSO. The Sustainability Subcommittee meets at least quarterly and forests-related topics addressed include reviewing progress against our strategy as well as assessing and approving improvements to our strategy. In addition, our Chief Sustainability Officer sits on the PepsiCo Risk Committee, which meets regularly to identify, assess, prioritize, address, manage, monitor and communicate our top enterprise risks. The PRC is also responsible for reporting progress on our risk mitigation efforts to the Board on an annual basis, including with respect to deforestation. PRC meetings are scheduled one month before the quarterly Board of Directors meetings so that the Board's Risk sub-committee can review the same material.

F4.3

(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

	Provide incentives for management of forests-related issues	Comment
Row 1	No, and we do not plan to introduce them in the next two years	

F4.4

(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

Yes (you may attach the report – this is optional)

F4.5

(F4.5) Does your organization have a policy that includes forests-related issues?

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

F4.5a

(F4.5a) Select the options to describe the scope and content of your policy.

	Scope	Content	Please explain
Row 1	Company-wide	Commitment to eliminate deforestation Commitment to protect rights and livelihoods of local communities Commitment to transparency Commitment to align with the SDGs Description of business dependency on forests Recognition of potential business impact on forests and other natural habitats Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound milestones and targets Description of forests-related performance standards for direct operations Description of forests-related standards for procurement	i. Policy governance: The Public Policy & Government Affairs group reviews policies every two years and amends them as appropriate. ii. Why content is included: PepsiCo's standards are based on international conventions and reference best practices established by forest-related initiatives and industry groups. Specific to forests-related issues, PepsiCo's publicly available Forestry Stewardship Policy and Land Policy are important components of the more comprehensive PepsiCo Responsible Sourcing Guidelines, which applies to all PepsiCo global operations and global supply chains from direct supplier to source. Details in these policies regarding our operational standards, references, targets and business context demonstrate a robust framework to help achieve our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. iii. How policy informs internal decision making: PepsiCo's policies inform our decision making by formalizing the principles we aim to comply with across all commodities: (i) comply with applicable legal requirements of each country in which we operate and from which we source; (ii) No further development on High Carbon Stock Forests; (iii) No further development on High Conservation Values Forests; (iv) No new conversion of peatlands; and (v) Free, Prior and Informed Consent as outlined in our Land Policy. In addition, PepsiCo intends to: (i) Engage with appropriate industry and other groups to improve our understanding of deforestation issues, adapt our policy and achieve our goals; (ii) Provide appropriate grievance mechanisms for suppliers to report suspected breaches; (iii) Leverage our Supplier Code of Conduct as a means of communicating PepsiCo's Forestry Stewardship Policy and associated commitments to our suppliers; and (iv) Periodically report on our performance against this policy and its associated commitments. Our policies reflect PepsiCo's commitment to doing business the right way and transparently communicating to stakeholders our responsibility to ensure that we and our suppliers practice responsible forestry stewardship. Relevant policies are available via our Sustainable Sourcing page: https://www.pepsico.com/sustainability/sustainable-sourcing

F4.5b

(F4.5b) 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

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate deforestation</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitment to transparency</p> <p>Commitment to align with the SDGs</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</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>i. Policy governance: The Public Policy & Government Affairs group reviews policies every two years and amends them as appropriate. ii. Why content is included: Our policies reflect PepsiCo's commitment to doing business the right way and transparently communicating to stakeholders our responsibility to ensure that we and our suppliers practice responsible forestry stewardship. Through our Forestry Stewardship Policy, Land Use Policy and Sustainable Packaging Policy, PepsiCo has created a robust framework to help address our timber commodity practices and achieve our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. iii. How policy informs internal decision making: Details regarding our operational standards, references, targets and business context are provided in our policies to inform decision making. Our sustainable packaging aspirations aim to: (i) Increase the use of recycled content or materials from renewable sources; (ii) Optimize packaging design to use the fewest materials necessary; (iii) Promote the use of materials that can be recycled (beverage containers, cereal cartons, etc.); (iv) Reduce post-industrial waste; (v) Reduce known negative impacts to the environment; and (vi) Achieve a lower carbon footprint by efficient energy usage across the product lifecycle. Our decisions therefore are to be aligned with these aspirations. Relevant policies are available at the following links: https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-forestry-stewardship-policy-1.pdf https://www.pepsico.com/docs/album/esg-topics-policies/pepsico_land_policy.pdf https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-sustainable-packaging-policy.pdf</p>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm oil	Yes	Company-wide	<p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitment to transparency</p> <p>Commitment to align with the SDGs</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</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>i. Policy governance: The Public Policy & Government Affairs group reviews policies every two years and amends them as appropriate. ii. Why content is included: Our policies reflect PepsiCo's commitment to doing business the right way and transparently communicating to stakeholders our, and our suppliers' responsible forestry stewardship. Recognizing potential environmental benefits, including climate and biodiversity, as well as human rights, we have committed to source 100% physically-certified sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan in 2015 describing our operational standards, references, targets and business context behind our sustainable palm oil practices. Subsequent annual progress reports detail additional interim goals and specific activities undertaken to achieve our goals. Our policy and commitments apply to all of our products, regardless of the source of production. Our June 2018 palm oil policy update provides our long-term vision for a sustainable palm oil sector and updates our commitments to no deforestation, no development on peatlands, and no exploitation of indigenous peoples and local communities ("NDPE commitments"). In February 2020, we published an update to our Global Policy on Sustainable Palm Oil, reflecting engagement with civil society, developments in the palm oil sector and further understanding of challenges and opportunities to meet our goals for sustainable palm oil. iii. How policy informs internal decision making: PepsiCo's policies inform our decision making by formalizing the principles we aim to comply with. Details regarding our operational standards, references, targets and business context are provided in our policies to inform decision making. Our decisions therefore are to be aligned with these aspirations. Relevant policies are available at the following links: https://www.pepsico.com/docs/album/esg-topics-policies/global-policy-for-sustainable-palm-oil.pdf</p>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F4.6

(F4.6) 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

F4.6a

(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?

Tropical Forest Alliance 2020

F4.6b

(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.

Forest risk commodity

Timber products

Criteria

Zero net deforestation
No new development on peat regardless of depth
No land clearance by burning or clearcutting
No conversion of High Conservation Value areas
No conversion of High Carbon Stock forests
Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities
Promotion of gender equality and women's empowerment
Adoption of the UN International Labour Organization principles
Resolution of complaints and conflicts through an open, transparent and consultative process
Facilitate the inclusion of smallholders into the supply chain
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

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

Not applicable

Commitment target date

2020

Please explain

PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in our policies. In addition, Proforest conducted a rapid assessment of PepsiCo's current performance and overview of risks involved in main regions/countries of our current paper packaging supply base. We have also developed new form contract language for our sourced materials to be FSC- and SFI-certified, with the intention of further promoting compliance with our policy criteria. As we undertake new contracts, PepsiCo is negotiating by region to determine the capabilities to source certified materials. We have identified Russia, China and parts of South/Southeast Asia as our primary focus to mitigate risks. PepsiCo recognizes the importance of having a credible system for third parties to raise concerns where they believe our standards are not being met, such as any compromise of Free, Prior and Informed Consent principles, our zero net deforestation and forest degradation, and potentially illegal and/or controversial activities occurring in our agricultural supply chain. Our Speak Up Hotline provides a means to report suspected violations of our policies or applicable law. PepsiCo's grievance mechanism for our agricultural supply chain complements our existing program to help prevent, identify and manage environmental and social concerns throughout our value chain, including those associated with timber. This allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain. Our approach is available here: <https://www.pepsico.com/docs/album/esg-topics-policies/agricultural-supply-chain-grievance-mechanism-summary.pdf>

Forest risk commodity

Palm oil

Criteria

Zero net deforestation
No new development on peat regardless of depth
No land clearance by burning or clearcutting
No conversion of High Conservation Value areas
No conversion of High Carbon Stock forests
Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities
Promotion of gender equality and women's empowerment
Adoption of the UN International Labour Organization principles
Resolution of complaints and conflicts through an open, transparent and consultative process
Facilitate the inclusion of smallholders into the supply chain
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

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

2015

Commitment target date

2020

Please explain

PepsiCo has undertaken several actions in 2019 to meet our commitments. Since 2017, PepsiCo, working with Cargill and other companies, has convened the "Palm Oil Collaboration Group" to discuss key sustainability issues and challenges with regard to No Deforestation, No Peat and No Exploitation. The group developed and rolled out the NDPE Implementation Reporting Framework (IRF), and in 2019, companies agreed to use the IRF as a tool to report on progress across the supply base. As part of the Coalition for Sustainable Livelihoods (CSL), PepsiCo is supporting the development of the Aceh Tamiang district initiative and implementation of the coalition's landscape plan. In 2019, the district government formally adopted the plan and signed an agreement to work with local stakeholders towards targets on deforestation, livelihoods, and productivity. In support of this plan, PepsiCo is partnering with PT Mopoli Raya, Forum Konservasi Leuser (FKL), and the Sustainable Trade Initiative (IDH) to restore 300 hectares of forest and support the productivity and sustainability of at least 500 smallholders. PepsiCo is also supporting the development of a government-led landscape management body and working with stakeholders to develop a monitoring system and response protocol to deforestation alerts. In 2019, PepsiCo joined several major companies to work with the Business for Social Responsibility to protect the rights of children living in oil palm plantations. The program includes developing a Child Protection and Safeguarding Implementation Manual, as well as a series of capacity-building workshops for palm oil producers. Implementation of our supplier scorecard has seen suppliers improve their overall performance by 61% against the 2017 baseline, a 22% increase from 2018. This mechanism supports our efforts to build suppliers' capability to deliver NDPE compliant palm oil, and to address non-compliances found in our supply chain. Finally, our grievance mechanism complements our existing agricultural program to help prevent, identify and manage environmental and social concerns throughout our value chain. We are undertaking a formal review of our grievance approach for our agricultural supply chain to better understand challenges and to identify ways to strengthen our grievance process in line with the UN Guiding Principles for Business and Human Rights (UNGPs).

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	5-10	i. Description: PepsiCo considers sustainability issues, including forest-related issues, an integral part of its business objectives; sustainability topics are integrated into, and not separate from, our business strategy. Our sustainability strategy demonstrates PepsiCo's commitment to deliver top-tier financial performance while creating sustainable growth and shareholder value. We believe our strategy enables us to continue delivering strong performance while positioning our Company for long-term sustainable growth. The strategy sets out business objectives, including for those related to forests, through 2025. ii. Example: As a leading global consumer packaged goods company, it is a priority for PepsiCo to develop next-generation packaging that continues to meet the needs of our consumers for high quality, safety and consumer experience, while minimizing our environmental footprint. In line with this strategic priority, we set a 2025 goal to strive to design 100% of our packaging to be recyclable, compostable or biodegradable, increase recycled materials in our plastic packaging, and reduce packaging's carbon impact. We have also set a goal to work with associations, governments and cross-sector collaborations to help implement long-term recovery and recycling solutions, including for packaging inputs originating from forest commodities. Related to palm oil, PepsiCo incorporated our commitments in our Global Policy on Sustainable Palm Oil. The policy provides our long-term vision for a sustainable palm oil sector and our commitments to no deforestation, no development on peatlands, and no exploitation of indigenous peoples and local communities ("NDPE commitments").
Strategy for long-term objectives	Yes, forests-related issues are integrated	5-10	i. Description: PepsiCo considers sustainability issues, including forest-related issues, an integral part of its business objectives; sustainability topics are integrated into, and not separate from, our business strategy. Our sustainability strategy demonstrates PepsiCo's commitment to deliver top-tier financial performance while creating sustainable growth and shareholder value and provides a roadmap for achieving our sustainability objectives, including for those related to forests, through 2025. We believe our objectives and corresponding strategy demonstrate business value, will expand the community of engaged actors, accelerate uptake of sustainable practices and support the scale-up of solutions to systemic issues. ii. Example: As we continue our journey to improve our sustainable sourcing practices, we undertook an initial step in understanding the implications of our policies to support long-term implementation. We engaged Proforest to map the supply chain and support implementation of our policies related to paper packaging, including an assessment of certification schemes that we recognize (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements outlined in the Forestry Stewardship, Land Use and Sustainable Packaging policies.
Financial planning	Yes, forests-related issues are integrated	5-10	i. Description: PepsiCo considers sustainability issues, including forest-related issues, an integral part of its business objectives; sustainability topics are integrated into, and not separate from, our business strategy. Our financial planning, therefore, is inherently impacted by our objectives and strategy to achieve them. Our sustainability strategy demonstrates PepsiCo's commitment to deliver top-tier financial performance while creating sustainable growth and shareholder value, and provides a roadmap for achieving our sustainability objectives, including for those related to forests, through 2025. We believe our objectives and corresponding strategy demonstrate business value, will expand the community of engaged actors, accelerate uptake of sustainable practices and support the scale-up of solutions to systemic issues. ii. Example: As a leading global consumer packaged goods company, it is a priority for PepsiCo to develop next-generation packaging that continues to meet the needs of our consumers for high quality, safety and consumer experience, while minimizing our environmental footprint. In line with this strategic priority, we set a 2025 goal to strive to design 100% of our packaging to be recyclable, compostable or biodegradable, increase recycled materials in our plastic packaging and reduce packaging's carbon impact. Related to palm oil, PepsiCo incorporated our commitments in our Global Policy on Sustainable Palm Oil. The policy provides our long-term vision for a sustainable palm oil sector and our commitments to no deforestation, no development on peatlands and no exploitation of indigenous peoples and local communities ("NDPE commitments"). In terms of financial planning, a certain portion of our budget is allocated to support ongoing progress for our goals and policies. Our capacity-building efforts also support the expansion of sustainable commodities, which may experience price fluctuations that are managed by our global purchasing programs and systematic hedging strategies. Our global purchasing programs include fixed-price contracts, purchase orders and pricing agreements. Our hedging strategies include the use of derivatives to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, including for agricultural products.

F6. Implementation

F6.1

(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?

Yes

F6.1a

(F6.1a) Provide details of your timebound and quantifiable 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 products

Type of target

Third-party certification

Description of target

Sustainable procurement standard

Linked commitment

Other environmental commitments

Traceability point

<Not Applicable>

Third-party certification scheme

FSC (any type)
FSC Chain of Custody
PEFC Chain of Custody
SFI Forest Management standard
SFI Chain of Custody
SFI Fiber Sourcing certification
Other, please specify (CSA, CERFLOR)

Start year

2015

Target year

2020

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

88

Please explain

i. Why and how target was chosen: PepsiCo seeks to purchase only responsibly sourced wood fiber products and will not knowingly accept from its supply chain paper-based packaging that may contain wood fiber harvested illegally or sourced from protected forest areas. PepsiCo is focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is important to achieving our ultimate goal of only purchasing responsibly sourced wood fiber products. PepsiCo works with suppliers to help them become environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. PepsiCo recognizes the forestry standards below as credible within their scope and requires our suppliers to commit to utilizing the appropriate standard: CERFLOR, CSA, FSC, PEFC and SFI. ii. Strategy to meet target: To enable a greater understanding of, and visibility into, our supply chain, in 2016, PepsiCo began working with Proforest to trace the supply chain and support implementation of our policies related to paper packaging. For example, Proforest conducted an assessment of certification schemes that we recognize to analyze the extent to which they deliver PepsiCo requirements, as outlined in the Forestry Stewardship, Land Use and Sustainable Packaging policies. In addition, Proforest conducted a rapid assessment of our current performance and overview of risks involved in main regions/countries of our current paper packaging supply base. The supply chain mapping project commenced in 2016 and is ongoing. In 2017, PepsiCo worked with a Tier-1 supplier to develop new contract language for sustainably-sourced materials, further promoting compliance with our policy criteria. As we renew expiring contracts starting in 2018, PepsiCo has been negotiating by region to determine our suppliers' capabilities to source certified materials. We have seen our percent certified material increase in several high-risk priority regions, including Russia, China, and Thailand. Metrics reflect FSC, PEFC, and SFI certification for 2019.

Target reference number

Target 2

Forest risk commodity

Palm oil

Type of target

Third-party certification

Description of target

Our target is to have a palm oil supply chain with no deforestation, no peatland development and no exploitation (NDPE). Our aspiration is to deliver this by the end of 2020. Our goal is to reach 100% RSPO physically certified palm oil by the end of 2020 (currently 82% in 2019). This target falls under the "Risk Management" pillar of our strategy to achieve our long-term vision on palm; as we seek to expand the benefits of sustainable palm oil while working to eliminate the harm that may be done, it is important to address standards in our own supply chain while addressing systemic issues in partnership with others, including suppliers, peer companies, civil society, governments and certification bodies, so that high environmental standards become the norm and human rights are respected. Achieving this target will help us meet our NDPE commitments, which address both environmental and social commitments.

Linked commitment

Other environmental commitments

Traceability point

<Not Applicable>

Third-party certification scheme

RSPO Mass Balance
RSPO Book and Claim
Other, please specify (RSPO Independent Smallholder Credits)

Start year

2015

Target year

2020

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

100

Please explain

i. Why and how target was chosen: In 2010, PepsiCo committed to source exclusively 100% RSPO-certified sustainable palm oil by 2015. In 2013, PepsiCo further strengthened this commitment to purchasing 100% physically RSPO-certified palm oil by the end of 2020, providing additional visibility into our palm oil supply chain. The RSPO has played a leading role in mobilizing commercial activity to encourage sustainable supply and setting baseline standards for sustainable palm oil, informing our choice to set this target. While we are committed to the RSPO and its process and standards, we are also looking to go beyond current RSPO standards in order to see further protection of forests, peatlands and human rights. Through our policies and actions, PepsiCo seeks to support the growth of sustainable palm oil, first by addressing standards in our own supply chain and then by working with others to drive improvement more widely. We believe that fulfilment of these policies and commitments will make our supply chain more secure and support stable social, economic and environmental conditions for producers, mills and the communities they support. ii. Strategy to meet target: As more mass balance physically-certified sustainable palm oil (CSPO) becomes available, we plan to strategically increase our use as we move toward our goal to source 100% physically-certified sustainable palm oil by the end of 2020. As we build our use of physically sourced palm oil, we plan to continue to purchase 100% RSPO-certified palm oil by leveraging RSPO credits. In 2019, we achieved 82% physically-certified sustainable palm oil, exceeding our interim target of 80% for 2019, 15% RSPO credits and in addition 3% independent smallholder credits to reach 100%. Contrary to reports of a surplus of RSPO-certified palm oil, physically-certified supply is limited or non-existent in some regions including, for example, some markets in the Americas. To address this problem, PepsiCo seeks to build certification capacity on our journey to 100%, which is why we are implementing a holistic program for sustainable palm oil in Mexico based on the RSPO Principles & Criteria framework. This capacity-building program involves the entire supply chain and provides training and technical assistance toward RSPO certification.

Target reference number

Target 3

Forest risk commodity

Palm oil

Type of target

Traceability

Description of target

Our target is to trace 100% of our palm oil to mills and plantations by the end of 2020. To ensure that our policies are being met, improve standards and drive positive impact on the ground, we must know where our palm oil comes from. Building better information systems is therefore a critical step to achieving our goals, informing our choice to set this target. This target falls under the "Risk Management" pillar of our strategy to achieve our long-term vision on palm. Achieving this target will help us meet our NDPE commitments, which address both environmental and social commitments.

Linked commitment

Zero net/gross deforestation

Traceability point

Mill

Third-party certification scheme

<Not Applicable>

Start year

2015

Target year

2020

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

97

Please explain

i. Why and how target was chosen: Palm oil is the most widely used edible oil in the world and an ingredient in several PepsiCo food products. Like many of our stakeholders, though, PepsiCo has ongoing concerns about how some palm oil is produced. Rainforest conversion, biodiversity loss and human rights abuses persist in various producing regions. Through our policies and actions, PepsiCo seeks to support the growth of sustainable palm oil, first by addressing standards in our own supply chain and then by working with others to drive improvement more widely. We believe that fulfilment of these policies and commitments will make our supply chain more secure and support stable social, economic and environmental conditions for producers, mills and the communities they support. Our traceability targets were chosen to provide more visibility into our supply chain to achieve our sustainable palm oil goals. ii. Strategy to meet target: PepsiCo worked with external experts including Peterson to develop and implement PepsiCo's Palm Oil Traceability Protocol, launched in 2017. The protocol was distributed to all direct suppliers along with a required quarterly

reporting template, which requires the names of all palm oil and palm kernel oil mills, their geo coordinates and the percentage of PepsiCo's volume that is traceable to the mills. We also implemented a training program in both English and Spanish and maintain a helpdesk. The protocol is also the basis for independent verification undertaken by suppliers to verify the quality of the management systems used to collect their supply chain data. We continue to make progress toward our goal of 100% traceability to the mill and, at the end of 2018 and 2019, we estimated that approximately 97% of the palm oil we used was traced to specific mills, up from 94% in 2017, 89% in 2016 and 65% in 2015. We will continue working with our suppliers to increase visibility of the mills in our palm oil supply chain through various engagement efforts, including our mill traceability data verification protocol.

Target reference number

Target 4

Forest risk commodity

Palm oil

Type of target

Traceability

Description of target

Our target is to trace 100% of our palm oil to mills and plantations by the end of 2020. To ensure that our policies are being met, improve standards and drive positive impact on the ground, we must know where our palm oil comes from. Building better information systems is therefore a critical step to achieving our goals, informing our choice to set this target. This target falls under the "Risk Management" pillar of our strategy to achieve our long-term vision on palm. Achieving this target will help us meet our NDPE commitments, which address both environmental and social commitments.

Linked commitment

Zero net/gross deforestation

Traceability point

Plantation

Third-party certification scheme

<Not Applicable>

Start year

2015

Target year

2020

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

41

Please explain

i. Why and how target was chosen: Palm oil is the most widely used edible oil in the world and an ingredient in several PepsiCo food products. Like many of our stakeholders, though, PepsiCo has ongoing concerns about how some palm oil is produced. Rainforest conversion, biodiversity loss and human rights abuses persist in various producing regions. Through our policies and actions, PepsiCo seeks to support the growth of sustainable palm oil, first by addressing standards in our own supply chain and then by working with others to drive improvement more widely. We believe that fulfilment of these policies and commitments will make our supply chain more secure and support stable social, economic and environmental conditions for producers, mills and the communities they support. Our traceability targets were chosen to provide more visibility into our supply chain to achieve our sustainable palm oil goals. ii. Strategy to meet target: PepsiCo worked with external experts including Peterson to develop and implement PepsiCo's Palm Oil Traceability Protocol, launched in 2017. The protocol was distributed to all direct suppliers along with a required quarterly reporting template, which requires the names of all palm oil and palm kernel oil mills, their geo coordinates and the percentage of PepsiCo's volume that is traceable to the mills. We also implemented a training program in both English and Spanish and maintain a helpdesk. The protocol is also the basis for independent verification undertaken by suppliers to verify the quality of the management systems used to collect their supply chain data. PepsiCo is also committed to driving traceability to plantation (TTP) in our supply chain by working together with our direct suppliers to further understand the production base. In 2017, we established an interim definition for farm/plantation traceability. Based on our Traceability to Plantation Protocol, 31 suppliers representing 41% of our volume reported traceability to plantation. In 2019, through our engagement with suppliers and sector initiatives such as the NDPE IRF, PepsiCo will continue to support TTP in our supply base.

F6.2

(F6.2) 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?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	i. Methods: PepsiCo is focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. For this reason, PepsiCo relies on third-party certifications such as FSC to determine traceability, based on mills where production occurs. We also perform an annual analysis of our contracted volumes through targeted outreach to global procurement contacts to understand the attributes of the fiber packaging products we purchase, including the source country, whether the volumes are certified to a specific sustainability standard, and if suppliers are considered high risk. ii. Examples: PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in the Forestry Stewardship, Land and Sustainable Packaging policies. In addition, Proforest conducted a rapid assessment of PepsiCo's current performance and overview of risks involved in main regions/countries of our current paper packaging supply base. The supply chain mapping project commenced in 2016 and is ongoing.	Not applicable	<Not Applicable>
Palm oil	Yes	i. Methods: PepsiCo is implementing data systems and processes that allow us to identify the mills in our supply chain. We worked with Peterson and Proforest to develop a Palm Oil Traceability Protocol that describes the traceability reporting requirements for suppliers and verification of this data. As required by the Traceability Protocol, suppliers must report quarterly on the name of all palm oil mills from which palm oil is sourced, geo coordinates of the mills and traceability percentage. Using a risk-based approach, the palm oil data submitted by suppliers are subject to verification by a third party to assess accuracy and completeness. ii. Examples: In 2019 we approved four independent third-party providers and delivered virtual training to 27 auditors from various certification bodies around the globe, including Control Union, SGS, Bureau Veritas and TUV Nord. We also implemented a training program and maintain a traceability help desk in both English and Spanish to provide suppliers with on-going assistance. In 2019 we also provided suppliers with a tool through which they can uniformly measure and communicate external traceability commitments, as well as the quality and accuracy of the data received and passed further in the chain. With this significant level of effort, we have established mill-level traceability accounting for over 97% of our source volume as of 2018; since the start of the program, mill traceability has increased by nearly 30%. In addition, 100% of our Tier 1 suppliers' mill traceability data has been independently verified. PepsiCo is also committed to achieving traceability to plantation (TTP) in our supply chain. In 2017, we established an interim definition for farm/plantation traceability, and in 2018, we engaged with our partners to understand how PepsiCo can work with the industry to achieve this. Since launching our Traceability to Plantation Protocol, 31 suppliers representing 41% of our volume reported traceability to plantation in 2019; our goal is to achieve traceability to the farm/plantation by the end of 2020.	Not applicable	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.2a

(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Country	100
Palm oil	Mill	97

F6.3

(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption.

Forest risk commodity

Timber products

Third-party certification scheme

FSC (any type)

Certification coverage

Consumption volume

% of total production/consumption volume certified

85

Form of commodity

Paper

Primary packaging

Secondary packaging

Tertiary packaging

Volume of production/ consumption certified

1087961739

Metric

Other, please specify (kg)

Please explain

i. Actions: PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in the Forestry Stewardship, Land and Sustainable Packaging policies. ii. Example: In 2017, PepsiCo worked with a Tier-1 supplier to develop new contract language for our sourced materials to be FSC- and SFI-certified, further promoting compliance with our policy criteria. As we renewed expiring contracts starting in 2018, PepsiCo has been utilizing this language negotiating by region to determine our suppliers' capabilities to source certified materials. We have identified Russia, China and parts of South/Southeast Asia as our primary focus to mitigate risks, and have seen our percent certified material increase in all of these areas as we renew contracts between 2015 and 2019: from 5% to 82% in Russia, 19% to 33% in China, 0% to 100% in Thailand, as well as 10% to 100% in Brazil. We also added 11% certified material from Pakistan and 3% certified material in India. Note: Data reflects all volumes certified as FSC, even if covered by another certification.

Forest risk commodity

Timber products

Third-party certification scheme

PEFC Chain of Custody

Certification coverage

Consumption volume

% of total production/consumption volume certified

0.2

Form of commodity

Paper

Primary packaging

Secondary packaging

Tertiary packaging

Volume of production/ consumption certified

2629491

Metric

Other, please specify (kg)

Please explain

i. Actions: PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in the Forestry Stewardship, Land and Sustainable Packaging policies. ii. Example: In 2017, PepsiCo worked with a Tier-1 supplier to develop new contract language for our sourced materials to be FSC- and SFI-certified, further promoting compliance with our policy criteria. As we renew expiring contracts starting in 2018, PepsiCo has been utilizing this language negotiating by region to determine our suppliers' capabilities to source certified materials. We have identified Russia, China and parts of South/Southeast Asia as our primary focus to mitigate risks, and have seen our percent certified material increase in all of these areas as we renew contracts between 2015 and 2019: from 5% to 82% in Russia, 19% to 33% in China, 0% to 100% in Thailand, as well as 10% to 100% in Brazil. We also added 11% certified material from Pakistan and 3% certified material in India. Note: Data reflects all volumes certified as PEFC, exclusive of other certifications to eliminate doublecounting.

Forest risk commodity

Timber products

Third-party certification scheme

SFI Chain of Custody

Certification coverage

Consumption volume

% of total production/consumption volume certified

3

Form of commodity

Paper

Primary packaging

Secondary packaging

Tertiary packaging

Volume of production/ consumption certified

37197967

Metric

Other, please specify (kg)

Please explain

i. Actions: PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in the Forestry Stewardship, Land and Sustainable Packaging policies. ii. Example: In 2017, PepsiCo worked with a Tier-1 supplier to develop new contract language for our sourced materials to be FSC- and SFI-certified, further promoting compliance with our policy criteria. As we renew expiring contracts starting in 2018, PepsiCo has been utilizing this language negotiating by region to determine our suppliers' capabilities to source certified materials. We have identified Russia, China and parts of South/Southeast Asia as our primary focus to mitigate risks, and have seen our percent certified material increase in all of these areas as we renew contracts between 2015 and 2019: from 5% to 82% in Russia, 19% to 33% in China, 0% to 100% in Thailand, as well as 10% to 100% in Brazil. We also added 11% certified material from Pakistan and 3% certified material in India. Note: Data reflects all volumes solely certified as SFI, exclusive of other certifications.

Forest risk commodity

Palm oil

Third-party certification scheme

RSPO Mass Balance

Certification coverage

Consumption volume

% of total production/consumption volume certified

82

Form of commodityRefined palm oil
Palm oil derivatives**Volume of production/ consumption certified**

398547

Metric

Metric tons

Please explain

i. Actions: As more mass balance physically-certified sustainable palm oil (CSPO) becomes available, we plan to strategically increase our use as we move toward our goal to source 100% physically-certified sustainable palm oil by the end of 2020. As we build our use of physically certified palm oil, we plan to continue to purchase 100% RSPO-certified palm oil by leveraging RSPO credits. In 2019, we achieved 82%, an improvement over our 2017 and 2018 figures of 32% and 52%, respectively, and exceeding our interim target of 80% for 2019. In addition, we also obtained 15% RSPO credits and in addition 3% (12,177 MT) independent smallholder credits to reach 100%. To address the problem of limited physically-certified palm oil, PepsiCo also seeks to build certification capacity on our journey to 100%, supported by our supplier scorecard mechanism. ii. Examples: Since joining RSPO in 2009, PepsiCo has supported the organization and worked with our suppliers to promote the benefits of membership, including benefits to the environment, workers, local communities and business overall. We also support RSPO NEXT, an advanced certification scheme that incorporates additional protections for forests, peatlands and human rights, and participated in the revision of the 2013 principles and criteria (P&C's) which strengthened the RSPO Standards including on smallholder inclusion. Since 2017, 100% of our direct suppliers have been RSPO members. Additionally, our supplier scorecards engage suppliers on traceability and verification, certification, policy and implementation, grievance management, and transparency. The tool enables us to engage directly with suppliers, gauge their status on key performance measures and guide a process of continuous improvement to enable them to meet all of PepsiCo's policy commitments, including our commitment to 100% physical RSPO-certified palm oil. To increase capability in applicable policies and transparency of sustainable palm initiatives, we made available a variety of engagement methods including one-on-one sessions with subject matter experts and live webinars in English and Spanish that were recorded for easy access. Implementation of our supplier scorecard has seen our suppliers improve overall performance by 61% in 2019, against the 2017 baseline.

Forest risk commodity

Palm oil

Third-party certification scheme

RSPO Book and Claim

Certification coverage

Consumption volume

% of total production/consumption volume certified

15

Form of commodityRefined palm oil
Palm oil derivatives**Volume of production/ consumption certified**

75032

Metric

Metric tons

Please explain

i. Actions: As more mass balance physically-certified sustainable palm oil (CSPO) becomes available, we plan to strategically increase our use as we move toward our goal to source 100% physically-certified sustainable palm oil by the end of 2020. As we build our use of physically certified palm oil, we continued to purchase 100% RSPO-certified palm oil by leveraging RSPO credits. In 2019, we achieved 82%, an improvement over our 2017 and 2018 figures of 32% and 52%, respectively, and exceeding our interim target of 80% for 2019. In addition, we also obtained 15% RSPO credits and in addition 3% (12,177 MT) independent smallholder credits to reach 100%. To address the problem of limited physically-certified palm oil, PepsiCo also seeks to build certification capacity on our journey to 100%, supported by our supplier scorecard mechanism. ii. Examples: Since joining RSPO in 2009, PepsiCo has supported the organization and worked with our suppliers to promote the benefits of membership, including benefits to the environment, workers, local communities and business overall. We also support RSPO NEXT, an advanced certification scheme that incorporates additional protections for forests, peatlands and human rights, and participated in the revision of the 2013 principles and criteria (P&C's) which strengthened the RSPO Standards including on smallholder inclusion. Since 2017, 100% of our direct suppliers have been RSPO members. Additionally, our supplier scorecards engage suppliers on traceability and verification, certification, policy and implementation, grievance management, and transparency. The tool enables us to engage directly with suppliers, gauge their status on key performance measures and guide a process of continuous improvement to enable them to meet all of PepsiCo's policy commitments, including our commitment to 100% physical RSPO-certified palm oil. To increase capability in applicable policies and transparency of sustainable palm initiatives, we made available a variety of engagement methods including one-on-one sessions with subject matter experts and live webinars in English and Spanish that were recorded for easy access. Implementation of our supplier scorecard has seen our suppliers improve overall performance by 61% in 2019, against the 2017 baseline.

Forest risk commodity

Palm oil

Third-party certification scheme

Other, please specify (RSPO Independent Smallholder Credits)

Certification coverage

Consumption volume

% of total production/consumption volume certified

3

Form of commodityRefined palm oil
Palm oil derivatives**Volume of production/ consumption certified**

12177

Metric
Metric tons

Please explain

i. Actions: As more mass balance physically-certified sustainable palm oil (CSPO) becomes available, we plan to strategically increase our use as we move toward our goal to source 100% physically-certified sustainable palm oil by the end of 2020. As we build our use of physically certified palm oil, we continued to purchase 100% RSPO-certified palm oil by leveraging RSPO credits. In 2019, we achieved 82%, an improvement over our 2017 and 2018 figures of 32% and 52%, respectively, and exceeding our interim target of 80% for 2019. In addition, we also obtained 15% RSPO credits and in addition 3% (12,177 MT) independent smallholder credits to reach 100%. To address the problem of limited physically-certified palm oil, PepsiCo also seeks to build certification capacity on our journey to 100%, supported by our supplier scorecard mechanism. ii. Examples: Since joining RSPO in 2009, PepsiCo has supported the organization and worked with our suppliers to promote the benefits of membership, including benefits to the environment, workers, local communities and business overall. We also support RSPO NEXT, an advanced certification scheme that incorporates additional protections for forests, peatlands and human rights, and participated in the revision of the 2013 principles and criteria (P&C's) which strengthened the RSPO Standards including on smallholder inclusion. Since 2017, 100% of our direct suppliers have been RSPO members. Additionally, our supplier scorecards engage suppliers on traceability and verification, certification, policy and implementation, grievance management, and transparency. The tool enables us to engage directly with suppliers, gauge their status on key performance measures and guide a process of continuous improvement to enable them to meet all of PepsiCo's policy commitments, including our commitment to 100% physical RSPO-certified palm oil. To increase capability in applicable policies and transparency of sustainable palm initiatives, we made available a variety of engagement methods including one-on-one sessions with subject matter experts and live webinars in English and Spanish that were recorded for easy access. Implementation of our supplier scorecard has seen our suppliers improve overall performance by 61% in 2019, against the 2017 baseline.

F6.4

(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?

	A system to control, monitor or verify compliance	Comment
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.4a

(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).

Forest risk commodity

Timber products

Operational coverage

Direct operations
Supply chain

Description of control systems

In July 2017, we formalized a grievance mechanism for our agricultural supply chain to complement our existing programs and processes to prevent, identify, and manage environmental and social concerns throughout our value chain. The mechanism allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain. Our Speak Up Hotline provides a means to report suspected violations of our policies or applicable law. PepsiCo's publicly available grievance mechanism for our agricultural supply chain complements our existing program to help prevent, identify and manage environmental and social concerns throughout our value chain, including those associated with timber. This allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain.

Monitoring and verification approach

Other, please specify (Supplier scorecards; Grievance mechanisms)

% of total volume in compliance

81-90%

% of total suppliers in compliance

61-70%

Response to supplier non-compliance

Retain & engage

Procedures to address and resolve non-compliance with suppliers

Developing time-bound targets and milestones to bring suppliers back into compliance
Providing information on appropriate actions that can be taken to address non-compliance
Assessing the efficacy and efforts of non-compliant supplier actions through consistent and quantified metrics
Re-integrating suppliers back into supply chain based on the successful and verifiable completion of activities

Please explain

The grievance mechanism provides continuous monitoring for our agricultural supply chain and complements our Speak Up! process. We are guided by Section 31 of the United Nations Guiding Principles on Business and Human Rights, which sets out the principles for good business-led grievance mechanisms. We engage direct suppliers who source from the companies at the center of the complaint to: Validate the allegations; Demonstrate the importance we attach to addressing the concerns raised; Understand corrective action steps already taken and planned in the future; and Influence those actions and monitor progress to ultimately address the complaint. In every case, we look to engage suppliers first and promote corrective actions that solve problems and build capability for sustainable palm oil and other agricultural commodities.

In cases where engagement does not lead to progress, we will consider all appropriate steps including significant action where deemed necessary. At the end of 2019, a total of 18 grievances were registered in our system, including legacy grievances. Most have a combination of environmental and social concerns, primarily deforestation and labor rights issues. A total of three of the grievances have been closed, while we continue to monitor eight other grievances in implementing measures to address the issues raised. The other seven remain open and we continue to engage with suppliers, peers who share these grievances, and others to make progress.

Forest risk commodity

Palm oil

Operational coverage

Direct operations
Supply chain

Description of control systems

PepsiCo believes that RSPO certified volumes is an important aspect of sourcing palm oil that is grown in a way that complies with our NDPE commitments. To facilitate pre-competitive collaboration and drive sustainable production, we have spearheaded through the 'Palm Oil Collaboration Group' the development and roll out of the NDPE IRF, an industry-wide tool that allows companies to report on the oil that delivers on commitments, or is on its way to delivery. We are undertaking a global roll out of the IRF to suppliers in 2020. We also work with our direct suppliers through our supplier scorecard mechanism to build their capability to deliver NDPE compliant palm oil, and to address non-compliances found in our supply chain. Finally, our publicly available grievance mechanism allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain, including our NDPE commitments.

Monitoring and verification approach

Other, please specify (RSPO certification; Supplier scorecards; Grievance mechanisms)

% of total volume in compliance

81-90%

% of total suppliers in compliance

91-99%

Response to supplier non-compliance

Retain & engage

Procedures to address and resolve non-compliance with suppliers

Developing time-bound targets and milestones to bring suppliers back into compliance
Providing information on appropriate actions that can be taken to address non-compliance
Assessing the efficacy and efforts of non-compliant supplier actions through consistent and quantified metrics
Re-integrating suppliers back into supply chain based on the successful and verifiable completion of activities

Please explain

Our Supplier Scorecards are conducted annually to engage suppliers on traceability and verification, certification, policy and implementation, grievance management and transparency. The scorecards allow us to identify more capable partners who are poised to help drive industry leading actions, as well as suppliers at the other end of the spectrum where we can focus capability building efforts to improve their foundational programs. In 2019, we continued to share the assessments with suppliers and are working with them to develop time-bound action plans unique to each situation. Through our Supplier Scorecard, we have seen the average supplier performance score improve by 61% since the 2017 baseline. The grievance mechanism provides continuous monitoring for our agricultural supply chain. We engage our direct suppliers who source from the companies at the center of the complaint to: Validate the allegations; Demonstrate the importance we attach to addressing the concerns raised; Understand corrective action steps already taken and planned in the future; and Influence those actions and monitor progress towards completion and ultimately address the complaint. At the end of 2019, a total of 18 grievances were registered in our system, including legacy grievances. Three of the grievances are closed, we continue to monitor eight other grievances. The other seven remain open and we continue to engage with suppliers, peers who share these grievances, and others to make progress.

F6.6

(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.

	Assess legal compliance with forest regulations	Please explain
Timber products	Yes, from suppliers	<Not Applicable>
Palm oil	Yes, from suppliers	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.6a

(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.

Timber products

Procedure to ensure legal compliance

In order to source from Brazil, PepsiCo must comply with the Brazilian Forest Code. In addition to being articulated within our Supplier Code of Conduct (compliance with all applicable environmental laws and regulations), suppliers complete a self-assessment that assesses compliance with all applicable environmental laws in the country. In the case of suppliers in Brazil, this would then be further verified by an independent auditor, as part of the Sedex Members Ethical Trade Audit (SMETA) on-site audits conducted with these suppliers, as part of the Sustainable Sourcing Program. Legal environmental compliance is reviewed as part of the SMETA 4-Pillar methodology, section 10B4.1, stating: 10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards. The independent audit provides an additional layer of confidence in findings to ensure legal compliance.

Country/Area of origin

Brazil

Law and/or mandatory standard(s)

Brazilian Forest Code

Comment

Palm oil

Procedure to ensure legal compliance

In order to source from Brazil, PepsiCo must comply with the Brazilian Forest Code. In addition to being articulated within our Supplier Code of Conduct (compliance with all applicable environmental laws and regulations), suppliers complete a self-assessment that assesses compliance with all applicable environmental laws in the country. In the case of suppliers in Brazil, this would then be further verified by an independent auditor as part of the SMETA on-site audits conducted with these suppliers as part of the Sustainable Sourcing Program. Legal environmental compliance is reviewed as part of the SMETA 4-Pillar methodology, section 10B4.1, stating: 10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards. The independent audit provides an additional layer of confidence in findings to ensure legal compliance.

Country/Area of origin

Brazil

Law and/or mandatory standard(s)

Brazilian Forest Code

Comment

F6.7

(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	No, not working with smallholders	<Not Applicable>	<Not Applicable>	<Not Applicable>	
Palm oil	Yes, working with smallholders	Supply chain mapping Capacity building Financial and commercial incentives	Offering on-site technical assistance and extension services Providing agricultural inputs Disseminating technical materials Organizing capacity building events Investing in pilot projects Financial incentives for certified products	700	i. Description of main strategy: We are committed to supporting the inclusion of smallholders in our supply chain and work with our suppliers to ensure that our palm oil policies are implemented in a way that supports them. As part of this commitment, PepsiCo is investing in landscape initiatives that support conservation, community development, smallholder inclusion and responsible production practices. ii. Engagement activities: In 2019, we continued to coordinate our efforts in this area with other companies as well as through working with civil society organizations and government. PepsiCo is supporting landscape programs in Indonesia and continuing its support for the Mexico Holistic Palm Program. In Indonesia, our landscape programs specifically include efforts to support smallholder livelihoods and production. For example, in Aceh PepsiCo has developed a project with local plantation and mill companies, NGOs and others to support at least 500 smallholders in Aceh Tamiang district with better production and sustainability practices and restoration of 300 hectares. In Siak and Pelalawan districts in Riau, in partnership with other supply chain companies PepsiCo will support up to 10 villages in a similar manner. With regards to market support, in 2019 PepsiCo purchased 12,177 independent smallholder credits and received an award from FORTASBI (Forum of Sustainable Oil Palm Smallholders in Indonesia) in recognition of the support that PepsiCo's sourcing of RSPO independent smallholder credits had made to the livelihoods of farmers in cooperatives in South Sumatra.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.8

(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier questionnaires on environmental and social indicators Disseminating technical materials	100%	i. Strategy: PepsiCo works with our suppliers to help them become environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. PepsiCo recognizes the forestry standards below as credible within their scope and requires 100% of our suppliers commit to utilizing an appropriate standard: CERFLOR, CSA, FSC, PEFC and SFI. We are also working with Proforest to trace our supply chain and understand the level of paper packaging certification and risk of paper used. ii. Examples and number of direct suppliers: In 2017, PepsiCo developed new contract language for our sourced materials to be FSC- and SFI-certified, further promoting compliance with our policy criteria. This contract language has since been implemented in 2018. As we undertake new contracts, PepsiCo has been negotiating by region to determine the capabilities to source certified materials. We have identified Russia, China and parts of South/Southeast Asia as our primary focus to mitigate risks, and have seen our percent certified material increase in all of these areas as we renew contracts between 2015 and 2019: from 5% to 82% in Russia, 19% to 33% in China, 0% to 100% in Thailand, as well as 10% to 100% in Brazil. We also added 11% certified material from Pakistan and 3% certified material in India. As all suppliers must engage with PepsiCo during contract negotiations, we consider our engagement to be 100%.
Palm oil	Yes, working with direct suppliers	Supply chain mapping Capacity building	Supplier questionnaires on environmental and social indicators Developing or distributing supply chain mapping tool Supplier audits Offering on-site training and technical assistance Disseminating technical materials Organizing capacity building events Investing in pilot projects	100%	i. Strategy: PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated facilities and global supply chain from direct supplier to source by the end of 2020. We encouraged our direct suppliers to be RSPO members; since 2017, 100% of our direct suppliers have been RSPO members. Supplier Scorecards track and encourage our suppliers' progress towards sustainable palm. Our palm traceability protocol supports development of better information systems to help achieve our goals and prioritize opportunities for improvement. Finally, our impact programs prioritize capacity building. ii. Examples and number of direct suppliers: PepsiCo works with suppliers to help ensure compliance with our Policy and support their sustainability efforts. Through our Supplier Scorecard methodology implemented among 53 direct suppliers, marked improvements have been made. The average supplier performance score in 2019 improved by an 22% since 2018 and a total of 61% since the 2017 baseline. Informed by results from the scorecards, we supported capability building to help improve practices. In 2019, we delivered this through several engagement methods including one-on-one sessions with subject matter experts and live webinars. 34 suppliers participated in these engagements, which were delivered in multiple formats with webinar trainings recorded for future access. Suppliers scoring in the top 25% were approached to partner with us on industry leading protocols and practices, such as traceability to mill verification and No Deforestation, No Peat and No Exploitation (NDPE) policy compliance through participation in the NDPE Implementation Reporting Framework (NDPE IRF). Our palm traceability protocol requires direct suppliers provide a full list of mills supplying them on a quarterly basis, including geo coordinates, parent company of the mills and certification/verification status, and undergo an independent third-party review of the reported data. We also: 1) attained approximately 97% traceability to mill by the end of 2019, 2) implemented our Palm Traceability to Mill Verification Protocol, with 100% of our direct suppliers' self-reported mill data independently verified, and 3) increased the number of suppliers reporting traceability to plantation based on our Traceability to Plantation Protocol to 31 (41% of our volume).
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.9

(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Other	Other, please specify	PepsiCo is focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and its supply-base sourcing as close to the forest of origin as possible. This is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is important to achieving our ultimate goal of purchasing only responsibly-sourced wood fiber products. PepsiCo works with our suppliers to help them become environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. To this end, PepsiCo engaged Proforest to represent us in evaluating beyond our first-tier suppliers; Proforest engages directly with the mills to better understand sustainable sourcing in high-risk regions. This monitoring combination provides visibility on the ground as well as ongoing engagement beyond standardized auditing. For example, Proforest conducted a specific risk assessment for Russia, having previously identified the country as high-risk based on environmental, social and legal criteria. Data assessed included supplied volumes, certified volumes, type of material and certification schemes, and included direct engagement with 11 high-risk suppliers to map supply chains back to forest origin. Applying these learnings into our procurement strategy has seen our percent certified material increase from 5% in 2015 to 82% in 2019 as we renew contracts in Russia.
Palm oil	Yes, working beyond first tier	Supply chain mapping Capacity building	Developing or distributing supply chain mapping tools Disseminating technical materials Participating in workshops Investing in pilot projects	i. Strategy: We work with suppliers to see that PepsiCo's palm oil policies are implemented in a way that supports the inclusion of smallholders and addresses our full supply chain. We do this through multiple avenues: traceability to mill, traceability to plantation (TTP), on the ground initiatives, and industry level engagement. As we have unlocked our supply chain through our mill-level traceability effort, we disclosed a complete list of our direct suppliers and mills in 2019. Self-reported traceability to mill data was approximately 97%, which was 100% independently verified for 2019. The number of suppliers reporting traceability to plantation based on our TTP Protocol increased to 31 (41% of our volume) Since 2017, PepsiCo has taken the lead in convening the 'Palm Oil Collaboration Group' to discuss key sustainability issues and challenges in the palm oil space with companies and other stakeholders in a pre-competitive manner. The group is roll out the NDPE IRF, an industry-wide reporting tool for companies to comprehensively report on NDPE progress across the supply base. The development phase included pilot studies carried out by companies throughout the supply chain. As we move to the next phase, refineries and mills will be requested and supported to allocate fresh fruit bunches (FFB) to progress categories based on production practices in the concession or smallholder plot where the FFB is produced, which will become more feasible with increasing TTP information. We also created the Mexico Holistic Palm Program, a 3-year inclusive and collaborative palm oil sustainability program that engages the supply chain at three different levels: at the sector level (with national palm oil federation Femexpalma), in the PepsiCo Supply Base (with our supplier Oleofinos) and with smallholders (with Oleopalma and the smallholders in their supply base). At the smallholder farm level, PepsiCo engages with Oleopalma to identify areas of improvement for farmers through conducting surveys, and with these results help to implement sustainable practices. Through the initiative, smallholders will be supported to achieve the RSPO independent group certification. Our policy and commitments apply to all our products and suppliers, regardless of the source of production.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.10

(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

UN Global Compact

Tropical Forest Alliance 2020 (TFA)

Other, please specify (Sustainable Packaging Coalition, EUROOPEN, CGF Forest Positive Coalition)

Jurisdictional approaches

<Not Applicable>

Please explain

i. PepsiCo role and fit within environmental strategy: PepsiCo is an active member of The European Organization for Packaging and the Environment, known as EUROOPEN, serving on the Executive Committee and Scientific & Regulatory Affairs Committee, to drive forward our Global Sustainable Packaging Policy (see: https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-sustainable-packaging-policy.pdf?svrsn=d808643c_4) As a member of the Tropical Forest Alliance 2020 (TFA), PepsiCo supports the TFA's mission to foster public-private partnerships in which partners take voluntary actions, individually and collaboratively, to reduce tropical deforestation. The TFA is a multi-stakeholder partnership platform, initiated to support the implementation of private-sector commitments to remove their deforestation from their palm oil, beef, soy, and pulp and paper supply chains. Hosted by the World Economic Forum, PepsiCo is a partner of the TFA and supports its mission, goals and objectives, including through active involvement in programs and initiatives to end commodity-driven tropical deforestation. PepsiCo is an original signatory to the CGF Forest Positive Coalition of Action (the Coalition), comprised of ambitious member companies committed to moving efficiently and quickly towards a forest positive future and who understand the need to work collaboratively with multiple stakeholders. The Coalition is focusing on systemic change underpinned by two pillars of action – supply chain management and integrated land use approach – developed with significant input from both supply chain companies and other stakeholders. Realizing the connection between deforestation and climate change, PepsiCo established an ambitious science-based goal to reduce absolute greenhouse gas (GHG) emissions by at least 20% across our value chain by 2030. To achieve this goal, we must reduce emissions in our agricultural supply chain, including palm oil, by implementing our NDPE policy commitments (specifically no deforestation and no development on peatlands). Our involvement in these initiatives directly ties to PepsiCo's efforts to realize our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020.

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in industry platforms

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

i. PepsiCo role and fit within environmental strategy: PepsiCo adopted the Consumer Goods Forum (CGF) Deforestation Resolution, which commits a wide range of food and beverage manufacturers and retailers to achieve zero net deforestation by 2020. While good progress has been made since it was issued in 2010, our industry has not fully realized the ambition set out in the resolution. To accelerate progress, PepsiCo became an original signatory to the CGF Forest Positive Coalition of Action (the Coalition), comprised of ambitious member companies committed to moving efficiently and quickly towards a forest positive future and who understand the need to work collaboratively with multiple stakeholders. The previous strategy was rooted in remediating individual company supply chains often through certification. Going forward, the Coalition will focus on systemic change underpinned by two pillars of action – supply chain management and integrated land use approach – developed with significant input from both supply chain companies and other stakeholders. PepsiCo's Chairman and CEO serves on the CGF Board of Directors. Realizing the connection between deforestation and climate change, PepsiCo established an ambitious science-based goal to reduce absolute greenhouse gas (GHG) emissions by at least 20% across our value chain by 2030. To achieve this goal, we must reduce emissions in our agricultural supply chain, including palm oil, by implementing our NDPE policy commitments (specifically no deforestation and no development on peatlands). Our involvement in these initiatives directly ties to PepsiCo's efforts to realize our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in jurisdictional approaches

Initiatives

<Not Applicable>

Jurisdictional approaches

Production, Protection and Inclusion (PPI)

Verified Sourcing Areas

Please explain

i. PepsiCo role and fit within environmental strategy: PepsiCo is a founding member of the CSL. Within CSL, PepsiCo is a supporter of the Aceh Tamiang Verified Sourcing Area initiative and implementation of the landscape plan that the coalition has formulated. In late 2019, the district government formally adopted the plan and signed an agreement to work together towards specific targets on deforestation, livelihoods, and productivity in partnership with local stakeholders (a production-protection-inclusion model). In support of this, PepsiCo is investing in partnership with PT Mopoli Raya, Forum Konservasi Leuser (FKL), and IDH in the restoration of 300 hectares of forest and supporting at least 500 smallholders to become more productive and sustainable. PepsiCo is currently implementing this partnership work on the ground, while also supporting the development of a government-led landscape management body and working with other stakeholders to develop an effective monitoring system and response protocol to deforestation alerts. In Riau, PepsiCo is one of seven companies working together on a landscape program for sustainable palm oil in the districts of Siak and Pelalawan. The goal of the program is to create sustainable landscapes across both districts that will produce deforestation-free and exploitation-free palm oil and maintain or enhance key conservation areas. This will build upon existing local efforts and multi-stakeholder platforms to advance sustainable, inclusive palm oil production models. The program was developed throughout 2018 and 2019 and implementation begins in 2020, in support of the District Government's Green Siak Plan and support to the Indonesian National Action Plan on Palm Oil in Pelalawan. This work supports our commitment to implementing our sustainable palm oil policy globally, including in and around the Leuser Ecosystem. Specifically, this is aligned with our goal to partner with government agencies, nongovernmental organizations and other critical stakeholders to help bring about positive change and improvements in the operation, regulation and governance of the palm oil industry, which is in alignment with our overall environmental strategy. Delivering NDPE policy commitments supports our science-based target to reduce emissions by at least 20% across our value chain by 2030.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

Tropical Forest Alliance 2020 (TFA)

Roundtable on Sustainable Palm Oil (RSPO)

Other, please specify (Palm Oil Collaboration Group, CGF Forest Positive Coalition of Action)

Jurisdictional approaches

<Not Applicable>

Please explain

i. PepsiCo role and fit within environmental strategy: PepsiCo is an active member of the Shared Responsibility Task Force, and on October 31, 2019, the RSPO's Board of Governors approved landmark rules calling for "Shared Responsibility," and for all members of the organization to do their part to "Mobilize, Act and Transform" to fulfil the RSPO's mission. PepsiCo will continue to represent consumer goods manufacturers on the working group as a substantial member in 2020. PepsiCo is also a founding member of the North American Sustainable Palm Oil Network, whose mission is to educate, build momentum and assist North American companies in making and delivering on commitments to source sustainable palm oil. The TFA is a multi-stakeholder partnership platform supporting the implementation of private-sector commitments to remove their deforestation from their palm oil, beef, soy, and pulp and paper supply chains. Hosted by the World Economic Forum, PepsiCo is a partner of the TFA and

supports its mission, goals and objectives through active involvement in programs and initiatives to end commodity-driven tropical deforestation. Since 2017, PepsiCo has taken the lead in convening the 'Palm Oil Collaboration Group' to discuss key sustainability issues and challenges in the palm oil space with companies and other stakeholders in a pre-competitive manner. The group has been able to develop and roll out the No Deforestation, No Peat and No Exploitation Implementation Reporting Framework (NDPE IRF), an industry-wide reporting tool for companies. This work tackles human rights and social issues, independent verification of progress, addressing deforestation outside concessions, and monitoring and reporting on progress. PepsiCo is an original signatory to the CGF Forest Positive Coalition of Action, comprised of ambitious member companies committed to moving efficiently and quickly towards a forest positive future and who understand the need to work collaboratively with multiple stakeholders. The Coalition is focusing on systemic change underpinned by two pillars of action – supply chain management and integrated land use approach – developed with significant input from both supply chain companies and other stakeholders. Delivering NDPE policy commitments supports our science-based target to reduce emissions by at least 20% across our value chain by 2030.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Engaging with non-governmental organizations

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

i. PepsiCo engages with non-governmental organizations such as Landesa, Proforest, Oxfam, and Shift to make progress on our palm oil policies and commitments. For example, PepsiCo sponsored a week-long workshop, in collaboration with Proforest and Femexpalma, for mills, associations and producers to learn about how to implement the RSPO Smallholder certification. This course was part of a larger initiative to strengthen the technical capacity of the Mexican palm oil sector by hosting a series of 5 training events on RSPO licensed and endorsed courses on sustainability topics. During the RSPO Roundtable ("RT17") conference in Bangkok, PepsiCo and Cargill hosted a series of discussions with a wide range of civil society organizations dedicated to preserving forests and biodiversity, and protecting human rights associated with palm oil production in South East Asia. The meeting covered issues including measuring progress on delivering on NDPE commitments; independent verification; and human rights within palm oil production. These discussions are part of a broader series of workshops which have become central in guiding our approach to developing and implementing actions. We have been working with Proforest and other stakeholders to provide more structure to the ongoing discussions through the Palm Oil Collaboration Group and its associated working groups. In 2019, we joined other companies to work with Business for Social Responsibility on a program to protect the rights of children living in oil palm plantations, which includes developing a Child Protection and Safeguarding Implementation Manual, as well as a series of capacity-building workshops for palm oil producers. The NGOs we engage with have missions ranging from environmental conservation to protection of human rights. In response to issues raised in 2019 we: updated our palm oil policy to apply to companies at the company-wide level; co-led a workshop with industry and civil society at RT17 to discuss the role of independent verification, and committed to convene and participate in follow-up meetings; accommodated requests for greater clarity and visibility into the review of our agricultural grievance process, led by an expert external organization. Delivering NDPE policy commitments supports our science-based target to reduce emissions by at least 20% across our value chain by 2030.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in industry platforms

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

i. PepsiCo role and fit within environmental strategy: We are an active member of the Consumer Goods Forum, including work streams on deforestation and palm oil. We are an original signatory to the CGF Forest Positive Coalition of Action, launched in 2019, which focuses on systemic change underpinned by supply chain management and integrated land use approach. The Forest Positive Coalition of Action will: accelerate efforts to remove commodity-driven deforestation from our individual supply chains; set higher expectations for traders to act across their entire supply base; drive more transformational change in these key commodity landscapes; and transparently report on progress to ensure accountability. Since 2017, PepsiCo has taken the lead in convening the 'Palm Oil Collaboration Group' to discuss key sustainability issues and challenges in the palm oil space with companies and other stakeholders in a pre-competitive manner. The group has been able to develop and roll out the No Deforestation, No Peat and No Exploitation Implementation Reporting Framework (NDPE IRF), an industry-wide reporting tool for companies. This work tackles human rights and social issues, independent verification of progress, addressing deforestation outside concessions, and monitoring and reporting on progress. PepsiCo is also a member of AIM – Progress, a forum of leading Fast Moving Consumer Goods (FMCG) manufacturers and common suppliers, assembled to enable and promote responsible sourcing practices and sustainable supply chains. The key objective is to build capability so that member organizations and their suppliers have the knowledge, confidence, and ability to develop and execute robust responsible sourcing programs. PepsiCo also continues to support Femexpalma (Federation of Mexican palm oil producers and processors) to implement sustainability across the palm growing regions in Mexico and further promote RSPO by providing technical support and capacity building and continue to champion the cause where RSPO certified palm oil is not yet available. Delivering NDPE policy commitments supports our science-based target to reduce emissions by at least 20% across our value chain by 2030.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Engaging with policymakers or governments

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

i. PepsiCo role and fit within environmental strategy: As part of our role in the CSL, PepsiCo has been supporting the development of the Aceh Tamiang district initiative and implementation of the landscape plan that the coalition has formulated. In late 2019, the district government formally adopted the plan and signed an agreement to work together towards specific targets on deforestation, livelihoods, and productivity in partnership with local stakeholders (a production-protection-inclusion model). In support of this plan, PepsiCo is investing in partnership with PT Mopoli Raya, Forum Konservasi Leuser (FKL), and IDH in the restoration of 300 hectares of forest and supporting at least 500 smallholders to become more productive and sustainable. PepsiCo is currently implementing this partnership work on the ground, while also supporting the development of a government-led landscape management body and working with other stakeholders to develop an effective monitoring system and response protocol to deforestation alerts. Additionally, realizing the connection between deforestation and climate change, PepsiCo established a goal to reduce absolute GHG emissions by at least 20% across our value chain by 2030. To achieve this goal, we must reduce emissions in our agricultural supply chain, including palm oil, by implementing our NDPE policy commitments. Our involvement in this work ties to our efforts to realize our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020.

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Engaging with communities

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

i. PepsiCo role and fit within environmental strategy: In February 2018, PepsiCo committed to participate in Oxfam's FAIR Company-Community Partnerships project in Indonesia. The project promotes a model for sustainable palm oil that benefits women, smallholder farmers, local communities, the environment, and participating companies. FAIR Company-Community Partnerships offer an alternative vision and business model for palm oil production. At the core of the project is the promotion of rights and development aspirations among women, small-holder farmers, and host communities. PepsiCo is the first palm oil buyer to publicly commit its participation and will be joined by others as the project progresses. We are contributing funds for projects and providing relevant business perspectives to the initiative, as well as sharing the lessons in our own supply chains and with our sector peers. PepsiCo is supporting landscape programs in Indonesia and continuing its support for the Mexico Smallholders Program. In Indonesia, our landscape programs include efforts to support smallholder livelihoods and production. For example, in Aceh PepsiCo has developed a project with local plantation and mill companies, NGOs and others to support at least 500 smallholders in Aceh Tamiang district with better production and sustainability practices and restoration of 300 hectares. In Siak and Pelalawan districts in Riau, in partnership with other supply chain companies PepsiCo will support up to 10 villages in a similar manner. In 2019 PepsiCo received an award from FORTASBI (Forum of Sustainable Oil Palm Smallholders in Indonesia) in recognition of the support that PepsiCo's sourcing of 12,177 RSPO independent smallholder credits had made to the livelihoods of farmers in cooperatives in South Sumatra. Realizing the connection between deforestation and climate change, PepsiCo established a goal to reduce absolute GHG emissions by at least 20% across our value chain by 2030. To achieve this goal, we must reduce emissions in our agricultural supply chain, including palm oil, by implementing our NDPE policy commitments. Our involvement in this work ties to our efforts to realize our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020.

F6.11**(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?**

Yes

F6.11a**(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).****Project reference**

Project 1

Project type

Other, please specify (Landscape program including forest protection; peatland protection and best management; sustainable agricultural production)

Primary motivation

Voluntary

Description of project

In Indonesia, PepsiCo is one of seven companies that are working together on a landscape program for sustainable palm oil in the districts of Siak and Pelalawan. The goal of the program is to create sustainable landscapes across both districts, which will produce deforestation-free and exploitation-free palm oil and maintain or enhance key conservation areas. This will build upon existing local efforts and multi-stakeholder platforms to advance a shared vision of sustainable, inclusive palm oil production models. The program has three phases which are: 1) design the intervention, 2) define the partnership and 3) implement the intervention. In 2019, the partners worked to complete phase 1. In 2020, the Coalition will focus on final definition of the partnership as well as implementing activities within the workplan including support to local communities, engagement of Mills, improving traceability and coordination of deforestation monitoring. PepsiCo is voluntarily pursuing this program in recognition that smallholder engagement and participation in the shift to sustainable palm oil is critically important and requires industry-wide initiatives and collaboration, especially in the largest and most fragmented production markets. Therefore we are investing in landscape initiatives that support conservation, community development, smallholder inclusion and responsible production practices.

Start year

2019

Target year

Indefinitely

Project area to date (Hectares)

2248109

Project area in the target year (Hectares)

2248109

Country/Area

Indonesia

Latitude

1.275

Longitude

100.905833

Monitoring frequency

Annually

Measured outcomes to date

No measured outcomes

Please explain

Primary motivation: The goal of the program is to create sustainable landscapes across both districts which will produce deforestation and exploitation-free palm oil and maintain or enhance key conservation areas. Expected outcomes: The goal of the program is to create sustainable landscapes across both districts which will produce deforestation and exploitation-free palm oil and maintain or enhance key conservation areas. This will build upon existing local efforts and multi-stakeholder platforms to advance a shared vision of sustainable and inclusive palm oil production models. In 2020, the Coalition will focus on implementing activities within the workplan, including providing support to local communities, engaging mills, improving traceability, and coordinating on deforestation monitoring. Project coverage refers to the total ha in the Siak and Pelalawan districts; PepsiCo currently engages with 7 villages in these districts, where we now have village facilitators on the ground.

Project reference

Project 2

Project type

Other, please specify (Landscape program including sustainable agricultural production, forest restoration, agroforestry, reforestation, smallholder engagement and support)

Primary motivation

Voluntary

Description of project

As part of its role in the CSL, PepsiCo has been supporting the development of the Aceh Tamiang district initiative and implementation of the landscape plan that the coalition has formulated. In late 2019, the district government formally adopted the plan and signed an agreement to work together towards specific targets on deforestation, livelihoods, and productivity in partnership with local stakeholders (a production-protection-inclusion model). In support of this plan, PepsiCo is investing in partnership with PT Mopoli Raya, Forum Konservasi Leuser (FKL), and IDH in the restoration of 300 hectares of forest and supporting at least 500 smallholders to become more productive and sustainable. PepsiCo is currently implementing this partnership work on the ground, while also supporting the development of a government-led landscape management body and working with other stakeholders to develop an effective monitoring system and response protocol to deforestation alerts.

Start year

2019

Target year

Indefinitely

Project area to date (Hectares)

11000

Project area in the target year (Hectares)

43000

Country/Area

Indonesia

Latitude

4.274905

Longitude

97.87216

Monitoring frequency

Annually

Measured outcomes to date

No measured outcomes

Please explain

Primary motivation: Support the implementation of the PPI Compact signed by Local Government and private sector in 2019 (<https://www.idhsustainabletrade.com/news/aceh-tamiang-to-become-sustainable-producing-region-as-1st-step-towards-vsa/>) Expected outcomes: This project serves as a pilot project contributing to the targets of Aceh Tamiang Compact. Focusing in a sub-district of Tenggulun, the project will contribute to the reduction of deforestation, improvement of sustainable palm oil production and land legality/conflict resolution in Aceh Tamiang through following interventions: Protection: Developing forest monitoring and improving traceability in the direct surroundings of two PT Mopoli Raya's concessions. Establishing forest-friendly livelihood models to reduce forest encroachment Production: Increasing capacity of independent smallholders and growers via good agricultural practices to increase production. Inclusion: Increasing smallholders' access to finance, inputs and sustainability practices. At jurisdiction level, this project is one of the building blocks of PPI Compact in Aceh Tamiang which focuses on three pillars: Production, Protection and Inclusion. The establishment of a compact governance body – Centre of Excellence – is an essential part of the compact work. Project coverage includes: 300 ha restoration;1000 ha smallholder plots; 4,000 ha corporate plantation; estimated 10,000 ha forest

Project reference

Project 3

Project type

Other, please specify (Sustainable agricultural production and conservation)

Primary motivation

Voluntary

Description of project

We launched a holistic program for sustainable palm oil in Mexico that engages the entire supply chain: from the national palm oil federation Femexpalma to our main supplier Oleofinos, to Oleopalma and the smallholders in their supply base. We are working with Femexpalma to consolidate its role in supporting the sustainability of the palm oil sector, strengthening the expertise of the team to support to its members through capacity building and applied research. PepsiCo engages with Oleofinos to improve transparency and traceability. In 2018-2019, PepsiCo supported development and implementation of Oleopalma's roadmap for certification of their Jalapa and Palenque mills. In March 2020, Oleopalma became the first RSPO certified mill in Mexico. PepsiCo is also working with RSPO and Oleopalma to support smallholder farmers in Mexico to achieve RSPO independent group certification. These trainings and developments help to increase sustainable palm practices and can positively impact livelihoods. PepsiCo is also investing in piloting studies and adapting global approaches to the Mexico context, specifically in Environmental and Social Impact Assessments and High Conservation Value (HCV). Over 70,000 hectares of Oleopalma's supply base in Mexico were assessed through the HCV approach, which includes smallholders, medium, and large palm-producers.

Start year

2016

Target year

2021

Project area to date (Hectares)

70000

Project area in the target year (Hectares)

70000

Country/Area

Mexico

Latitude

17.9895

Longitude

92.9475

Monitoring frequency

Annually

Measured outcomes to date

Biodiversity

Please explain

Primary motivation: Contrary to reports of a surplus of RSPO-certified palm oil, physically-certified supply is limited or non-existent in some regions including, for example, some markets in the Americas. To address this problem, PepsiCo seeks to build certification capacity on our journey to 100%, which is why we are implementing a holistic program for sustainable palm oil in Mexico based on the RSPO Principles & Criteria framework. This capacity-building program involves the entire supply chain and provides training and technical assistance toward RSPO certification. Stakeholder engagement began in late 2016, and program rollout began in 2017. Measured outcomes: To date, we have assessed the following: • Surface (Ha) assessed under the HCV regional assessment: 70,000 ha • Surface (ha) of smallholdings under Land Use Change Analysis (LUCA): 7,604 ha Note that latitude/longitude refers to an identified location within the region for which the program applies.

F7. Verification

F7.1

(F7.1) Do you verify any forests information reported in your CDP disclosure?

No, but we are actively considering verifying in the next two years

F8. Barriers and challenges

F8.1

(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.

Forest risk commodity

Timber products

Coverage

Supply chain

Primary barrier/challenge type

Supply chain complexity

Comment

With respect to deforestation-free supply chains, barriers and challenges include: • Our ability to trace supply, meaning the ability of a buyer or end user to have accurate data on the specific sources of its purchased commodities, working back through direct suppliers all the way to individual plantations • Availability of public sector initiatives whereby government legislators, regulators and other officials work in concert with the private sector to incentivize forest conservation, protect forests through effective enforcement of laws and anti-corruption measures, improve transparency and achieve synergy between laws/regulations and certification schemes • Ability to identify areas at high-risk of deforestation in order to prioritize action • Root causes of deforestation such as poverty and the inability of small holders to produce commodities sustainably • Lack of availability of credibly-certified volumes for certain commodities in some markets • Lack of universally-accepted definitions and protocols, leading to varying certifications and related claims • Our ability to collaborate with key public and private actors to achieve meaningful results.

Forest risk commodity

Palm oil

Coverage

Supply chain

Primary barrier/challenge type

Supply chain complexity

Comment

With respect to deforestation-free supply chains, barriers and challenges include: • Our ability to trace supply, meaning the ability of a buyer or end user to have accurate data on the specific sources of its purchased commodities, working back through direct suppliers all the way to individual plantations • Availability of public sector initiatives whereby government legislators, regulators and other officials work in concert with the private sector to incentivize forest conservation, protect forests through effective enforcement of laws and anti-corruption measures, improve transparency and achieve synergy between laws/regulations and certification schemes • Ability to identify areas at high-risk of deforestation in order to prioritize action • Root causes of deforestation such as poverty and the inability of small holders to produce commodities sustainably • Lack of availability of credibly-certified volumes for certain commodities in some markets • Lack of universally-accepted definitions and protocols, leading to varying certifications and related claims • Our ability to collaborate with key public and private actors to achieve meaningful results

F8.2

(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.

Forest risk commodity

Timber products

Coverage

Supply chain

Main measure

Improved data collection and quality

Comment

Forest risk commodity

Palm oil

Coverage

Supply chain

Main measure

Improved data collection and quality

Comment

F17 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.

N/A

F17.1

(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

	Job Title	Corresponding job category
Row 1	Chief Sustainability Officer	Chief Sustainability Officer (CSO)

SF. Supply chain module

SF0.1

(SF0.1) What is your organization's annual revenue for the reporting period?

	Annual revenue
Row 1	67161000000

SF0.2

(SF0.2) Do you have an ISIN for your organization that you are willing to share with CDP?

No

SF1.1

(SF1.1) In F6.3 you were asked "Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption". Can you also indicate, for each of your disclosed commodity(ies), the percentage of certified volume sold to each requesting CDP supply chain member?

No

SF1.1b

(SF1.1b) Why can you not indicate the percentage of certified volume sold to each of your requesting CDP supply chain members? Describe any future plans for adopting and communicating levels of certification to requesting members.

Requesting member

Restaurant Brands International

Forest risk commodity

Timber products

Primary reason

Insufficient data on what is sold to requesting member

Please explain

PepsiCo does not currently have the capability to allocate certified volumes in the many thousands of product types currently sold to our customers, or to allocate those certified volumes to the many individual customers we have.

Requesting member

Restaurant Brands International

Forest risk commodity

Palm oil

Primary reason

Insufficient data on what is sold to requesting member

Please explain

PepsiCo does not currently have the capability to allocate certified volumes in the many thousands of product types currently sold to our customers, or to allocate those certified volumes to the many individual customers we have.

Requesting member

Grupo Big

Forest risk commodity

Timber products

Primary reason

Insufficient data on what is sold to requesting member

Please explain

PepsiCo does not currently have the capability to allocate certified volumes in the many thousands of product types currently sold to our customers, or to allocate those certified volumes to the many individual customers we have.

Requesting member

Grupo Big

Forest risk commodity

Palm oil

Primary reason

Insufficient data on what is sold to requesting member

Please explain

PepsiCo does not currently have the capability to allocate certified volumes in the many thousands of product types currently sold to our customers, or to allocate those certified volumes to the many individual customers we have.

SF2.1

(SF2.1) Please propose any mutually beneficial forests-related projects you could collaborate on with specific CDP supply chain members.

SF2.2

(SF2.2) Have requests or initiatives by CDP supply chain members prompted your organization to take organizational-level action to reduce or remove deforestation/forest degradation from your operations or your supply chain?

No

SF3.1

(SF3.1) For your disclosed commodity(ies), do you estimate the GHG emission reductions and/or removals from land use and land use change that have occurred in your direct operations and/or supply chain?

Timber products

Estimate GHG emissions and removals from land use and land use change

No

Please explain

Palm oil

Estimate GHG emissions and removals from land use and land use change

Yes, willing to share details with requesting CDP SC members

Please explain

Estimate: 185669 MT CO2e. These estimates are based on a study we conducted to evaluate land use change impacts within our sourcing locations for certified commodity as compared to non-certified commodity. This study helped us develop emission factors for RSPO certified palm oil to be included within our corporate greenhouse gas inventory. We then determined the change in our emissions from palm oil between 2015 and 2019.

SF3.1a

(SF3.1a) For your disclosed commodity(ies), provide details on the actions implemented in your direct operations and/or supply chain that have resulted in a reduction of GHG emissions and/or enhancement in removals.

Forest risk commodity

Palm oil

Description of actions

Procurement of certified commodity

CO2e reductions and removals achieved from base year (metric tons CO2e)

185669

Base year

2015

Emissions accounting boundary

Included in the corporate GHG inventory boundary

Scope

Scope 3: Purchased goods & services

Emissions accounting methodology and standards

The GHG Protocol for Project Accounting
LULUCF Guidance for GHG Project Accounting
Value chain (scope 3) intervention guidance

Please explain calculation

These estimates are based on a study we conducted to evaluate land use change impacts within our sourcing locations for certified commodity as compared to non-certified commodity. This study helped us develop emission factors for RSPO certified palm oil to be included within our corporate greenhouse gas inventory. We then determined the change in our emissions from palm oil between 2015 and 2019.

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission	Are you ready to submit the additional Supply Chain Questions?
I am submitting my response	Investors Customers	Public	Yes, submit Supply Chain Questions now

Please confirm below

I have read and accept the applicable Terms