



PepsiCo's Palm Oil Action Plan (10/2015)

PepsiCo is working to realize zero deforestation in our company owned and operated activities and supply chain. In furtherance of this work, PepsiCo has committed to source palm oil, an ingredient in certain of its products, in a sustainable fashion. PepsiCo recognizes both the potential environmental benefits, including climate and biodiversity, as well as the social benefits, including human rights, of sustainable sourcing. PepsiCo's global Forestry Stewardship and Land Use policies and specific palm oil commitments are transparently available on its website. The below action plan outlines key steps PepsiCo has taken or will take to ensure it meets its commitments.

Source 100% certified sustainable palm oil (CSPO) by 2015.

Why? To ensure that the palm oil we are sourcing is certified as sustainable.

Status: Completed, largely through the use of Green Palm credits; this is an initial step to support market development as PepsiCo transitions to physically certified sustainable palm oil

Ensure all direct suppliers are RSPO Members by 2016.

Why? To support the RSPO and its efforts to improve sustainability within the palm oil industry.

Status: Currently, approximately 83% of direct suppliers are RSPO members.

Next steps: Gain 100% compliance in 2016.

Engage with appropriate industry and other groups to improve our understanding of concerns within the palm oil industry and to achieve our goals.

Why? To support industry efforts to improve sustainability within the palm oil industry.

Status: Joined in investor letter (May 2015) and supported RSPO Next through CGF, calling for further enhancements (October 2015).

Next steps: Monitor implementation of RSPO Next; ally with like-minded organizations on further enhancements, particularly with respect to the inclusion of small holder farmers.

Map supply chains to the mill of origin to ensure traceability by 2016.

Why? To better understand the palm oil supply chain.

Status: Currently, approximately 65% of PepsiCo palm oil is traceable to a mill of origin by our suppliers, based on supplier self-assessment results.

Next steps: Gain 100% compliance in 2016. In addition, work with Control Union to develop a supplier self-verification protocol to recommend standard methodology and documentation to support traceability.

Implement a third-party audit program for Forestry Stewardship and Land Rights policies for our palm oil supply chain.

Why? To obtain a better understanding of our palm oil supply chain.

Status: Working with a credible third party (ProForest) to develop an auditing process; protocol will stress PepsiCo commitments on HCS, HCV, peat lands, land rights, including FPIC, human rights as defined by the UN Universal Declaration of Human Rights and no burning, as described by RSPO.

Next steps: Starting in Mexico, the process will be piloted with suppliers followed by further evaluation of the feasibility to target starting audits beginning in Q3 2016.

Actively assess risk of our global palm oil suppliers and source countries and engage with those suppliers operating in high-risk regions to carry out on-the-ground assessments of practices.

Why? To proactively work with our suppliers to identify and mitigate risks.

Status: PepsiCo is in discussions with a qualified third party (ProForest) to assess what would be required to develop a risk analysis and mitigation plan.

Next steps: We are evaluating proposals to perform the risk assessment.

Request our palm oil suppliers to report on greenhouse gas emissions through the CDP Supply Chain, or similar program.

Why? To work with our suppliers to reduce the GHG impact of the palm oil supply chain.

Status: PepsiCo itself annually reports GHG emissions through the CDP and has established a strong relationship with the CDP Supply Chain project.

Next steps: In 2016, PepsiCo will encourage its suppliers to join the CDP, and to report on greenhouse gases.

Suppliers, as necessary, will be encouraged to adopt high standards for palm oil sustainability throughout their systems.

Why? To encourage our suppliers to implement enhanced standards for sustainability throughout their customer base.

Status: PepsiCo recognizes the need to promote enhanced standards regarding palm oil sustainability through its commitments, in particular the use of Free Prior and Informed Consent (FPIC) to resolve past land rights disputes, to encourage its suppliers to adopt similar policies and practices as needed.

Next Steps: PepsiCo will continue to demonstrate, through its own actions and in communication, as needed, with its suppliers, that high standards should be maintained as best practices.

Ask suppliers to identify the use of derivatives in our ingredients.

Why? To better understand the supply chain beyond the direct palm oil which is the major use of palm by PepsiCo.

Status: In 2015, we reached out to our primary seasoning and ingredient suppliers to understand the extent to which palm derivatives are included in our ingredients.

Next steps: In 2016, begin dialogue with major suppliers of ingredients and derivatives encouraging them to review PepsiCo's policies on palm oil and to consider adoption of similar policies within their supply chains.

Work with suppliers to ensure that PepsiCo's palm oil policies are implemented in a way that supports the inclusion of smallholders.

Why? To increase the level of locally sourced oil, raise the income levels of our smallholder sources and do so in a sustainable manner.

Status: In 2015, PepsiCo began actively working, in cooperation with our suppliers in Mexico, to understand the challenges of smallholder farms.

Next steps: In 2016, we will continue the dialogue with our suppliers and others who have a similar interest.

Leverage the PepsiCo Sustainable Farming Initiative to support implementation of sustainable agriculture practices that enable farmers to increase production on currently farmed land and minimize impacts on the surrounding area.

Why? To encourage growth of sustainable palm oil with minimal need for expanding land under cultivation and minimal impact on surrounding areas.

Status: In 2015, PepsiCo began actively working, in cooperation with our suppliers in Mexico, to understand the challenges of smallholder farms.

Next steps: In 2016, we will continue dialogue with our suppliers and others who have a similar interest.

Ensure PepsiCo's palm oil supply chain understands PepsiCo's expectations under our Supplier Code of Conduct (SCoC).

Why? To ensure our suppliers understand PepsiCo's expectations that its suppliers follow PepsiCo's Supplier Code of Conduct

Status: PepsiCo created a Supplier Code of Conduct training module available on our website at www.pepsico.com. We have created a "Speak Up" line which enables any suspected violations of PepsiCo's Code of Conduct to be reported, including by our suppliers.

Next steps: Maintain a current copy of PepsiCo's SCoC for new and existing suppliers on our website. Continue to utilize "Speak Up" as an appropriate grievance mechanism. Ensure corrective action is taken as needed.

Ensure that PepsiCo's palm oil sources will be in compliance with PepsiCo's Forestry Stewardship Policy, which includes adherence to principles regarding High Carbon Stock (HCS) Forests, High Conservation Value (HCV) areas, and no new development of peat lands.

Why? To ensure our suppliers understand and uphold the principles of our Forestry Stewardship Policy.

Status: PepsiCo has identified a qualified third party (ProForest) to develop a plan to assess our supply chain for risks of non-compliance with our Forestry Stewardship, Land Use and Palm Oil policies.

Next steps: We are evaluating proposals to complete the risk assessment.

Ensure that PepsiCo's palm oil sources will be in compliance with PepsiCo's Land Use Policy, which includes adherence to the principle of Free Prior and Informed Consent (FPIC).

Why? To ensure our suppliers understand and uphold the principles of our Land Use Policy.

Status: PepsiCo has identified a qualified third party (ProForest) to develop a plan to assess our supply chain for risks of non-compliance with our Forestry Stewardship, Land Use and Palm Oil policies.

Next steps: We are evaluating proposals to complete the risk assessment.

PepsiCo will apply its policy and commitments to all its brands and products worldwide.

Why? Ensure that all PepsiCo brands and products meet our company's standards on palm oil sustainability, regardless of the source of production.

Status: Began communication with IndoFood JV (IFL) on sourcing only sustainable palm oil for PepsiCo products, and following the company's policies and programs for all PepsiCo products.

Next Steps: Develop action steps for engaging with our business partners to ensure that we meet our 2020 goal for all PepsiCo brands and products.

Map supply chains from mills to farm/plantation level by the end of 2020.

Why? To better understand the palm oil supply chain to manage system.

Status/Next Steps: Explore next steps in 2016 as traceability to the mill level is achieved.

Source 100% physically certified sustainable palm oil by 2020.

Why? To ensure that the palm oil we are sourcing is ultimately physically certified as sustainable.

Status/Next steps: PepsiCo is developing sourcing options that would enable fulfillment of this goal by 2020.

Periodically report on our progress against our policies, commitments, and this action plan.

Why? To communicate regularly and transparently on our intentions, progress and challenges.

Status and Next Steps: Update our action plan including performance against metrics on an annual basis.