

PEPSICO LAW DEPARTMENT
POLICY FOR THE SELECTION OF LEGAL SERVICES
(March 2017)

At PepsiCo, we believe the business imperative for diversity is incontrovertible. We recognize that to compete, grow and win in the 21st century, a workforce that reflects the diversity of our customer and consumer base is not optional; it is essential to our long-term success. Likewise, when we procure external legal services, we seek partners who share our values and believe, as we do, that diversity is integral to retaining legal representation that is the highest quality available anywhere in the world.

One of the hallmarks of the legal profession is that it boasts highly intelligent, creative and experienced legal minds from all quarters; this notwithstanding, however, the legal field enjoys the least diversity among comparable professions.¹ As a major consumer of legal services, PepsiCo has both the opportunity and responsibility to help drive those changes critical to improving diversity within the legal profession, particularly at law firms.

PepsiCo supports the implementation of American Bar Association Resolution 113 to expand and create opportunities for diverse attorneys through a variety of initiatives, including adaptation of the ABA's Model Diversity Survey to collect information about the firms and lawyers we engage.

Accordingly, to further the goals discussed herein, as well as promote accountability and transparency, the Policy for the Selection of Legal Services ("the Policy") is as follows:

1. When selecting outside counsel, the primary objective is to engage the best counsel for a particular matter. When assessing outside counsel, in addition to **cost** and **technical expertise**, PepsiCo attorneys must also consider **diversity**, specifically the diversity of those individuals who appear on billing charges for PepsiCo matters; individuals who receive origination or "relationship" credit for PepsiCo matters; and individuals who comprise the professional ranks of the firm at issue.
2. All law firms engaged with PepsiCo in the U.S. must complete the PepsiCo Diversity Survey (an adaptation of the ABA Model Diversity Survey) ("the Survey") on an annual basis.
3. Law firms not already engaged with PepsiCo must complete the Survey before they may be considered for PepsiCo work. In addition to the requested metrics, the returned survey must reflect the proposed attorneys who will staff the matter under consideration.
4. Using data collected from the Survey, each firm will receive a Diversity Index Score ("DIS") and be ranked among its peers based on its presence in the U.S., either big (301+ attorneys), large (101-300 attorneys), or medium/small (< 101 attorneys) firms.

¹ See Deborah L. Rhode. *Law is the least diverse profession in the nation. And lawyers aren't doing enough to change that.* THE WASHINGTON POST, May 27, 2015, available at https://www.washingtonpost.com/posteverything/wp/2015/05/27/law-is-the-least-diverse-profession-in-the-nation-and-lawyers-arent-doing-enough-to-change-that/?hpid=z11&utm_term=.9c8736c8e742.

5. U.S.-based PepsiCo attorneys may, consistent with applicable approval procedures and guidelines, use their discretion when engaging a law firm that has a median or higher DIS, according to the most current survey results.
6. If a U.S.-based PepsiCo attorney wants to engage a law firm that has a DIS below the median score for a new matter, s/he must obtain written approval from the PepsiCo General Counsel prior to engagement consistent with the following procedures:
 - a. When seeking approval, the PepsiCo attorney must provide: (i) which, if any, law firm at or above the median score was considered but not selected and why; and (ii) why the selected law firm is uniquely positioned to handle the matter(s).
 - b. Approval may be obtained for individual matters or groups of related matters, as defined by the PepsiCo General Counsel.
 - c. All written approvals from the PepsiCo General Counsel must be submitted to the Legal Department's Director of Business Operations.
7. On a monthly basis, the Director of Business Operations will cross-check newly opened matters to confirm: (a) the engaged law firms have completed the Survey; and (b) EITHER (i) the engaged law firms have a median or higher DIS OR (ii) the PepsiCo General Counsel has provided written approval to engage a firm that does not have a median or higher DIS.
8. PepsiCo's law firm relationship managers are responsible for communicating to outside firms the DIS formula and how the scores will be used when selecting counsel.
9. When PepsiCo attorneys based outside of the U.S. hire law firms with at least one U.S. office, they will consider the firm's DIS, even if the billing attorneys are based outside of the U.S.
10. Annual performance review for Senior Vice Presidents in the Legal Department will include an evaluation of their teams' adherence to these guidelines and their efforts to promote diversity within the legal profession through this Policy and other initiatives.