

PepsiCo Palm Oil Specific Commitments

Sept 2015

As outlined in PepsiCo's Forestry Stewardship Policy, PepsiCo is committed to doing business the right way and to realizing zero deforestation and respect for human rights in all our company-owned and -operated activities and global supply chains. We recognize that PepsiCo has a responsibility to ensure that we and our suppliers operate in accordance with applicable legal requirements and practice responsible forestry stewardship.

Palm oil is currently the most widely-used vegetable oil globally and has greatly contributed to the economic growth of many developing countries. However, the rapid expansion of oil palm plantations has also resulted in challenges. To help address these challenges, PepsiCo is committed to using its role in the global supply chain to contribute to the promotion of responsible and sustainable sources of palm oil and has established specific commitments with respect to our sourcing of palm oil.

In 2010, PepsiCo committed, through the Roundtable for Sustainable Palm Oil (RSPO), to source exclusively 100% RSPO certified sustainable palm oil by 2015. In 2013, PepsiCo further strengthened this commitment to purchase 100% Physical RSPO certified palm oil by 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. While we are committed to the RSPO and its process and standards, we are also committed to going beyond current RSPO standards in order to ensure further protection of forests, peatlands, and human rights. Further, we recognize that our suppliers provide their products to a wide range of different companies which have their own requirements and provisions however we will encourage our suppliers to apply these principles to their entire operations, not just those supplying PepsiCo. This is why we are further committing that PepsiCo's palm oil sources globally will:

- Be sourced exclusively through direct suppliers who are members of the RSPO.
- Comply with our Forestry Stewardship Policy, which includes adherence to the following principles:
 - Compliance with applicable legal requirements of each country in which we operate and from which we source.
 - No further development on High Carbon Stock (HCS) Forests¹ or High Conservation Value (HCV) Areas.²
 - No new conversion of any Peatlands, and the use of best management practices for existing plantations on Peatlands³
- Adhere to the principle of Free, Prior, and Informed Consent (FPIC) - as defined and outlined in our Land Use Policy.
- Adhere to the Universal Declaration of Human Rights, be in basic compliance with applicable laws, prohibit forced, compulsory or child labor, follow ethical recruitment practices, respect freedom of association, recognize the rights of all workers including temporary, migrant, and contract workers; and cooperate with reasonable assessment processes requested by PepsiCo.
- In conjunction with our support of RSPO's standards, PepsiCo is committed to work with governments, NGOs, suppliers and other companies to ensure RSPO's no burning policy is realized through better monitoring and new technology

This commitment applies to palm and palm kernel oil that we use globally, including our global palm oil supply chain network, from direct suppliers to raw material sources. In addition, PepsiCo understands that palm oil derivatives may be used in limited amounts in certain ingredients procured for use in our products. While these derivatives represent a very small portion of our total palm oil supply, where we know they are used, we will apply the principles of this commitment. In addition, we will ask our suppliers to identify the use of derivatives in our ingredients as we continue to address the vast majority of our palm oil use through palm oil and palm kernel oil.

¹ PepsiCo recognizes HCS as defined by the HCS Toolkit: http://highcarbonstock.org/wp-content/uploads/2015/04/HCS-Approach-Toolkit_Full-version.pdf

² High Conservation Areas as defined by the Common Guidance on Identification of HCVs available at: <https://www.hcvnetwork.org/news-and-events/blog.2013-10-09.1940557572>

³ Best Management Practices for plantations already planted on peat can be found in the RSPO Manual on Best Management Practices for Existing Oil Palm Cultivation on Peat: <http://www.sustainablepalmoil.org/files/2012/11/RSPO-Manual-on-BMPs-for-Existing-Oil-PalmCultivation-on-Peat-SMALL-120812.pdf>

In addition, PepsiCo will:

- Achieve 100% traceability to the mill level for all our palm oil and palm kernel oil, and assess suppliers operations and landholdings on PepsiCo's Forestry Stewardship and Land Use Policies and the principles of this commitment by 2016.
- Achieve traceability to the Farm/Plantation level of our palm oil and palm kernel oil by 2020.
- Request our palm oil suppliers to report on greenhouse gas emissions through the CDP Supply Chain, or similar, program.
- Work with our suppliers to ensure that these policies are implemented in such a way that supports the inclusion of smallholders.
- Engage with appropriate industry and other groups to improve our understanding of deforestation, forest conservation, Indigenous and customary land tenure rights, human rights, and labor rights issues in the palm oil industry, adapt our policy, and achieve our goals.
- Use an appropriate means of communicating PepsiCo's palm oil commitments and associated policies to our suppliers, such as the PepsiCo Supplier Code of Conduct (SCoC).
- 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.
- Support a confidential and safe process for investigating grievances raised by affected parties by making the PepsiCo SpeakUp! hotline available, along with any supplierprovided grievance mechanisms, for the reporting of suspected breaches of this policy to PepsiCo. Additional information concerning PepsiCo's SpeakUp! hotline, and how to report a suspected violation of this and other PepsiCo policies, can be found on our website: <http://www.pepsico.com/about/global-code-of-conduct>. In instances where outstanding land rights disputes exist in our supply chain we encourage our suppliers to utilize the principles of FPIC to reach a resolution.

To carry out these commitments, PepsiCo will:

- Actively assess risk 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 production and expansion practices.
- In instances of non-compliance, proactively work with suppliers, and when corrective action plans are not implemented, terminate the relationship with the supplier.
- Develop a publically available action plan by October 2015, including measureable time-bound performance targets and indicators to track our progress and report on our performance against this commitment.

We look forward to continuing to partner with the RSPO and other trade associations, government agencies, non-governmental organizations, and other critical external stakeholders to help influence positive changes and improvements in the palm oil industry, public policy, regulation and governance.