

PepsiCo Global Policy on the Sale of Beverages to Schools

Oct 2013

The following is PepsiCo's sales and distribution policy aimed to help schools outside the United States offer a wider range of low calorie and nutritious beverages to their students. Please note the policy applies to PepsiCo's company-owned operations and is promoted to independent bottlers and third parties which may distribute PepsiCo beverage products in schools.

While it is the schools which must ultimately decide which beverages should be available to students, and where and when they should be sold, PepsiCo hopes we to play a role in shaping an environment in schools which facilitates healthy choices for school-age children everywhere.

Policy Details

I. Compliance with Law

PepsiCo will strictly comply with all applicable laws and regulations.

Independent bottlers and third parties that distribute PepsiCo products to schools should comply with all relevant national and local laws and regulations governing the sale of beverages in schools.

II. Product Selection

PepsiCo will offer only those beverage products that meet the following standards, if such products are to be sold to students. PepsiCo will not offer caffeinated beverages that are marketed as energy drinks for sale to students in schools even if they meet these standards.

PepsiCo will encourage independent bottlers and third-party distributors to work closely with parents, community leaders and school officials to ensure that only products that meet the following standards are offered to schools for sale to students in primary and secondary schools as such schools are defined in the local markets.

Guidelines for Beverages

Primary school

- Water
- Non-fat or low-fat milk (flavored/unflavored), including nutritionally equivalent milk alternatives (e.g. oat, rice, soy milk etc. enriched with calcium)
- 100% fruit/vegetable juice Juice/water beverage combinations containing no added sugar Combinations of juice/non-fat or low fat dairy or nutritionally equivalent milk alternatives with no more than 10% kcal from added sugar
- Locally relevant and acceptable beverages for school children such as nectars and coconut waters

Secondary school

- Same as primary schools except the following beverages are also permitted:
- Beverages containing no more than 40 kcal per 240 ml
- Sports Drinks, as defined below

As a practical matter, if primary school and secondary school students have common access to areas where our products are sold on a common campus or in common buildings, then the school community may opt to adopt the secondary school standard.

III. Sports Drinks

Because sports drinks are specially designed to provide benefits relevant to those engaged in physical and sporting activity beyond general nutrition they should be considered as a separate category.

PepsiCo supports the use of sports drinks in appropriate situations specifically before, during and after physical activity/heat. The specific formulation of sports drinks is scientifically proven to rehydrate, help in the maintenance of correct fluid and electrolyte balance and provide carbohydrate energy for working muscles from which (under certain conditions) students would benefit.

Definition of a sports drink varies regionally and therefore we support local definitions of composition and we recommend a maximum serving size of 355ml.

IV. Time of Day

This policy applies to PepsiCo beverage products sold to students on school grounds during the school day as well as the extended school day. The extended school day is the time before and after school when students are involved in events (e.g. clubs, drama, band and choir practice, student government, and childcare programs) that are primarily under the control of the school or third parties on behalf of the school.

At the request of and in agreement with school authorities, the application of this timing may be optional during school-related events where parents and other adults are in attendance. Examples of such events may include sports, school plays, dances and concerts.

As noted above, the inclusion of the extended school day in this policy does not prohibit sales of sports drinks to student athletes at practices, training sessions and competitions or to other students engaged in physical activity.

V. Vending Machines

PepsiCo will encourage our operations, independent bottlers, vending companies and third-party distributors to provide vending machines in a variety of graphic designs, including activity-based and non-commercial imagery. We also recommend the use of nutritional information panels that can be attached to vending machines.

VI. Implementation

This policy was introduced 1 January 2011, was updated in 2013 and will be monitored for compliance.

11. Maintain accurate financial books and business records in accordance with all applicable legal and regulatory requirements and accepted accounting practices, including with respect to all invoices submitted to PepsiCo for payment or reimbursement.

12. Deliver products and services meeting applicable quality and food safety standards.

PepsiCo is committed to producing high quality and safe products across all of our brands.

Suppliers involved in any aspect of developing, handling, manufacturing, packaging, transporting, or storing our products are expected to:

- Know and comply with the product quality standards, policies, specifications, and procedures that apply to the products produced at your location
- Follow and adhere to good manufacturing practices and testing protocols
- Comply with all applicable federal, state, and local food safety laws and regulations
- Report issues immediately to PepsiCo that could negatively affect the quality or public perception of a PepsiCo product

13. Support compliance with the Supplier Code by establishing appropriate management processes and cooperating with reasonable assessment processes requested by PepsiCo.

To conduct business with PepsiCo, suppliers must enter into contracts and execute purchase orders that mandate compliance with the Supplier Code. With prior notice, PepsiCo may conduct reasonable audits to verify Supplier's compliance with the Supplier Code. In addition, as further outlined in the ABAC Policy, certain suppliers are required to complete our Third Party Due Diligence process from time to time.

14. Observe PepsiCo's policies regarding gifts and entertainment and conflicts of interest when dealing with PepsiCo employees.

PepsiCo suppliers, or anyone acting on PepsiCo's behalf, are prohibited from providing or offering gifts to PepsiCo employees that could inappropriately influence PepsiCo's business decisions or gain an unfair advantage.

15. Ensure that all land acquisitions (including leasing and utilization) meet International Finance Corporation (IFC) Performance Standards, including Free, Prior and Informed Consent.

16. Report suspected violations of the Code.

PepsiCo expects that suppliers have an effective Grievance Management system in place for grievances raised by workers within their operations or by third parties, which elevate potential violations to management in line with the UN Guiding Principles. Supplier's employees or contractors may also report suspected violations of this Code to the PepsiCo "Speak Up" hotline at 1-866-729-4888 in the United States or to dedicated phone lines in other countries throughout the world. A list of international hotline telephone numbers is attached to this Supplier Code and may be updated from time to time as reflected at <https://www.pepsico.com/about/global-code-of-conduct>.

The "Speak Up" hotline is available worldwide on a 24/7 basis. Communications may also be made electronically at "Speak Up" web-line address <https://www.pepsico.com/about/global-code-of-conduct>. All such reports are treated as confidential, whether provided through our Speak Up telephone or web-line, and you may remain anonymous where permitted by law.