

F0. Introduction

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F0.1

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**(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 \$63 billion in net revenue in 2017, 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). At the heart of PepsiCo is Performance with Purpose (PwP) – our goal to deliver top-tier financial performance while creating sustainable growth and shareholder value. In practice, PwP means providing a wide range of foods and beverages from treats to nutritious eats; trying to find innovative ways to reduce our impact on the environment and lower our operating costs; working to provide a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities where we operate.

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 refranchisings; 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

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**(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 2017	December 31 2017

### F0.3

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

USD

### F0.4

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**(F0.4) Select the stage(s) of the value chain which best represents your organization's area of operation pertaining to forest risk commodities.**

Manufacturing

Retailing

### F0.5

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**(F0.5) Do you produce, use, or sell materials or products that contain any of the forest risk commodities?**

	Produce/use/sell	Disclosing	Explanation if produce/use/sell but not disclosing
Timber	Yes	Yes	<Not Applicable>
Palm Oil	Yes	Yes	<Not Applicable>
Cattle Products	Yes	No	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	Yes	No	PepsiCo only sources soy from four suppliers in Brazil. In 2016, we purchased less than 0.1% of the global supply of soy.
Other - Rubber	No	<Not Applicable>	<Not Applicable>
Other	Please select	<Not Applicable>	<Not Applicable>

### F0.6

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**(F0.6) Are there any parts of your direct operations not included in your disclosure?**

No

### F0.7

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**(F0.7) Are there any parts of your supply chain not included in your disclosure?**

No

## F1. Current state

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### F1.1

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

Forest risk commodity

Timber

**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/Region of origin**

Argentina

Australia

Belgium

Bosnia and Herzegovina

Brazil

Bulgaria

Canada

Chile

China

Colombia

Costa Rica

Cyprus

Czechia

Ecuador

Egypt

El Salvador

France

Georgia

Germany

Greece

Hungary

India

Indonesia

Italy

Japan

Kyrgyzstan

Malaysia

Mexico

Netherlands

Pakistan

Peru

Philippines

Poland

Portugal

Republic of Korea

Romania

Russian Federation

Saudi Arabia

Serbia

South Africa

Spain

Thailand

Turkey

Ukraine

United Kingdom of Great Britain and Northern Ireland

United States of America

Venezuela (Bolivarian Republic of)

Other, please specify (Levant)

**% 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), North America Beverages (NAB), Latin America (LATAM), Europe Sub-Saharan Africa (ESSA), and Asia, Middle East and North Africa (AMENA). Procurement dollar spend and countries of origin are based on our last calculation from 2016. We will be reviewing these figures at the end of the contract term (end of 2018).

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Form of commodity**

Refined palm oil

Palm oil derivatives

**Source**

Contracted suppliers (processors)

**Country/Region of origin**

- Brazil
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- Guatemala
- Honduras
- Indonesia
- Malaysia
- Mexico
- Papua New Guinea
- Peru
- Soloman Islands
- Thailand

**% of procurement spend**

1-5%

**Comment**

The top three countries from which PepsiCo sources palm oil are Indonesia, Malaysia and Mexico. In 2017, our global purchase of palm oil was approximately 450,000 metric tons (MT), which represents less than 1% of the total global supply. Of this total, palm kernel oil comprised about 5,000 MT. PepsiCo uses refined palm oil and palm oil derivatives. Procurement dollar spend is based on our last calculation from 2016.

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**F1.1a**

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**(F1.1a) Indicate from which State/region(s) and municipality(ies) your disclosed commodity(ies) originate.**

**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Brazil

**State/Region**

Specify state/region (Pará, Bahia)

**Municipality**

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Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Colombia

**State/Region**

Specify state/region (Meta, Cesar, Casanare, Antioquia)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Colombia

**State/Region**

Specify state/region (Norte de Santander, Magdalena, Santander)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Colombia

**State/Region**

Specify state/region (Bolívar, Atlántico, Cundinamarca)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in

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2017” document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Ecuador

**State/Region**

Specify state/region (Los Rios, Santo Domingo de los Tsáchilas)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the “Palm Oil Mill List in 2017” document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Ecuador

**State/Region**

Specify state/region (Pichincha, Esmeraldas, Orellana)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the “Palm Oil Mill List in 2017” document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Ecuador

**State/Region**

Specify state/region (Manabi, Sucumbios)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the “Palm Oil Mill List in 2017” document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

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Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Indonesia

**State/Region**

Specify state/region (Sumatera Utara, Jambi, Riau)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Indonesia

**State/Region**

Specify state/region (Kalimantan Barat, Sumatera Selatan)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Ecuador

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo will develop and maintain 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 commitment is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is key towards achieving our ultimate goal to only purchase responsibly-sourced wood fiber products.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

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**Country/Region of origin**

Malaysia

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo will develop and maintain 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 commitment is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is key towards achieving our ultimate goal to only purchase responsibly-sourced wood fiber products.

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Indonesia

**State/Region**

Specify state/region (Bengkulu, Sumatera Barat)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Indonesia

**State/Region**

Specify state/region (Kalimantan Tengah, Aceh)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Indonesia

**State/Region**

Specify state/region (Kalimantan Selatan, Sulawesi Barat)

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**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Indonesia

**State/Region**

Specify state/region (Sulawesi Tengah, Kalimantan Timur)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Indonesia

**State/Region**

Specify state/region (Bangka-Belitung, Lampung, Papua)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Indonesia

**State/Region**

Specify state/region (Kalimantan Utara, Irian Jaya Barat)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more

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rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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#### **Forest risk commodity**

Palm Oil

#### **Activity**

Using as input into product manufacturing

#### **Country/Region of origin**

Indonesia

#### **State/Region**

Specify state/region (Sulawesi Utara, Sulawesi Tenggara)

#### **Municipality**

Don't know

#### **Please explain**

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#### **Forest risk commodity**

Palm Oil

#### **Activity**

Using as input into product manufacturing

#### **Country/Region of origin**

Indonesia

#### **State/Region**

Specify state/region (Kepulauan Riau)

#### **Municipality**

Don't know

#### **Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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#### **Forest risk commodity**

Palm Oil

#### **Activity**

Using as input into product manufacturing

#### **Country/Region of origin**

Malaysia

#### **State/Region**

Specify state/region (Johor, Sabah, Pahang, Kelantan, Perak)

#### **Municipality**

Don't know

#### **Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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#### **Forest risk commodity**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Malaysia

**State/Region**

Specify state/region (Kedah, Sarawak, Melaka, Negeri Sembilan)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Malaysia

**State/Region**

Specify state/region (Selangor, Trengganu, Pulau Pinang)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Mexico

**State/Region**

Specify state/region (Veracruz, Chiapas, Campeche, Tabasco)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

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**Country/Region of origin**

Papua New Guinea

**State/Region**

Specify state/region (Milne Bay, Central, Oro, Morobe)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Papua New Guinea

**State/Region**

Specify state/region (West New Britain)

**Municipality**

Don't know

**Please explain**

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**Forest risk commodity**

Palm Oil

**Activity**

Using as input into product manufacturing

**Country/Region of origin**

Peru

**State/Region**

Specify state/region (Loreto, San Martín, Ucayali)

**Municipality**

Don't know

**Please explain**

PepsiCo does not have information specific to the municipality, but has disclosed our 2017 mills' geo coordinates, providing more rigorous identification of each site's location beyond the municipality. For this information, please reference the "Palm Oil Mill List in 2017" document attachment, also available on our website: <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Argentina

**State/Region**

Don't know

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**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain 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 goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Brazil

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain 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 goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Colombia

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain 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 goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Ecuador

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain a deeper understanding of our paper-based packaging supply chain and our supply base

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sourcing as close to the forest of origin as possible. This goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Indonesia

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain 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 goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Malaysia

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain 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 goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Mexico

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain 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 goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

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**Forest risk commodity**

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**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Peru

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain 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 goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

**Forest risk commodity**

Timber

**Activity**

Retailing/onward sale of commodity or product containing commodity

**Country/Region of origin**

Venezuela (Bolivarian Republic of)

**State/Region**

Don't know

**Municipality**

Don't know

**Please explain**

PepsiCo plans to develop and maintain 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 goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

**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.**

	<b>% of revenue dependent on commodity</b>	<b>Comment</b>
Timber	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	<Not Applicable>	<Not Applicable>

**F1.3**

**(F1.3) Do you own or manage land used for the production of your disclosed commodity(ies)?**

**Forest risk commodity**

Timber

**Own and/or manage land?**

Don't own or manage land

**Type of control**

<Not Applicable>

**Description of type of control**

<Not Applicable>

**Country/Region**

<Not Applicable>

**Land type**

<Not Applicable>

**Size (Hectares)**

<Not Applicable>

**Do you have a system in place to monitor forests-related risks?**

<Not Applicable>

**Type of monitoring system**

<Not Applicable>

**Description of monitoring system**

<Not Applicable>

**Recent infraction(s)**

<Not Applicable>

**Explanation of infraction**

<Not Applicable>

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**Forest risk commodity**

Palm Oil

**Own and/or manage land?**

Don't own or manage land

**Type of control**

<Not Applicable>

**Description of type of control**

<Not Applicable>

**Country/Region**

<Not Applicable>

**Land type**

<Not Applicable>

**Size (Hectares)**

<Not Applicable>

**Do you have a system in place to monitor forests-related risks?**

<Not Applicable>

**Type of monitoring system**

<Not Applicable>

**Description of monitoring system**

<Not Applicable>

**Recent infraction(s)**

<Not Applicable>

**Explanation of infraction**

<Not Applicable>

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## F1.4

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**(F1.4) For your disclosed commodity(ies), indicate if you collect data regarding your own compliance and/or the compliance of your suppliers with the Brazilian Forest Code.**

### **Timber**

**Do you collect data regarding compliance with the Brazilian Forest Code?**

Yes, from suppliers

#### **Please explain**

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.

### **Palm Oil**

**Do you collect data regarding compliance with the Brazilian Forest Code?**

Yes, from suppliers

#### **Please explain**

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.

## F1.4b

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**(F1.4b) For your disclosed commodity(ies), indicate which Key Performance Indicators (KPIs) you use to measure the compliance of your suppliers with the Brazilian Forest Code and their performance against these indicator(s).**

**Forest risk commodity**

Timber

**KPIs and performance**

% of suppliers on the Rural Environmental Registry (CAR) database  
Other, please specify (FSC certification, SMETA audit compliance)

**Number of suppliers**

7

**Please explain**

In order to source from Brazil, PepsiCo must comply with the Brazilian Forest Code. We prioritize Forest Stewardship Council (FSC) certified purchases, which ensures compliance with the 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.

**Forest risk commodity**

Palm Oil

**KPIs and performance**

% of suppliers on the Rural Environmental Registry (CAR) database  
Other, please specify (RSPO certification, SMETA audits)

**Number of suppliers**

7

**Please explain**

In order to source from Brazil, PepsiCo must comply with the Brazilian Forest Code. We source palm oil from one Roundtable for Sustainable Palm Oil (RSPO) certified Tier 1 supplier in Brazil, ensuring compliance with the 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.

**F1.5**

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

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

**F1.5a**

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

**Forest risk commodity**

Palm Oil

**Data type**

Consumption data

**Volume**

450451

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

Our full consumption data is disclosed in the public domain, available on page 4 of our 2017 Palm Oil Progress Report: <http://www.pepsico.com/docs/album/policies-doc/pepsico-palm-oil-progress-report-2017.pdf>.

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**Forest risk commodity**

Timber

**Data type**

Consumption data

**Volume**

1258220

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

Our full consumption data reflects the packaging used for PepsiCo's direct consumer goods going to consumers. Data was last calculated at the end of 2016.

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**F1.6**

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**(F1.6) Have you identified sufficient sources of sustainable materials to meet your current operational needs? If yes, what are you doing to ensure the security/continuity of this supply?**

**Timber**

**Sustainable source identified**

Yes

**Primary action to ensure supply**

Supplier improvement plans to increase capacity of supply

**Please explain**

i. PepsiCo seeks to only purchase responsibly sourced wood fiber products and does 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. To that end, PepsiCo is working with Proforest, an organization with expertise in managing natural resources sustainably, to understand the level of certified paper packaging material purchased by PepsiCo today and our ability to increase this quantity. These data collection efforts will help us prioritize our efforts in areas of greatest risk and opportunity. PepsiCo also works with its suppliers to help them to be 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 an appropriate standard: Sistema Brasileiro de Certificação Florestal in Brazil (CERFLOR), Canadian Standards Association's Sustainable Forest Management Standards (CSA), Forest Stewardship Council (FSC), and Program for the Endorsement of Forest Certification Schemes (PEFC), and Sustainable Forestry Initiative (SFI). ii. Timeframe: Our volumes are secured via two-year contracts. We employ specialists to secure adequate supplies and have not experienced any significant continuous shortages that we anticipate will prevent us from meeting our requirements in the foreseeable future.

**Palm Oil**

**Sustainable source identified**

Yes

**Primary action to ensure supply**

Engaging in capacity building activities in the value chain

**Please explain**

i. Actions: PepsiCo aims to source 100% physically-certified sustainable palm oil (CSPO) by the end of 2020, publishing a Palm Oil Action Plan in 2015 describing our strategy and subsequently releasing annual Palm Oil Action Plan Progress Reports. In 2017, we achieved 32% physically-certified sustainable palm oil and addressed the gap by purchasing RSPO credits. We encouraged our direct suppliers to be RSPO members; 100% of our direct suppliers were members by the end of 2017. We are also mapping to the mill of origin and aiming for 100%. In 2017, 94% of our supply was traceable to the mill. We worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol and, in 2017, launched our verification process that stresses PepsiCo's goals on HCS, HCV, peatlands, land rights, FPIC, human rights, and no burning, as described by RSPO. On a quarterly basis, direct suppliers provide a full list of mills supplying them, including geo coordinates, parent company of the mills and certification/verification status, and undergo an independent third-party review of the data that is sent to PepsiCo. In 2017, we established a definition for farm/plantation traceability that is currently used by the IDH-led Landscapes Working Group and supported by Proforest. We will use this definition in the interim for plantation-level traceability; our goal is to achieve traceability to the farm/plantation by the end of 2020. We also developed our first Supplier Scorecards, providing a means to track and encourage our suppliers' progress toward establishing policies and programs to enhance performance and capability in sustainable palm. Finally, our impact programs prioritize capacity building, particularly training and development. We identified opportunities to participate in the Oxfam FAIR Partnerships program in Indonesia and a joint project including RSPO, Oleopalma, Oleofinos, Femexpalma, Proforest and various palm oil smallholder producer associations in Mexico. Our policy and commitments apply to all our products, regardless of the source of production. ii. Timeframe: The availability of RSPO credits should allow us to achieve 100% in the near-term as we continue to support market development. In 2018, our interim goal is to source 50% physically-certified sustainable palm oil, with a 100% target by 2020.

**F1.7**

**(F1.7) Has your organization experienced any detrimental forests-related impacts?**

Yes

## F1.7a

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**(F1.7a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.**

**Forest risk commodity**

Timber

**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 Socially Responsible Investors (SRIs), non-governmental agencies, and other key stakeholders in our practices associated with forest impact. PepsiCo has closely monitored consumer and customer campaigns and their general interest in our response to deforestation risks. 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 transparent communication regarding our efforts to mitigate concerns as changes in consumer preference, due to a negative reaction to PepsiCo's reputation relative to the environment, could adversely affect PepsiCo's business.

**Primary response**

Greater due diligence

**Total financial impact**

0

**Description of response**

i. Stakeholders and outcomes: 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 Speak Up Hotline provides a means to report suspected violations of our policies or applicable law. In July 2017, PepsiCo also formalized a grievance mechanism for our agricultural supply chain to complement 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: <http://www.pepsico.com/docs/album/policies-doc/agricultural-supply-chain-grievance-mechanism-summary.pdf>.

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**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 SRIs, non-governmental agencies, 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. ii. Scale of impact: Increased stakeholder concerns have not yet represented substantive detrimental impacts on our business. However, PepsiCo aims to demonstrate our responsibility toward forest-related stewardship and transparent communication regarding our efforts to mitigate concerns, as changes in consumer preference due to a negative reaction to PepsiCo's reputation relative to the environment, could adversely affect PepsiCo's business.

**Primary response**

Engagement in multi-stakeholder initiatives

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## Total financial impact

0

### Description of response

i. Stakeholders and outcomes: In 2015, we published the PepsiCo Palm Oil Action Plan, describing our strategy for sourcing sustainable palm oil. We disclose results of our work in annual Palm Oil Progress Reports synchronized with our Annual Communication of Progress to the RSPO. Stakeholder collaboration is important to achieving our goal of sourcing 100% sustainable palm oil by the end of 2020. In 2017, we continued to participate in the Palm Oil Working Group of the Consumer Goods Forum, joined the Tropical Forest Alliance 2020 and attended the General Assembly in Brazil. We met regularly with non-governmental agencies to discuss our efforts, exchange information and consider ways to achieve shared objectives. For example, during the RSPO Roundtable ("RT15") conference in Bali, PepsiCo hosted a discussion with 13 organizations dedicated to preserving forests and biodiversity, and protecting human rights associated with palm oil production in Southeast Asia; we plan to incorporate the feedback from the discussion into our sustainability programs. As evidence of our progress, the World Wildlife Fund (WWF) 2016 Palm Oil Scorecard ranked PepsiCo as leading the way in progress on actions taken to source sustainable palm oil. We publicly support RSPO NEXT, encouraging our direct suppliers to be RSPO members; 100% of our suppliers were RSPO members as of the end of 2017. In July 2017, PepsiCo also formalized a grievance mechanism for our agricultural supply chain.

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## F2. Procedures

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### F2.1

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

Yes, forests-related risks are assessed

### F2.1a

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#### (F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

## Timber

### 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 to identify and assess risks

Internal company methods  
External consultants

### Please explain

i. PepsiCo assesses deforestation risks in our paper-based packaging supply chain on an annual basis using internal methods and external support from Proforest, 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 see 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, in 2016, PepsiCo began working with Proforest to trace the supply chain and support implementation of our policies related to paper packaging. ii. For example, Proforest conducted 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 current paper packaging supply base.

## Palm Oil

### Value chain stage

Direct operations  
Supply chain

### Coverage

Full

### Risk assessment procedure

Assessed as a standalone issue

### Frequency of assessment

Six-monthly or more frequently

### How far into the future are risks considered?

> 6 years

### Tools and methods used to identify and assess risks

Internal company methods  
External consultants

### Please explain

i. PepsiCo assesses deforestation risks in our palm oil supply chain on an ongoing basis using internal methods and external support from Proforest and Control Union, an independent third party. The combination of internal and external input into our risk assessment process helps see 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. We conduct risk assessments as a tool to identify regions that have the highest likelihood of noncompliance and prioritize our efforts to raise standards accordingly. ii. For example, PepsiCo worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol, and in 2017, launched our verification process that stresses PepsiCo's goals on High Carbon Stock, High Conservation Values, peatlands, land rights, Free Prior Informed Consent, human rights, and no burning, as described by RSPO. We also commissioned internal reports from Proforest on the structure of the palm oil industry and associated social and environmental risks in several geographies around the world. Internally, our Sustainable Sourcing Program assesses risk and monitors supplier compliance with our Supplier Code of Conduct on an ongoing basis through third-party auditing of our most business-critical direct suppliers, contract manufacturing and co-packing locations across 68 countries. Through this program, these direct suppliers are responsible for demonstrating compliance with PepsiCo's expectations through activities that include completion of Supplier Code of Conduct training, scored site-level Self-Assessment Questionnaires, and participation in on-site audits, as required, based on the Sedex Members Ethical Trade Audit 4-Pillar, or equivalent protocols. Feedback from assessments and audits conducted as part of our Sustainable Sourcing Program is then integrated into our risk assessments.

## F2.1b

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**(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. 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. Usage 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.

## 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. 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. Usage 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.

## 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. Usage 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.

## 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 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, 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. ii. Usage 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 also an increased focus, including by governmental and non-governmental agencies, 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. Usage 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. 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). 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.

## 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. Usage in decision-making: 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. PepsiCo has witnessed a growing interest among Socially Responsible Investors, non-governmental agencies and other key stakeholders in the link between palm oil and deforestation. 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. ii. Usage in decision-making: PepsiCo has closely monitored consumer and customer campaigns and their general interest in the responsible sourcing of palm oil in our business in order to appropriately respond to concerns, leading to increased transparency for several deforestation-related efforts, including our Palm Oil Progress Reports and recently developed grievance mechanisms. 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. 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. These include rights of temporary workers, working hours and pay, forced labor and underage labor. Additionally, 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 governmental and non-governmental agencies, 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. Usage in decision-making: We have developed a grievance mechanism for dealing with environmental and social complaints involving palm oil and other agricultural raw materials in our supply chain. Our aim is to uphold our policies and achieve positive outcomes and, among food and beverage companies, we believe our mechanism is the leading practice. 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.

## 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. Usage in decision-making: We have developed a grievance mechanism for dealing with environmental and social complaints involving palm oil and other agricultural raw materials in our supply chain. Our aim is to uphold our policies and achieve positive outcomes and, among food and beverage companies, we believe our mechanism is the leading practice. 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 palm oil complaints involving our supply chain, including and beyond our direct suppliers.

## Other, please specify

### Relevance & inclusion

Not considered

### Please explain

## F2.1c

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(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. Example of risk considered: PepsiCo has witnessed a growing interest among Socially Responsible Investors (SRIs), non-governmental agencies, 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 customer concerns, particularly in relation to potential reputational impacts. PepsiCo's Performance with Purpose (PwP) 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 these PwP 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

While PepsiCo is cognizant of the link between corporate responsibility and employee satisfaction and retention, employees are not considered to be a relevant stakeholder specific to forests-related issues and therefore are not included in our current risk assessments.

## Investors

### Relevance & inclusion

Relevant, always included

### Please explain

i. Example of risk considered: PepsiCo has witnessed a growing interest among and other key stakeholders 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 PwP 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. Example of risk considered: As a significant buyer of palm oil, PepsiCo is an important participant in addressing land-related human rights issues in the industry, which can affect the local communities in which PepsiCo and our suppliers operate. We have 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 land-related issues, such as human right to water, and vulnerable workers, such as women. 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 its supply chains. PepsiCo has also made a number of time-bound implementation plans regarding its land rights commitments in Brazil, Mexico, Thailand and Indonesia. Finally, PepsiCo recently 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.

## NGOs

### Relevance & inclusion

Relevant, always included

### Please explain

i. Example of risk considered: PepsiCo has witnessed a growing interest among SRIs, non-governmental organizations (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 PwP 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. Finally, PepsiCo speaks regularly with NGOs, with missions ranging from environmental conservation to protection of human rights. During the RSPO Roundtable ("RT15") conference in Bali, for example, PepsiCo hosted a discussion with 13 different organizations – both local and global – that are dedicated to preserving forests and biodiversity, and protecting human rights associated with palm oil production in Southeast Asia. During the event, PepsiCo sought insight and advice from participants on the role that brands can play in addressing these supply chain concerns. Moving forward, we are working to incorporate the feedback we received into our sustainability programs. For example, participants expressed an interest in increased transparency; systematic engagement with direct suppliers through our new supplier scorecard; implementation of our grievance process with clear and consistent expectations for corrective action; and communication on the progress PepsiCo is making toward implementing our NDPE commitments (no deforestation, no development on peatlands, and no exploitation of indigenous peoples and local communities), along with the on-the-ground impacts. We value the input we received during this session and look forward to hosting similar events in the future.

## Other forest risk commodity users/producers at a local level

### Relevance & inclusion

Relevant, always included

### Please explain

i. Example of risk 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 land-related issues, such as the human right to water, and vulnerable workers, such as women. 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 its supply chains. PepsiCo has also made a number of time-bound implementation plans regarding its land rights commitments in Brazil, Mexico, Thailand and Indonesia. Finally, PepsiCo recently 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. Example of risk 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 sustainable procurement and ensure continued availability and quality of sustainable supplies. ii. Method of engagement: PepsiCo continues to work with the RSPO and other trade associations, government agencies, non-governmental agencies 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.

## Suppliers

### Relevance & inclusion

Relevant, always included

### Please explain

i. Example of risk 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 is important and 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. Delivering a sustainable palm oil supply chain involves engaging and helping build capability for these smallholders. ii. Method of engagement: PepsiCo aims to work with suppliers to see that PepsiCo's palm oil policies are implemented in a way that supports the inclusion of smallholders. We have launched a holistic program for sustainable palm oil in Mexico that engages and involves the entire supply chain: from the national palm oil federation Femexpalma to our supplier Oleofinos, to Oleopalma and the smallholders in their supply base. The program operates at three different levels: at the sector level (with Femexpalma), in the PepsiCo Supply Base (with Oleofinos) and with smallholders (with Oleopalma). We are working with Femexpalma to consolidate its role in representing and supporting the sustainability of the palm oil sector. This involves strengthening the expertise of the team so they can provide expert advice and support to its members through capacity building and applied research. PepsiCo is also investing in piloting studies and adapting global approaches to the Mexico context, specifically in Environmental and Social Impact Assessments and HCV. PepsiCo also supported Oleopalma's successful application to the RSPO Smallholders Support Fund, committing to match funding of the RSPO contribution 1:1, leveraging important resources to the benefit of smallholders. The objective of the program is for Mexican smallholders to achieve the RSPO independent group certification while contributing to their livelihoods, helping to ensure the sustainable supply of certified palm oil and serving as a model of sustainable development for the palm oil industry in Mexico. We are also investing in HCV assessments in Mexico, covering over 50,000 hectares, to support sustainable palm production among smallholders, medium and large producers.

### Other stakeholders, please specify

### Relevance & inclusion

Please select

### Please explain

## F3. Risks and opportunities

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### F3.1

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**(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
Timber	Yes, only in our value chain beyond our direct operations
Palm Oil	Yes, both in direct operations and the rest of our value chain
Cattle Products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<Not Applicable>

### F3.1a

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### (F3.1a) How does your organization define substantive 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.

### F3.1b

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#### (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

##### Type of risk

Physical

##### Geographical scale

Region

##### 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

##### Potential financial impact

##### Explanation of financial impact

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 programs)

##### 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).

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#### Forest risk commodity

Timber

#### Type of risk

Regulatory

#### Geographical scale

Region

#### 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 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 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

#### Potential financial impact

#### Explanation of financial impact

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.

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**Forest risk commodity**

Timber

**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**

Socially Responsible Investors (SRIs), non-governmental agencies, 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

**Potential financial impact****Explanation of financial impact**

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.

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**Forest risk commodity**

Palm Oil

**Type of risk**

Reputational and markets

**Geographical scale**

Global

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**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**

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

**Potential financial impact****Explanation of financial impact**

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).

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**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

**Potential financial impact****Explanation of financial impact**

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 Progress Reports 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**

SRLs, non-governmental agencies, 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

### Potential financial impact

#### Explanation of financial impact

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 non-governmental agencies' concerns, particularly in relation to potential reputational impacts. We provide regular, detailed information on progress toward delivering our PwP 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 non-governmental agencies 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	Yes
Palm Oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<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

#### 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

### Financial incentives

<Not Applicable>

### 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 current paper packaging supply base. For example, a recent assessment evaluated several potential risks, including social, environmental, legal and recycling, to identify two high-priority countries out of our high-risk supply base to summarize specific issues to monitor within the regions and set the stage for next steps.

### Estimated timeframe for realization

1-3 years

### Magnitude of potential impact

Low

### Likelihood

Very unlikely

### Potential financial impact

### Explanation of financial impact

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.

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### 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

### Financial incentives

<Not Applicable>

### Company-specific description & strategy to realize opportunity

i. Explanation of opportunity: Socially Responsible Investors, non-governmental agencies, 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 2017, we achieved 32% physically-certified sustainable palm oil and addressed the gap by purchasing RSPO credits. We encouraged our direct suppliers to become RSPO members; 100% of our direct suppliers were members by the end of 2017. 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 2017, 94% of our supply was traceable to the mill. We worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol and, in 2017, launched our verification process that stresses PepsiCo's goals on High Carbon Stock, High Conservation Values, peatlands, land rights, Free, Prior and Informed Consent, human rights, and no burning, as described by RSPO. We also developed our first Supplier Scorecards, providing a means to track and encourage our suppliers' progress toward establishing policies and programs to enhance performance and capability in sustainable palm. 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

**Potential financial impact**

**Explanation of financial impact**

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.

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## F4. Governance

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### F4.1

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**(F4.1) Does your organization have a policy that includes forests-related issues?**

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

#### F4.1a

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**(F4.1a) Select the options to describe the scope and content of your policy.**

Row	Scope	Content	Please explain
Row 1	Company-wide	Commitment to avoiding deforestation and forest degradation Commitment to protect rights and livelihoods of local communities Commitment to transparency Commitment to align with public policy initiatives, e.g. 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 commitments and targets Description of forests-related performance standards for direct operations Description of forests-related standards for procurement Reference to international standards and widely-recognized forests-related initiatives	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 Use Policy are important components of the more comprehensive PepsiCo Responsible Sourcing Guidelines, which applies to all PepsiCo operations globally 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. Among these, PepsiCo aims to adhere to the following principles 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 Use 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: <a href="https://www.pepsico.com/sustainability/sustainable-sourcing">https://www.pepsico.com/sustainability/sustainable-sourcing</a>

**F4.1b**

**(F4.1b) 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
Timber	Yes	Company-wide	<p>Commitment to avoiding deforestation and forest degradation</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitment to transparency</p> <p>Commitment to align with public policy initiatives, e.g. SDGs</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural habitats</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>Reference to international standards and widely-recognized forests-related initiatives</p>	<p>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. Details regarding our operational standards, references, targets and business context are also provided in our policies. 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. Relevant policies are available online at the following links: <a href="http://www.pepsico.com/docs/album/policies-doc/pwp/pepsico-forestry-stewardship-policy-1.pdf?sfvrsn=0">http://www.pepsico.com/docs/album/policies-doc/pwp/pepsico-forestry-stewardship-policy-1.pdf?sfvrsn=0</a> <a href="http://www.pepsico.com/docs/album/policies-doc/pwp/pepsico_land_policy.pdf?sfvrsn=2">http://www.pepsico.com/docs/album/policies-doc/pwp/pepsico_land_policy.pdf?sfvrsn=2</a> <a href="http://www.pepsico.com/docs/album/policies-doc/pwp/global_pack_policy.pdf?sfvrsn=2">http://www.pepsico.com/docs/album/policies-doc/pwp/global_pack_policy.pdf?sfvrsn=2</a></p>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm Oil	Yes	Company-wide	<p>Commitment to avoiding deforestation and forest degradation</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitment to transparency</p> <p>Commitment to align with public policy initiatives, e.g. SDGs</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural habitats</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>Reference to international standards and widely-recognized forests-related initiatives</p>	<p>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. Relevant policies are available online at the following links:</p> <p><a href="http://www.pepsico.com/docs/album/policies-doc/pwp/pepsico-palm-oil-commitment-3.pdf?sfvrsn=0">http://www.pepsico.com/docs/album/policies-doc/pwp/pepsico-palm-oil-commitment-3.pdf?sfvrsn=0</a></p> <p><a href="http://www.pepsico.com/docs/album/default-document-library/pepsico-palm-oil-action-plan.pdf?sfvrsn=0">http://www.pepsico.com/docs/album/default-document-library/pepsico-palm-oil-action-plan.pdf?sfvrsn=0</a></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>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Other	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

## F4.2

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### (F4.2) Is there board-level oversight of forests-related issues within your organization?

Yes

## F4.2a

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### (F4.2a) Identify the position(s) of the individual(s) on the board with responsibility for forests-related issues.

Position of individual	Please explain
Board/Executive board	Under PepsiCo's By-Laws and Corporate Governance Guidelines, the Board has the responsibility to manage the business of the Company. Sustainability matters, including forests-related issues, are integrated into our business. Therefore, the Board considers them an integral part of its business oversight. To clarify its role, the Board amended PepsiCo's Corporate Governance Guidelines in 2015 to add "sustainability" to the key aspects of PepsiCo's businesses over which the board has oversight. In 2016, PepsiCo reviewed our sustainability governance structure to strengthen the integration of Performance with Purpose (PwP) into our business agenda. The PepsiCo Executive Committee (PEC) then assumed direct oversight of the sustainability agenda, including strategic decisions and performance management. The PEC is made up of the chairman & CEO, president, CFO, sector CEOs and functional heads, ensuring that sustainability is a key accountability for every member of our senior leadership team

## F4.2b

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**(F4.2b) 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 Board oversees PepsiCo's integrated risk management framework designed to identify, assess, prioritize, address, manage, monitor and communicate our 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. The Board receives updates on key risks throughout the year. Key risks related to forests-related issues identified by the Company are included in our 2017 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.

**F4.3**

**(F4.3) Below board level, provide the highest-level management position(s) or committee(s) with responsibility for forests-related issues.**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Other C-Suite Officer, please specify (Chief Scientific Officer)	Both assessing and managing forests-related risks and opportunities	Quarterly	i. Rationale for responsibility and frequency of reporting: Dr. Mehmood Khan, PepsiCo's chief scientific officer and vice chairman, who reports directly to our chairman and CEO, oversees the Company's Performance with Purpose (PwP) program. With his background as a physician, with expertise in endocrinology, metabolism and nutrition, Dr. Khan brings deep science-based knowledge and insights to guide the Company's product portfolio transformation efforts, as well as an intimate understanding of the challenges and opportunities that lie at the intersection of food, the environment and people. Dr. Khan is involved in the day-to-day management of our strategy toward delivery of our PwP agenda, and his responsibilities include providing strategic direction, guidance and leadership on critical forests-related issues facing the Company and actions the Company must take. Forests-related issues monitoring and overseeing the delivery of our goal under PwP fall directly under the responsibilities of Dr. Khan. Each quarter, Dr. Khan is apprised of our progress towards our PwP goals and related issues. Based on this, Dr. Khan is involved in aligning the PepsiCo Executive Committee (PEC) and the Board on strategic decisions toward mitigating forests-related issues, enhancing PepsiCo's reputation and positioning the business for future success.

**F4.4**

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**(F4.4) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?**

No, and we do not plan to introduce them in the next two years

**F5. Business strategy**

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**F5.1**

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**(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 Performance with Purpose (PwP) sustainability strategy demonstrates PepsiCo's commitment to deliver top-tier financial performance while creating sustainable growth and shareholder value. We believe our PwP strategy will enable us to continue delivering strong performance while positioning our Company for long-term sustainable growth. The PwP 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 have set a PwP 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 recently updated our approach by incorporating our commitments in our Global Policy on Sustainable Palm Oil. The updated policy 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").
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 PwP 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 PwP 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 have set a PwP 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 recently updated our approach by incorporating our commitments in our Global Policy on Sustainable Palm Oil. The updated policy 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 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) 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

**F6.1a**

**(F6.1a) 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

**F6.1b**

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**(F6.1b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.**

**Commodity coverage**

Timber

**Criteria**

Zero net deforestation and forest degradation  
No new development on peatland  
No land clearance by burning or clearcutting  
No conversion of High Conservation Value areas  
No conversion of High Carbon Stock forests  
Adoption of Free, Prior and Informed Consent (FPIC) principles  
Recognition and endorsement of the Universal Declaration of Human Rights  
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%

**Commitment timeframe**

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. For example, a recent assessment evaluated several potential risks – including social, environmental, and legal risks related to our policy criteria – to identify two high-priority countries out of our high-risk supply base to summarize specific issues to monitor within the regions and set the stage for next steps. 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 intends to negotiate by region to determine the capabilities to source certified materials. We have identified Russia, China and parts of 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. In July 2017, PepsiCo also formalized a grievance mechanism for our agricultural supply chain to complement 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: <http://www.pepsico.com/docs/album/policies-doc/agricultural-supply-chain-grievance-mechanism-summary.pdf>.

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**Commodity coverage**

Palm Oil

**Criteria**

Zero net deforestation and forest degradation  
No new development on peatland  
No land clearance by burning or clearcutting

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No conversion of High Conservation Value areas  
No conversion of High Carbon Stock forests  
Adoption of Free, Prior and Informed Consent (FPIC) principles  
Recognition and endorsement of the Universal Declaration of Human Rights  
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%

#### **Commitment timeframe**

2020

#### **Please explain**

PepsiCo worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol and, in 2017, launched our verification process that stresses PepsiCo's goals on HCS, HCV, peatlands, land rights, FPIC, human rights, and no burning, as described by RSPO. Direct suppliers undergo an independent third-party review of the data that is sent to PepsiCo, giving us greater confidence in the accuracy and integrity of the data used to evaluate our supply chain risks. RSPO's Principles & Criteria (P&C) provided us with the framework for a capacity-building program in Mexico, where we built a program that involves the entire supply chain. At the federal level, we are working with Femexpalma to consolidate its role in representing and supporting the sustainability of the palm oil sector. This involves strengthening the expertise of the team so they can provide expert advice and support to its members through capacity building and applied research. PepsiCo also supported Oleopalma's successful application to the RSPO Smallholders Support Fund to benefit smallholders over the next three years. The program has four objectives: (1) For all the producers involved to be able to obtain the RSPO Certification; (2) Improve the quality of life of producers and protect their land rights, while fully preserving forests and biodiversity; (3) To share knowledge of the benefits of sustainable production with 1,000 producers and 1,200 field workers who will participate in the training initiatives; and (4) To serve as a model of sustainable development for the palm oil industry in Mexico. Additionally, we are implementing a new supplier scorecard with emphasis on policy, engagement, certification and grievances. This tool should help us guide our suppliers in a process of continuous improvement to enable them to meet all of PepsiCo's policy commitments. 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 Speak Up Hotline provides a means to report suspected violations of our policies or applicable law. In July 2017, we formalized a grievance mechanism for our agricultural supply chain to complement our existing program to help prevent, identify and manage environmental and social concerns throughout our value chain.

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## F6.2

### **(F6.2) Did you have any quantified targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

## F6.2a

### **(F6.2a) Provide details of your 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

#### **Form of commodity covered**

Paper  
Primary packaging  
Secondary packaging  
Tertiary packaging

**Type of target**

Sustainable procurement standard

**Coverage**

Supply chain

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

<Not Applicable>

**Start year**

2015

**Start figure**

51-60%

**Target year**

2020

**Target**

100%

**% achieved**

61-70%

**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 its 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 (e.g., CERFLOR, CSA, FSC, PEFC, SFI) 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.

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**Target reference number**

Target 2

**Forest risk commodity**

Palm Oil

**Form of commodity covered**

All forms of palm oil

**Type of target**

Third-party certification scheme

**Coverage**

Supply chain

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

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RSPO Mass Balance

**Start year**

2015

**Start figure**

1-10%

**Target year**

2020

**Target**

100%

**% achieved**

100%

**Please explain**

i. Why and how target was chosen: In 2010, PepsiCo committed, through the RSPO, 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 fulfillment 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. As the global supply chains for RSPO physical palm oil become more available, we plan to increase the use of mass balance CSPO and rely less upon the RSPO credits. For 2018, we have set an interim objective to achieve 50% CSPO. 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 also seeks to build certification capacity on our journey to 100%.

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**Target reference number**

Target 3

**Forest risk commodity**

Palm Oil

**Form of commodity covered**

All forms of palm oil

**Type of target**

Traceability

**Coverage**

Supply chain

**Traceability point**

Mill

**Third-party certification scheme**

<Not Applicable>

**Start year**

2015

**Start figure**

61-70%

**Target year**

2020

**Target**

100%

**% achieved**

91-99%

**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 fulfillment 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 target was chosen to provide more visibility into our supply chain to achieve our sustainable palm oil goals. ii. Strategy to meet target: PepsiCo worked with Control Union and Proforest to develop and implement PepsiCo's Palm Oil Traceability Protocol, launched in 2017. The protocol was distributed to all direct suppliers along with a recommended 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. Additionally, we implemented a training program in both English and Spanish, and we maintain a help desk with Control Union to provide ongoing assistance with the collection of timely and accurate data. We continue to make progress toward our goal of 100% traceability to the mill and, at the end of 2017, we estimated that approximately 94% of the palm oil we used was traced to specific mills, up from 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. In 2017, we established a definition for farm/plantation traceability that is currently used by the IDH-led Landscapes Working Group and supported by Proforest. We will use this definition in the interim for plantation-level traceability; our goal is to achieve traceability to the farm/plantation by the end of 2020.

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**F6.3**

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**(F6.3) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?**

	<b>Do you have system(s) in place?</b>
Timber	Yes
Palm Oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<Not Applicable>

**F6.3a**

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**(F6.3a) Provide details on the level of traceability your organization has for your disclosed commodity(ies).**

	% of total production/consumption volume traceable	Point to which commodity is traceable	Description of traceability system	Exclusions	Description of exclusion
Timber	100%	Country	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 purchasing only responsibly sourced wood fiber products. 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. PepsiCo relies on FSC certification to determine traceability.	<Not Applicable>	<Not Applicable>
Palm Oil	91-99%	Mill	PepsiCo is implementing data systems and processes that allow us to identify the mills in our supply chain. We worked with Control Union and Proforest to develop a Palm Oil Traceability and Verification Protocol that describes the traceability reporting requirements for suppliers and verification of this data. PepsiCo requires its suppliers to report quarterly on all palm oil mills from which palm oil is sourced. As required by the Traceability Protocol, the name of the palm oil mills, geo coordinates of the mills and traceability percentage need to be reported. 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. A training program on how to use the protocol was implemented for suppliers. We also established a traceability help desk with Control Union to provide suppliers with on-going assistance. With this significant level of effort, we have established mill-level traceability accounting for over 94% of our source volume, however, achieving the 100% target will be very difficult given the complexity of the supply and the availability of this data from direct suppliers in certain key markets. In 2017, we established a definition for farm/plantation traceability that is currently used by the IDH-led Landscapes Working Group and supported by Proforest. We will use this definition in the interim for plantation-level traceability; our goal is to achieve traceability to the farm/plantation by the end of 2020.	Source/country/geographical area	Traceability figures exclude Venezuela where local political and economic volatility prevent accurate tracking.
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	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.4**

**(F6.4) Do you specify any third-party certification schemes for your disclosed commodity(ies)? Indicate the volume and percentage of your production and/or consumption covered.**

**Forest risk commodity**

Timber

**Do you specify any certification scheme?**

Yes

**Third-party certification scheme**

FSC Chain of Custody  
PEFC Chain of Custody  
SFI Chain of Custody

**% of total production/consumption volume certified**

53

**Form of commodity**

Paper  
Primary packaging  
Secondary packaging  
Tertiary packaging

**Volume of production/ consumption certified**

823930

**Metric**

Metric tons

**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, PepsiCo intends to negotiate by region to determine our suppliers' capabilities to source certified materials. We have identified Russia, China and parts of Southeast Asia as our primary focus to mitigate risks.

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**Forest risk commodity**

Palm Oil

**Do you specify any certification scheme?**

Yes

**Third-party certification scheme**

RSPO Mass Balance  
RSPO Book and Claim

**% of total production/consumption volume certified**

100

**Form of commodity**

Refined palm oil  
Palm oil derivatives

**Volume of production/ consumption certified**

455535

**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. As the global supply chains for RSPO physical palm oil become more available, we plan to increase the use of mass balance CSPO and rely less upon the RSPO credits. For 2018, we have set an interim objective to achieve 50% CSPO. To address the problem of limited physically-certified palm oil, PepsiCo also seeks to build certification capacity on our journey to 100%. 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. We also support RSPO NEXT, an advanced certification scheme that incorporates additional protections for forests, peatlands and human rights, and we look forward to an overall strengthening of the RSPO standard based on the extensive review process that RSPO intends to complete in 2018. At the end of 2017, 100% of our direct suppliers were RSPO members. Additionally, we are implementing a new supplier scorecard with emphasis on policy, engagement, certification and grievances. This tool should enable 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. Sustainable palm oil production and sourcing requires collaboration and alignment across the supply chain. These supplier scorecards allow PepsiCo

to work in a consistent way with our suppliers to help achieve this.

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## F6.5

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**(F6.5) Do you specify any sustainable production/procurement standards for your disclosed commodity(ies), other than third-party certification? Indicate the percentage of production/consumption covered and if you monitor supplier compliance with these standards.**

**Forest risk commodity**

Timber

**Do you specify any sustainability standards?**

Yes

**Type of standard**

Procurement

**Description of standard**

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. As part of this approach, we have established our Forestry Stewardship Policy, Land Use Policy and Sustainable Packaging Policy. In support of our policies, PepsiCo is pursuing procurement standards to not source from environmentally sensitive areas, using our Sedex Members Ethical Trade Audit (SMETA) audit data and third-party support from Proforest to assess risks associated with this effort. Compliance with these standards is used in procurement decisions when assessing continued engagement with a supplier and/or renegotiating contracts.

**% of total commodity volume covered by standard**

100%

**Do you have a system in place to monitor compliance with this standard?**

Yes

**Type(s) of monitoring system**

Auditing

Third-party auditing

**% of suppliers in compliance with standards**

Don't know

**Please explain**

i. Monitoring: PepsiCo utilizes Sedex Members Ethical Trade Audit (SMETA) audit data and third-party support from Proforest to assess risks associated with this effort. Our internal Sustainable Sourcing Program (SSP) assesses risk and monitors supplier compliance with our Supplier Code of Conduct through scored self-assessments and third-party auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations across 68 countries. SSP audits leverage SMETA 4-Pillar requirements. In 2017, 96% of required business-critical direct third-party suppliers completed on-site audits as part of our SSP. 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. ii. Example: In 2017, 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. The assessment determined that further work on prioritizing FSC certification in Russia is needed, such as working with non-certified suppliers to achieve certification and independent auditing to assess compliance with existing legislation.

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**Forest risk commodity**

Palm Oil

**Do you specify any sustainability standards?**

Yes

**Type of standard**

Procurement

**Description of standard**

Our Sustainable Sourcing Program assesses risk and monitors supplier compliance with our Supplier Code of Conduct through

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third-party auditing of our most business-critical direct suppliers, contract manufacturing and co-packing locations across 68 countries. Through this program, these direct suppliers are responsible for demonstrating compliance with PepsiCo's expectations through activities that include completion of Supplier Code of Conduct training, scored site-level Self-Assessment Questionnaires and participation in on-site audits, as required, based on the SMETA 4-Pillar or equivalent protocols. Compliance with these standards is used in procurement decisions when assessing continued engagement with a supplier and/or renegotiating contracts.

**% of total commodity volume covered by standard**

100%

**Do you have a system in place to monitor compliance with this standard?**

Yes

**Type(s) of monitoring system**

Auditing

Third-party auditing

**% of suppliers in compliance with standards**

Don't know

**Please explain**

i. Monitoring: PepsiCo's internal SSP assesses risk and monitors supplier compliance with our Supplier Code of Conduct through scored self-assessments and third-party auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations across 68 countries. SSP audits leverage SMETA 4-Pillar requirements. In 2017, 96% of required business-critical direct third-party suppliers completed on-site audits as part of our SSP. ii. Example: In 2017, 65% of our direct suppliers of palm oil completed SSP Supplier Code of Conduct training, and 14 on-site audits were conducted or recognized with only three major areas of non-conformance. The major non-conformance findings related to fire safety, days without rest and unavailable payroll records. All sites with non-conformance findings have submitted Corrective Action Plans and will be reassessed during upcoming follow-up audits to verify that the issues have been closed.

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F6.7

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**(F6.7) Are you working with your direct suppliers to support and improve their capacity to supply sustainable raw materials?**

	Are you working with direct suppliers?	Supplier engagement approach	Please explain
Timber	Yes, working with direct suppliers	Encouraging certification Supplier questionnaires on environmental and social indicators Workshops and training Supplier audits Supplier charters Contractual agreements	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. Example: In 2017, PepsiCo developed 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, PepsiCo intends to negotiate by region to determine the capabilities to source certified materials. We have identified Russia, China and parts of Southeast Asia as our primary focus to mitigate risks. iii. Engagement: As all suppliers must engage with PepsiCo during contract negotiations, we consider our engagement to be 100%.
Palm Oil	Yes, working with direct suppliers	Developing or distributing supply chain mapping tool Collecting data in central database Encouraging certification Encouraging work with multi-stakeholder groups Supplier audits Supplier charters	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 have committed to source 100% physically-certified sustainable palm oil by the end of 2020, publishing a Palm Oil Action Plan in 2015 describing our strategy and subsequently releasing annual Palm Oil Action Plan Progress Reports. In 2017, we achieved 32% physically-certified sustainable palm oil and addressed the gap by purchasing RSPO credits. We encouraged our direct suppliers to be RSPO members, and 100% of our direct suppliers were members by the end of 2017. ii. Examples: We worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol and, in 2017, launched our verification process that stresses PepsiCo's goals on High Carbon Stock, High Conservation Values, peatlands, land rights, Free, Prior and Informed Consent, human rights, and no burning, as described by RSPO. On a quarterly basis, direct suppliers provide a full list of mills supplying them, including geo coordinates, parent company of the mills and certification/verification status, and undergo an independent third-party review of the data that is sent to PepsiCo. We also developed our first Supplier Scorecards, providing a means to track and encourage our suppliers' progress towards establishing policies and programs to enhance performance and capability in sustainable palm. Finally, our impact programs prioritize capacity building, particularly training and development. We identified opportunities to participate in the Oxfam FAIR Partnerships program in Indonesia and a joint project including RSPO, Oleopalma, Oleofinos, Femexpalma, Proforest and various palm oil smallholder producer associations in Mexico. iii. Engagement: Of our direct suppliers, 100% are required to provide data regarding their operations on a quarterly basis.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.8**

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**(F6.8) Are you working beyond your first-tier supplier(s) to manage and mitigate forests-related risks?**

	Are you working beyond first tier?	Please explain
Timber	Yes, working beyond first tier	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. In 2017, 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.
Palm Oil	Yes, working beyond first tier	We work with suppliers to see that PepsiCo's palm oil policies are implemented in a way that supports the inclusion of smallholders. We have launched a holistic program for sustainable palm oil in Mexico that engages and involves the supply chain from the national palm oil federation Femexpalma to our supplier Oleofinos, to Oleopalma and the smallholders in their supply base. The program operates at three different levels: at the sector level (with Femexpalma), in the PepsiCo Supply Base (with Oleofinos) and with smallholders (with Oleopalma). We are working with Femexpalma to consolidate its role in representing and supporting the sustainability of the palm oil sector. This involves strengthening the expertise of the team so they can provide expert advice and support to its members through capacity building and applied research. 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 Values. PepsiCo also supported Oleopalma's successful application to the RSPO Smallholders Support Fund, committing to match funding of the RSPO contribution 1:1 – which leverages important resources for the benefit of smallholders. The program is expected to benefit more than 2,200 people and their communities over the next three years. The objective of the program is for Mexican smallholders to achieve the RSPO independent group certification while contributing to their livelihoods and helping to ensure the sustainable supply of certified palm oil and, in addition, to serve as a model of sustainable development for the palm oil industry in Mexico. Our policy and commitments apply to all our products and suppliers, regardless of the source of production.
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>

**F6.9**

**(F6.9) Do you participate in external initiatives or activities to further the implementation of your policies concerning the sustainability of your disclosed commodity(ies)?**

**Forest risk commodity**

Timber

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in multi-partnership or stakeholder initiatives

**Initiatives**

UN Global Compact

Tropical Forest Alliance 2020 (TFA)

The Consumer Good Forum (CGF)

Other, please specify (Sustainable Packaging Coalition, EUROOPEN)

**Please explain**

PepsiCo is an active member of the Consumer Goods Forum (CGF), a manufacturing and retail industry group that has adopted a resolution concerning deforestation. The CGF Resolution on Deforestation states, "As the Board of the Consumer Goods Forum, we pledge to mobilize resources within our respective businesses to help achieve zero net deforestation by the end of 2020. We look to achieve this both by individual company initiatives and by working with governments and NGOs." PepsiCo's Chairman and CEO, Indra Nooyi, serves on the CGF Board of Directors. PepsiCo is also 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/policies-doc/pwp/global\\_pack\\_policy.pdf](https://www.pepsico.com/docs/album/policies-doc/pwp/global_pack_policy.pdf).) We also joined the Tropical Forest Alliance 2020 (TFA) and attended the General Assembly in Brasilia, Brazil in 2017. As a member, PepsiCo supports the TFA's mission to foster public-private partnerships in which partners take voluntary actions, individually and collaboratively, to reduce tropical deforestation.

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**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)

The Consumer Good Forum (CGF)

Roundtable on Sustainable Palm Oil (RSPO)

Other, please specify (Landscapes Working Group (IDH))

**Please explain**

Additional initiative: AIM Progress To support the implementation of our action plan, we are working with several stakeholder initiatives, industry platforms and non-governmental agencies. We continued our participation in CGF's palm oil working group and contributed to the group's efforts to develop an industry point of view on the RSPO Principles & Criteria update, as well as the Indonesian National Action Plan on Palm Oil. To support the RSPO, PepsiCo encouraged our direct suppliers to be RSPO members, and 100% of our suppliers were members by the end of 2017. In 2017, we established a definition for farm/plantation traceability that is currently used by the IDH-led Landscapes Working Group and supported by Proforest. We will use this definition in the interim for plantation-level traceability; our goal is to achieve traceability to the farm/plantation by the end of 2020. We also joined the TFA and attended the General Assembly in Brasilia, Brazil in 2017. As a member, PepsiCo supports the TFA's mission to foster public-private partnerships in which partners take voluntary actions, individually and collaboratively, to reduce tropical deforestation. PepsiCo is an active member of AIM-Progress. In 2017, we co-chaired AIM-Progress' Leadership Team and co-led the human rights work stream. AIM-Progress focuses on improving sustainability within supply chains through mutual recognition and capacity building. In October 2017, we co-sponsored a supplier capability-building event in Kuala Lumpur, Malaysia, with over 150 participants, which focused on topics including strengthening internal and external grievance mechanisms, reducing risks associated with labor and sustainable land use. Finally, PepsiCo recently committed to participating in Oxfam's FAIR Company-Community Partnerships project in Indonesia. FAIR Partnerships addresses sustainability, human rights and economic development issues holistically through a multi-stakeholder, inclusive and landscape-based approach. PepsiCo is contributing funds for the first 18 months of project implementation amounting to nearly 15% of the project budget and will also contribute relevant business perspective to the initiative, as well as share the lessons in its own supply chains and with its sector peers.

## F7. Linkages and trade-offs

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### F7.1

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**(F7.1) Has your organization identified any linkages or trade-offs between forests and other environmental issues in its direct operations and/or other parts of its value chain?**

Yes

### F7.1a

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**(F7.1a) Describe the linkages or trade-offs and the related management policy or action.**

**Linkage/tradeoff**

Linkage

**Type of linkage/tradeoff**

Decreased GHGs emissions

**Description of linkage/tradeoff**

By 2030, it is expected that the world will need to meet rising food demand by increasing production by 50% or substantially reducing the 35-50% of food that is currently wasted or lost through the value chain. If the world follows business as usual, greenhouse gas (GHG) emissions are expected to increase significantly. Managing the interrelationship between agriculture, climate change, energy and water in terms of both adaptation and mitigation will be crucial for food and beverage businesses seeking long-term, sustainable growth. PepsiCo's specific goals to help address climate change reflect a linkage to our forests-related efforts. We support the Paris Agreement on Climate Change and have an ambitious science-based 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.

**Policy or action**

i. Measured impact: PepsiCo measured emissions associated with palm oil for the first time in 2017. Emissions totaled 1,310,000 metric tons CO<sub>2</sub>e, calculated for volume coming from Indonesia and Malaysia using secondary data and literature review. Additionally, PepsiCo estimates purchased goods and services emissions associated with agriculture/forestry to be 18,020,530 metric tons CO<sub>2</sub>e. These calculations are vital for PepsiCo to measure and manage our scope 3 emissions. ii. Integration into forests-related business strategy: PepsiCo supports the Paris Agreement on Climate Change and has an ambitious science-based goal to reduce absolute greenhouse gas 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, which means that PepsiCo is doing its part to help limit global temperature increase to 2° Celsius. To achieve this goal, we must reduce emissions in our agricultural supply chain, including palm oil, by implementing our NDPE policy commitments. 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.

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## F8. Verification

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### F8.1

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**(F8.1) Do you verify any forests information reported in your CDP disclosure?**

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

## F9. Barriers and challenges

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### F9.1

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**(F9.1) Describe the key barriers or challenges to avoiding forests-related risks in your direct operations or in other parts of your value chain.**

**Forest risk commodity**

Timber

**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 private, public and non-governmental agency actors to achieve meaningful results

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**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 private, public and non-governmental agency actors to achieve meaningful results

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### F9.2

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**(F9.2) Describe the main measures that would improve your organization's ability to manage forests-related risks.**

**Forest risk commodity**

Timber

**Coverage**

Supply chain

**Main measure**

Improved data collection and quality

**Comment**

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**Forest risk commodity**

Palm Oil

**Coverage**

Supply chain

**Main measure**

Greater stakeholder engagement and collaboration

**Comment**

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F10. Signoff

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F-FI

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**(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.**

F10.1

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**(F10.1) Provide the following information for the person that has signed off (approved) your CDP forests response.**

	Job Title	Corresponding job category
Row 1	Vice Chairman & Chief Scientific Officer	Other C-Suite Officer

SF. Supply chain module

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SF0.1

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

	Annual revenue
Row 1	63525484000

SF0.2

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

No

SF1.1

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**(SF1.1) On F6.4 you were asked “Do you specify any third-party certification schemes for your disclosed commodity(ies)? Indicate the volume and percentage of your production and/or consumption covered”. 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

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**(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

**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.

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**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.

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**Requesting member**

Walmart - Brasil

**Forest risk commodity**

Timber

**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**

Walmart - Brasil

**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.

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## SF2.1

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

## SF2.2

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**(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

Submit your response

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**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

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

**Please confirm below**

I have read and accept the applicable Terms