



PEPSICO

CDP FORESTS : 2017 REPORT

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FORESTS

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Module: Introduction**Page: F0. Introduction****F0.1****Please give a general description and introduction to your organization**

PepsiCo products are enjoyed by consumers one billion times a day in more than 200 countries and territories around the world. PepsiCo generated approximately \$63 billion in net revenue in 2016, driven by a complementary food and beverage portfolio that includes Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana, including 22 brands that generate more than \$1 billion each in estimated annual retail sales. At the heart of PepsiCo is Performance with Purpose – our goal to deliver top-tier financial performance while creating sustainable growth and shareholder value. In practice, Performance with Purpose means providing a wide range of foods and beverages from treats to healthy eats; finding innovative ways to reduce our impact on the environment and lower our operating costs; providing 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; unfavorable 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 changes 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 or legal proceedings; 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

Please select the stages of the value chain which best represent your organization's area of operation pertaining to forest risk commodities. If your organization is diversified or vertically integrated, please select all that apply

Manufacturing
Retailing

F0.3

Are there any parts of your direct operations that are excluded from this disclosure?

No

F0.3a

Please identify the parts of your direct operations that are excluded from your disclosure

Exclusion	Description of exclusion	Potential for deforestation risk	Please explain

F0.4

Are there any parts of your supply chain that are excluded from this disclosure?

No

F0.4a

Please identify the parts of your supply chain that are excluded from your disclosure

Exclusion	Description of exclusion	Potential for deforestation risk	Please explain
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F0.5

Do you produce or use materials that contain any of the forest risk commodities? Please complete the table

Forest risk commodity	Produce/use forest risk commodity	Explanation if not disclosing but produce/use the commodity
Timber	Yes	
Palm Oil	Yes	
Cattle Products	Yes	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	PepsiCo only sources soy from four suppliers in Brazil. In 2016, we purchased less than 0.1% of the global supply of soy.
Other		

F0.6

Please confirm which commodities you will be disclosing on

Timber
Palm Oil

F0.7

Please state the start and end date of the year for which you are reporting data

Reporting yearFri 01 Jan 2016 - Sat 31
Dec 2016**Further Information****Module: Current State****Page: F1. Context****F1.1****How does your organization use your selected commodities? Please provide details on the form and source of the commodities you use or produce**

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
Timber	Retail/ onward sale of commodity or product containing commodity	Paper	Contracted suppliers (manufacturers)	Argentina Australia Brazil Canada Chile China Colombia Czech Republic Ecuador France Germany India Indonesia Italy Japan Malaysia	1-5%	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).

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
				Mexico Poland Republic of Korea Romania Russian Federation South Africa Spain Thailand Turkey Ukraine United Kingdom United States of America Venezuela Other: Belgium, Bosnia/Hercegovina, Bulgaria, Costa Rica, Cyprus, Egypt, El Salvador, Georgia, Greece, Hungary, Kyrgyzstan, Levant, Pakistan, Peru, Philippines, Portugal, Saudi Arabia, Serbia, The Netherlands		
Palm Oil	Input into product manufacturing	Refined palm oil Palm oil derivatives	Contracted suppliers (processors)	Brazil Colombia Ecuador Honduras Indonesia Malaysia Mexico Papua New Guinea Thailand Other: Costa Rica, Dominican Republic, Guatemala, Peru, Solomon Islands	1-5%	The top three countries from which PepsiCo sources palm oil are Indonesia, Malaysia and Mexico. In 2016, PepsiCo purchased approximately 482000MT of palm oil, which represents less than 1% of the total global supply. PepsiCo uses refined palm oil and palm oil derivatives.

Please indicate the percentage of your organization's revenue that was dependent on each of your selected forest risk commodities in the reporting year

Forest risk commodity	% of revenue dependent on commodity in the reporting year	Comment
Timber		
Palm Oil		

F1.3

Has your organization experienced impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year?

Yes

F1.3a

Please identify the impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year

Forest risk commodity	Impact driver	Impact	Description of impact	Estimated financial impact	Response strategy	Description of response strategy
Palm Oil	Reputational: Changing consumer behavior/ market demand	Other: Impact on Reputation	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	Low	Alignment of public policy positions with sustainable forest management goals Strengthening links with local community Engagement with customers	We are committed to sourcing sustainable palm oil, collaborating with stakeholders, and being transparent about our progress. We committed to source 100% certified sustainable palm oil by the end of 2015, completed largely through the use of Green Palm credits. This was an initial step as we transition to sourcing 100% physically certified sustainable palm oil, which we aim to achieve by the end of 2020. In

Forest risk commodity	Impact driver	Impact	Description of impact	Estimated financial impact	Response strategy	Description of response strategy
			Socially Responsible Investors (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		Engagement with public policy makers Engagement with other stakeholders Engagement with suppliers Tighter supplier performance standards Greater due diligence	2016, we joined the Palm Oil Working Group of the Consumer Goods Forum to collaborate and accelerate sourcing of sustainable palm oil. Additionally, we met on multiple occasions with Greenpeace, Oxfam, World Wildlife Fund (WWF), Rainforest Action Network and other NGOs to discuss our efforts, exchange information, and consider ways to achieve shared objectives. For example, we reviewed our traceability work with Greenpeace and shared with them our Palm Oil Traceability Protocol. 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. We publicly support the Roundtable on Sustainable Palm Oil (RSPO) Next and are supporting the National Interpretation in Mexico. To better understand our palm oil supply chain, we are mapping it to the mill of origin and aiming for 100% traceability. By the end of 2016, 86% of our supply was traceable to the mill. To increase the level of traceability we worked with Control Union and Proforest on the development of a Palm Oil Traceability and Verification Protocol which we provided to our suppliers. Once traceability to mill level is complete, our goal is to achieve traceability to farm/plantation level by the end of 2020. In 2016, we participated in the Landscapes Working Group

Forest risk commodity	Impact driver	Impact	Description of impact	Estimated financial impact	Response strategy	Description of response strategy
						coordinated by the IDH Sustainable Trade Initiative. The definition of traceability to the farm/plantation level will be developed with input from a wide range of companies and other stakeholders to align on an industry definition for traceability to plantation. In 2015, we published the PepsiCo Palm Oil Action Plan, which describes our strategy for sourcing sustainable palm oil. In 2016 we published a Palm Oil Action Plan Progress Report and submitted our RSPO Annual Communication of Progress. We encourage our direct suppliers to be RSPO members and 93% of our suppliers were RSPO members as of the end of 2016.

F1.4

Please describe why you do not know if your organization experienced any impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year

Primary reason for being unaware of impacts	Comment
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Further Information

Please see Palm Oil Action Plan, Palm Oil Action Plan Progress Report, Palm Oil Commitments, and Land Policy attached.

Attachments

[https://www.cdp.net/sites/2017/05/14605/Forests 2017/Shared Documents/Attachments/Forests2017/F1.Context/pepsico-palm-oil-action-plan.pdf](https://www.cdp.net/sites/2017/05/14605/Forests%202017/Shared%20Documents/Attachments/Forests2017/F1.Context/pepsico-palm-oil-action-plan.pdf)
[https://www.cdp.net/sites/2017/05/14605/Forests 2017/Shared Documents/Attachments/Forests2017/F1.Context/pepsico-palm-oil-action-plan-progress-report-august-2016.pdf](https://www.cdp.net/sites/2017/05/14605/Forests%202017/Shared%20Documents/Attachments/Forests2017/F1.Context/pepsico-palm-oil-action-plan-progress-report-august-2016.pdf)
[https://www.cdp.net/sites/2017/05/14605/Forests 2017/Shared Documents/Attachments/Forests2017/F1.Context/pepsico-palm-oil-commitment-3.pdf](https://www.cdp.net/sites/2017/05/14605/Forests%202017/Shared%20Documents/Attachments/Forests2017/F1.Context/pepsico-palm-oil-commitment-3.pdf)
[https://www.cdp.net/sites/2017/05/14605/Forests 2017/Shared Documents/Attachments/Forests2017/F1.Context/PepsiCo_Land_Policy.pdf](https://www.cdp.net/sites/2017/05/14605/Forests%202017/Shared%20Documents/Attachments/Forests2017/F1.Context/PepsiCo_Land_Policy.pdf)

Module: Risk Assessment

Page: F2. Risk assessment

F2.1

Please select the option that best describes your procedures with regard to assessing deforestation risks and opportunities

Forest risk commodity	Deforestation risk assessment procedure	Operational coverage	Please explain
Timber	Undertaken independently of other risk assessments	Direct operations Supply chain	<p>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 role in protecting the quality and experience consumers have with our products, we recognize that our most significant influence on forests is through our sourcing of paper- and wood-based products and raw agricultural materials.</p> <p>PepsiCo is working to realize zero deforestation in our company-owned and -operated activities 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. PepsiCo seeks to only purchase 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 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 we do not purchase direct raw material from the forest. However, such action is important to achieving our goal of only purchasing responsibly-sourced wood fiber products. We work with our suppliers to help them be more environmentally sustainable in their practices by following credible forestry standards and purchasing their fiber only from sources that support responsible forest management as outlined in our policies. We engaged Proforest to map the supply chain and support implementation of our policies related to paper packaging, including an</p>

Forest risk commodity	Deforestation risk assessment procedure	Operational coverage	Please explain
			assessment of certification schemes that we recognize (e.g., 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)) to analyze the extent to which they deliver PepsiCo requirements outlined in the Forestry Stewardship, Land Use and Sustainable Packaging policies. In addition, they conducted a rapid assessment of our current performance and overview of risks involved in main regions/countries of its current paper packaging supply base. The supply chain mapping project commenced in 2016.
Palm Oil	Undertaken independently of other risk assessments	Direct operations Supply chain	PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. PepsiCo sourced 100% certified sustainable palm oil in 2015 through use of Green Palm credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100% coverage of our supply chain. In 2016, 86% of our supply was traceable to the mill. We worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation of an industry definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras and Colombia in 2016. Our policy and commitments apply to all of our products, regardless of the source of production. We regularly report on our progress against our policies, commitments, and action plan, including our performance on an annual basis.

Please provide further details on your risk assessment procedures with regard to deforestation risks and opportunities

Forest risk commodity	Frequency of monitoring	To whom are results reported?	Scale of risk assessment	How far into the future are risks considered?	Please explain
Timber	Annually	Senior manager/officer	Tier 1 supplier(s)	1-3 years	PepsiCo assesses deforestation risks in its paper-based packaging supply chain on an annual basis, with results being reported to the Senior Vice President, Chief Supply Officer. This is part of an ongoing process through which we work with our suppliers to help them be more environmentally sustainable in their practices by following credible forestry standards and purchasing their fiber only from sources that support responsible forest management as outlined in our policies. To enable PepsiCo to have a greater understanding and visibility of the supply chain, in 2016 PepsiCo began working with Proforest to trace the supply chain. We are also working with Proforest to complete an assessment of the extent to which the requirements of PepsiCo's Sustainable Packaging Policy, Forestry Stewardship Policy and Land Use Policy are delivered by certification schemes. For example, CERFLOR, CSA, FSC, PEFC, SFI, as well as other widely used local/regional specific certification schemes identified during the review that would deliver our goals. The assessment will also consider risks involved in the main regions/countries of our current paper packaging supply base. The risk assessment procedure is chosen to help identify the sustainability risks in the commodity and where they exist in our supply chain.
Palm Oil	Sporadically, undefined	Senior manager/officer	Country level	3-6 years	To better understand our palm oil supply chain, we are mapping to the mill of origin and aiming for 100% traceability to mill level. In 2016, 86% of our supply was traceable to the mill. To increase the level of traceability, we have worked with Control Union to develop a Traceability and Verification Protocol, which we have provided to our suppliers for consistency in approach. On a quarterly basis, we request our direct suppliers to provide us with a full list of mills supplying them, including the geo coordinates and RSPO status. Once traceability to the mill level is complete, our goal is to achieve traceability to the farm/plantation level by the end of 2020. To support the implementation of our Palm Oil Action Plan, we are also working 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 Value (HCV), peat lands, land rights, including FPIC, human rights as defined by the UN Universal Declaration of Human Rights and no burning, as described by RSPO. 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,

Forest risk commodity	Frequency of monitoring	To whom are results reported?	Scale of risk assessment	How far into the future are risks considered?	Please explain
					including recommending priority mills and supply bases for verification assessments and wider engagement. Risk assessments were conducted in Mexico, Honduras and Colombia in 2016. This work has resulted in ongoing engagement with suppliers to achieve continuous improvement. We are also working with ProForest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, including FPIC, human rights as defined by the UN Universal Declaration of Human Rights and no burning, as described by RSPO. 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 our PepsiCo's policies, including recommending priority mills and supply bases for verification assessments and wider engagement. We included Mexico, Honduras, and Columbia in the assessment in 2016. This work has resulted in ongoing engagement with suppliers to achieve continuous improvement.

F2.1b

Please identify which of the following criteria are factored into your organization's deforestation risk assessments

Criteria	Timeframe	Relevance	Please explain
Changes in availability and quality of forest risk commodities	Current Future	Relevant, included	Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts (SMEs) 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 are also working with Proforest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, 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. Risk assessments were conducted in Mexico, Honduras and Colombia in 2016. This work has resulted in

Criteria	Timeframe	Relevance	Please explain
			ongoing engagement with suppliers to achieve continuous improvement. On palm oil, we are also working with ProForest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, including FPIC, human rights as defined by the UN Universal Declaration of Human Rights and no burning, as described by RSPO. 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 (by the end of 2016) and supply bases for verification assessments and wider engagement. We plan to include Mexico in the assessment in 2016. We expect that this work will result in 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	Current Future	Relevant, included	Our assessments of risk are based on our Enterprise Risk Management process and consultation with SMEs 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	Current Future	Relevant, included	Our assessments of risk are based on our Enterprise Risk Management process and consultation with SMEs 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.
Tariffs or price increases	Current Future	Relevant, included	Our assessments of risk are based on our Enterprise Risk Management process and consultation with SMEs 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.
Loss of markets	Not applicable	Not relevant	
Stakeholder conflicts concerning forest risk commodities	Current Future	Relevant, included	Our assessments of risk are based on our Enterprise Risk Management process and consultation with SMEs 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.
Brand damage related to forest risk commodities	Current Future	Relevant, included	Our assessments of risk are based on our Enterprise Risk Management process and consultation with SMEs 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.
Corruption	Current Future	Relevant, included	Our assessments of risk are based on our Enterprise Risk Management process and consultation with SMEs 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.

Criteria	Timeframe	Relevance	Please explain
Other	Not applicable	Not relevant	

F2.1c

Please provide any additional information about your approach to assessing deforestation risks here

PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities and global supply chains from direct supplier to source by the end of 2020. Recognizing both potential environmental benefits, including climate and biodiversity, as well as social benefits, including human rights, of sustainable sourcing, PepsiCo has committed to source palm oil in a sustainable fashion. In 2015, PepsiCo published our Palm Oil Action Plan, which describes our strategy for sourcing sustainable palm oil. We published a Palm Oil Action Plan Progress Report in 2016.

PepsiCo committed to source 100% certified sustainable palm oil (CSPO) by the end of 2015, completed largely through the use of Green Palm credits. This was an initial step as PepsiCo transitions to sourcing 100% physically certified sustainable palm oil by the end of 2020. To support the RSPO, we encourage our direct suppliers to be RSPO members and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were RSPO members as of the end of 2016.

We publicly support RSPO Next. To better understand our palm oil supply chain, we are mapping to the mill of origin and aiming for 100% traceability to mill level. In 2016, 86% of our supply was traceable to the mill. To increase the level of traceability, we have worked with Control Union to develop a Traceability and Verification Protocol, which we have provided to our suppliers for consistency in approach. On a quarterly basis, we request our direct suppliers to provide us with the full list of mills supplying them, including the geo coordinates and RSPO status. Once traceability to the mill level is complete, our goal is to achieve traceability to the farm/plantation level by the end of 2020.

To support the implementation of our Palm Oil Action Plan, we are also working with Control Union and Proforest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, including FPIC, human rights as defined by the UN Universal Declaration of Human Rights and no burning, as described by RSPO. 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. Risk assessments were conducted in Mexico, Honduras and Colombia in 2016. This work has resulted in ongoing engagement with suppliers to achieve continuous improvement.

We are also participating in the Landscapes Working Group coordinated by the IDH Sustainable Trade Initiative. This definition of traceability to the farm/plantation level will be developed with input from a wide range of companies and other stakeholders to align on an industry definition for traceability to plantation.

Our policy and commitments apply to all of our products worldwide. We expect all PepsiCo brands and products to apply our company's standards on palm oil sustainability, regardless of the source of production. PepsiCo has regularly communicated our intentions, progress, and challenges and will continue to do so. We periodically report on our progress against our policies, commitments, goals and palm oil action plan, including performance against metrics on an annual basis.

F2.1d

If you have conducted a partial risk assessment, please identify any exclusions in the following table

Forest risk commodity	Exclusion	Please explain
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F2.2

Please explain why you do not have a process in place for assessing and managing deforestation risks, and whether you plan to introduce such a process in the future

Forest risk commodity	Primary reason for not having a process	Do you plan to introduce a process?	Timeframe	Comment
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Further Information

Module: Implications

Page: F3. Risks

F3.1

Have you identified any inherent risks related to producing, marketing or sourcing forest risk commodities that have the potential to generate a substantive change in your business operations, revenue or expenditure? Please select all that apply

Forest risk commodity	Risk
Timber	Operational risks driven by changes in physical parameters Risks driven by changes in regulation Reputational risks
Palm Oil	Operational risks driven by changes in physical parameters Risks driven by changes in regulation Reputational risks

F3.1a

For your selected forest risk commodities, please describe any inherent operational risks in your direct operations or supply chain driven by changes in physical parameters that have the potential to generate a substantive change in business operations, revenue or expenditure

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Timber	Loss of ecosystem services	Region	The materials we use to produce our products are largely commodities subject to price volatility and fluctuations in availability caused by changes in global	Increased operational cost Reduction/ disruption in production capacity	1-3 years	Supply chain	Very unlikely	Low	In the normal course of business, we manage these risks through a variety of strategies, including global purchasing programs and systematic hedging

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
			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 impact our supply chain over the next 1-3 years.	Reduction/ disruption of supply					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, metals and energy. Commodity Risk Management provides reasonable predictability in cost across our global commodity exposures, while allowing for 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

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Timber	Availability of certified sustainable material	Region	The 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. 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 impact our supply chain over the next 1-3 years.	Increased operational cost Reduction/ disruption in production capacity Reduction/ disruption of supply	1-3 years	Supply chain	Very unlikely	Low	risks. In the normal course of business, we 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, metals and energy. Commodity Risk Management provides reasonable predictability in cost across our global commodity exposures, while allowing for controlled flexibility to adapt to unique

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									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.
Palm Oil	Availability of certified sustainable material	Global	As 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.	Increased operational cost Reduction/ disruption in production capacity Reduction/ disruption of supply	3-6 years	Supply chain	About as likely as not	Low-medium	In the normal course of business, we 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,

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									metals and energy. Commodity Risk Management provides reasonable predictability in cost across our global commodity exposures, while allowing for 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.

F3.1b

For your selected forest risk commodities, please describe any inherent risks in your direct operations or supply chain driven by changes in regulation that have the potential to generate a substantive change in business operations, revenue or expenditure

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Timber	Product regulations and standards	Region	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.	Increased operational cost Reduction/ disruption in production capacity Reduction/ disruption of supply	1-3 years	Supply chain	Very unlikely	Low	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 achieve our goal of zero deforestation in our company-owned and -operated activities and global supply chains from direct suppliers to source by the end of 2020. We believe that our policy framework and timber specific sourcing standards and goals will help enable us to stay ahead of regulatory requirements. 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., CSA,

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>CERFLOR, PEFC, SFI and FSC) to analyze the extent to which they deliver PepsiCo requirements outlined in the Forestry Stewardship, Land Use and Sustainable Packaging policies. In addition, they 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. We believe that our policy framework and timber specific sourcing standards and goals will help enable us to stay ahead of regulatory requirements. We are also working with ProForest to map our supply chain and to complete an assessment of the extent to which the</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/supply chain	Likelihood	Magnitude of impact	Management methods
									requirements of PepsiCo's packaging policy and Forestry Stewardship and Land Use policies are delivered by certification schemes PepsiCo currently recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI), as well as other widely used local/regional specific certification schemes identified during the review that would deliver our goals. The assessment will also consider risk involved in the main regions/countries of current paper packaging supply base.
Palm Oil	Product regulations and standards	Country	While most of the mechanisms to deliver more sustainable palm oil (e.g. RSPO, CGF) are non-regulatory, we are seeing increasing interest from governments in using regulation to drive change.	Increased operational cost Reduction/disruption in production capacity Reduction/disruption of supply	3-6 years	Direct operations and supply chain	Unlikely	Low	PepsiCo has taken a multi-faceted approach to address our palm oil supply chain by enacting a number of policies and programs on this principle. We believe that our Forestry Stewardship Policy, Land Use Policy, Palm Oil

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>Commitments, Palm Oil Action Plan, strategic partnerships, and use of new tools will help enable us to stay ahead of regulatory requirements. 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 HCS, HCV, peat lands, land rights, including FPIC, 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</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>wider engagement. The risk assessment has been involving, inter alia, existing grievances in the supply chain, country risks, suppliers' commitments and programs to resolve issues, geospatial analysis of the supply base, consultation with key organizations working with social and environmental issues in the palm oil realm and field visits – conducted in Mexico, Honduras and Colombia in 2016. We expect that this work will increase the level of engagement with suppliers to monitor implementation of continuous improvement plans.</p>

F3.1c

For your selected forest risk commodities, please describe any inherent reputational risks in your direct operations or supply chain that have the potential to generate a substantive change in business operations, revenue or expenditure

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Timber	Negative media coverage	Global	Socially Responsible Investors (SRIs), NGOs, 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. 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.	Increased operational cost Reduction/ disruption in production capacity Reduction/ disruption of supply	1-3 years	Supply chain	Very unlikely	Low	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 achieve our goal of zero deforestation in our company-owned and -operated activities and global supply chains from direct supplier to source by the end of 2020. We believe that our policy framework and timber specific sourcing standards and goals will help enable us to manage the increasing reputational risk associated with timber and deforestation. To enable 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

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									supply chain mapping with suppliers to identify high risk suppliers, regions and countries where interventions are required. In addition, we will revise paper packaging-related policies to clarify scope, make implementation targets more explicit, and further develop requirements on recycled content.
Palm Oil	Negative media coverage	Global	Socially responsible investors, NGOs, 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	Reduced demand for goods/service	1-3 years	Direct operations and supply chain	Unlikely	Low	Advancing respect for human rights, sourcing sustainably, and realizing zero deforestation are paramount to PepsiCo and our work in sustainable agriculture. Working with our global farming supply chain, we are committed to incorporating industry leading policies, practices and technology. We continue to engage with external experts and third-party

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
			sourcing in our business.						<p>organizations to inform and advance our efforts. In furtherance of this work, PepsiCo made significant commitments to source sustainable palm oil and published its first Palm Oil Action Plan in October 2015. We published our Palm Oil Action Plan Progress Report in 2016. PepsiCo's Forestry Stewardship Policy, Land Use Policy and Palm Oil Commitments are readily available to the public on our website. In 2016, we estimate that approximately 86% of the palm oil we are forecasted to use for the year has been traced to the mill, up from 65% as reported in our first action plan. We continue to support our suppliers in an effort to achieve 100% traceability and plan for independent verification. To</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									increase the level of traceability, we have worked with Control Union to develop a Traceability and Verification Protocol, which we have provided to our suppliers for consistency in approach. A training program on how to use the protocol was implemented for suppliers, and we also established a traceability helpdesk with Control Union to provide ongoing assistance. Using the information collected on mill traceability, an initial supplier-level risk assessment of the PepsiCo supply base has been undertaken by Proforest. Specific interventions are being planned to engage with mills where there is a high risk of non-compliance with PepsiCo's policies. Assessment visits were conducted in Mexico, Colombia

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									and Honduras in 2016. Our goal is to achieve traceability to farm/plantation level by the end of 2020, and we are participating in the Landscapes Working Group coordinated by the IDH Sustainable Trade Initiative. The definition of traceability to the farm/plantation level will be developed with input from a wide range of companies and other stakeholders to align on an industry definition for traceability to plantation.

F3.2

If you indicated in question F3.1 that you do not consider your organization to be exposed to operational risks related to producing, marketing or sourcing any of your selected commodities, please explain why in the table below

Forest risk commodity	Primary reason for not identifying risks	Please explain

F3.3

If you indicated in question F3.1 that you do not consider your organization to be exposed to risks related to producing, marketing or sourcing any of your selected commodities driven by changes in regulation, please explain why in the table below

Forest risk commodity	Primary reason for not identifying risks	Please explain

F3.4

If you indicated in question F3.1 that you do not consider your organization to be exposed to reputational risks related to producing, marketing or sourcing any of your selected commodities, please explain why in the table below

Forest risk commodity	Primary reason for not identifying risks	Please explain

Further Information**Page: F4. Opportunities**

F4.1

Have you identified any opportunities related to producing, marketing or sourcing these commodities sustainably that have the potential to benefit your organization?

Forest risk commodity	Opportunities?
Timber	Yes
Palm Oil	Yes

F4.1a

Please describe the opportunities related to producing, marketing or sourcing these commodities sustainably, and your organization's strategy to capitalize on them

Forest risk commodity	Opportunity	Scale of opportunity	Strategy to realize opportunity	Timeframe	Comment
Timber	Increased brand value	Improved consumer response to products carrying credible third-party certified source material such as FSC, SFI, and PEFC. Improved transparency of our paper-based packaging supply chain.	Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, and Sustainable Packaging Policy, PepsiCo has created a robust framework to achieve our goal of zero deforestation in our company-owned and -operated activities and global supply chains from direct supplier to source by the end of 2020. PepsiCo seeks to only purchase 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. PepsiCo is also working with our suppliers to help them be more environmentally sustainable in their practices by following credible forestry standards and purchasing their 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: CERFLOR, CSA, FSC, PEFC, SFI.	1-3 years	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 recognize 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 activities 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. PepsiCo seeks to only purchase 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

Forest risk commodity	Opportunity	Scale of opportunity	Strategy to realize opportunity	Timeframe	Comment
					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 continuously works with our suppliers to help them be more environmentally sustainable in their practices by following credible forestry standards and purchasing their fiber only from sources that support responsible forest management as outlined in our policies.
Palm Oil	Increased brand value	Improved consumer response to products carrying RSPO certified sourced material.	PepsiCo is committed to sourcing 100% physically certified sustainable palm oil by the end of 2020. In 2016, we increased the use of physically certified palm oil to 16% of our volume as compared to 8% in 2015. We continue to ramp up and have a multi-year roadmap to achieving the goal. For the remainder of our palm oil volume, we have achieved certification using Green Palm RSPO credits, which we see as an initial step to support market development.	1-3 years 3-6 years	PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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 sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. PepsiCo sourced 100% certified sustainable palm oil in 2015 through the use of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In 2016, 86% of our supply was traceable to the mill. We have worked with

Forest risk commodity	Opportunity	Scale of opportunity	Strategy to realize opportunity	Timeframe	Comment
					Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation fo a definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras and Colombia in 2016. Our policy and commitments apply to all of our products, regardless of the source of production. We regularly report on our progress against our policies, commitments, and action plan, including our performance on an annual basis.

F4.2

Please explain why you do not consider there to be any opportunities for your organization associated with producing, marketing or sourcing these commodities sustainably

Forest risk commodity	Primary reason for not identifying opportunities	Please explain

F4.3

Please explain why you don't know if there are any opportunities for your organization associated with producing, marketing or sourcing these commodities sustainably

Forest risk commodity	Primary reason for not knowing if there are opportunities	Please explain

Further Information

Module: Measure & Monitor

Page: F5. Measurement

F5.1

Do you own or manage land used for the production of any of your selected commodities? Please complete the table

Forest risk commodity	Own and/or manage land?	Size (Hectares)	Type of control	System in place to monitor deforestation?	Recent infractions?	Please explain

Forest risk commodity	Own and/or manage land?	Size (Hectares)	Type of control	System in place to monitor deforestation?	Recent infractions?	Please explain
Timber	Don't own or manage land	Not applicable	Not applicable			
Palm Oil	Don't own or manage land	Not applicable	Not applicable			

F5.2

Does your organization collect production and/or consumption data for your selected commodities?

Forest risk commodity	Production and/or consumption data available?
Timber	Consumption data available, disclosing
Palm Oil	Consumption data available, disclosing

F5.2a

Please disclose your production and/or consumption data using the table below

Forest risk commodity	Production/ consumption data	Volume	Metric	Full/Partial data?	If partial data, please explain
Timber	Consumption data	1300000	Metric tons	Partial commodity production/consumption	Volumes will continue to get updated as data is refined.
Palm Oil	Consumption data	482000	Metric tons	Full commodity production/consumption	

F5.3

Please explain why your organization is not disclosing production and/or consumption data for your selected commodities

Forest risk commodity	Primary reason for not disclosing production/consumption data	Please explain

F5.4

Please explain why production and/or consumption data is not available for your selected commodities

Forest risk commodity	Primary reason for not having production/consumption data	Please explain

Further Information

Page: F6. Traceability

F6.1

Do you have a system in place to track and monitor the origin of raw materials for your selected commodities?

Forest risk commodity	System to track and monitor origin of raw materials?

F6.1a

Please describe the system you have in place to track and monitor the origin of raw materials for your selected commodities

Forest risk commodity	System	System coverage	If partial, % of total production/consumption tracked/monitored	Please explain
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F6.2

Please explain why you do not have a system in place to track and monitor the origin of raw materials for your selected commodities

Forest risk commodity	Primary reason for not having a system in place	Please explain
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F6.3

Please provide details on the level of traceability your organization has for your selected commodities

Forest risk commodity	% of total production/consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
Timber	100%	PepsiCo has committed to 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. At this time, PepsiCo has 100% traceability to the country of origin for our manufactured paper-based packaging. PepsiCo seeks to only purchase responsibly-	Country	Not applicable		

Forest risk commodity	% of total production/consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
		<p>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. We are also working with Proforest to complete an assessment of the extent to which the requirements of PepsiCo's packaging policy and Forestry Stewardship and Land Use policies are delivered by certification schemes PepsiCo currently recognizes (e.g. CERFLOR, CSA, FSC, PEFC, SFI) as well as other widely used local/regional specific certification schemes identified during the review that would deliver our goals. The assessment will also consider risk involved in the main regions/countries of our current</p>				

Forest risk commodity	% of total production/consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
		paper packaging supply base.				
Palm Oil	81-90%	<p>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 on the development of 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, GPS 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 helpdesk 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 86% of our source volume, however achieving the 100% target will be very</p>	Country		<p>PepsiCo is working to achieve traceability to the mill level. This will be performed for our entire palm oil supply chain, but we are starting with select markets and working with our largest and key suppliers to achieve this. We started this process in Mexico, as it represents our largest single market of use in the world. PepsiCo has achieved traceability to the mill for our largest supplier in Mexico.</p>	<p>To better understand our palm oil supply chain, we are mapping to the mill of origin and aiming for 100% traceability to mill level. In 2016, 86% of our supply was traceable to the mill. To increase the level of traceability, we have worked with Control Union to develop a Traceability and Verification Protocol, which we have provided to our suppliers for consistency in approach. On a quarterly basis, we request our direct suppliers to provide us with a full list of mills supplying them, including geo coordinates and RSPO status. Once traceability to the mill level is complete, our goal is to achieve traceability to the farm/plantation level by the end of 2020. To support the implementation of our Palm Oil Action Plan, we are also working 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 Value (HCV), peat lands, land rights, including FPIC, human rights as defined by the UN Universal Declaration of Human Rights and no burning, as</p>

Forest risk commodity	% of total production/consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
		difficult given the complexity of the supply and the availability of this data from direct suppliers in certain key markets. Lastly, no industry definition currently exists on “traceability” to the farm/plantation, so we are participating in the Landscapes Working Group coordinated by the IDH Sustainable Trade Initiative. The definition will be developed with input from a wide range of stakeholders.				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. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. This work has resulted in ongoing engagement with suppliers to achieve continuous improvement. We are also participating in the Landscapes Working Group coordinated by the IDH Sustainable Trade Initiative. This definition will be developed with input from a wide range of companies and other stakeholders to align on an industry definition for traceability to plantation.

F6.3a

Please describe your organization’s approach to establishing traceability

To better understand our palm oil supply chain, we are mapping to the mill of origin and aiming for 100% traceability to mill level. In 2016, 86% of our supply was traceable to the mill. To increase the level of traceability, we have worked with Control Union to develop a Traceability and Verification Protocol, which we have

provided to our suppliers for consistency in approach. On a quarterly basis, we request our direct suppliers to provide us with a full list of mills supplying them, including a geo coordinates and RSPO status. Once traceability to the mill level is complete, our goal is to achieve traceability to the farm/plantation level by the end of 2020.

To support the implementation of our Palm Oil Action Plan, we are also working 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 Value (HCV), peat lands, land rights, including FPIC, human rights as defined by the UN Universal Declaration of Human Rights and no burning, as described by RSPO. 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. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016, which represent our largest volumes of palm oil sourced. This work has resulted in ongoing engagement with suppliers to achieve continuous improvement.

We are also participating in the Landscapes Working Group coordinated by the IDH Sustainable Trade Initiative. This definition of traceability to the farm/plantation level will be developed with input from a wide range of companies and other stakeholders to align on an industry definition for traceability to plantation.

Further Information

Module: Response

Page: F7. Governance and strategy

F7.1

Please indicate where the highest level of direct responsibility for deforestation risk lies within your organization and detail the frequency and nature of engagement on the issue

Highest level of responsibility	Name/position of individual or name of committee	Frequency of briefing	Nature of engagement
Senior Manager/Officer	Senior Vice President, Chief Supply Officer	Quarterly	Potential deforestation risks in our palm oil supply chain are reported to Senior Vice President, Chief Supply Officer on a quarterly or more frequent, as needed basis. In the context of PepsiCo's Performance With Purpose commitments, we frequently engage with industry organizations and NGOs on our commitment to realize our goal of zero deforestation in our company-owned and –operated activities and global supply chains from direct supplier to source by the end of 2020. For example, we are active members in the Consumer Goods Forum Environmental Sustainability Committee, where

Highest level of responsibility	Name/position of individual or name of committee	Frequency of briefing	Nature of engagement
			many large consumer goods companies discuss strategies for achieving zero deforestation in the supply chain. We also have significant engagement with the NGO community around sustainable palm oil.

F7.2

Have you evaluated how the availability or quality of forest risk commodities could affect your organization's growth strategy?

Yes, evaluated over the next 1 year

F7.2a

Please explain how you evaluated the effects of the availability or quality of forest risk commodities on the success (viability, constraints) of your organization's growth strategy

To support the implementation of our Palm Oil Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, including FPIC, human rights as defined by the UN Universal Declaration of Human Rights and no burning, as described by RSPO. 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. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. This work has resulted in ongoing engagement with suppliers to achieve continuous improvement.

F7.3

Please explain why you have not evaluated how the availability or quality of forest risk commodities could affect the success (viability, constraints) of your organization's growth strategy

Primary reason for not evaluating potential impact on growth strategy	Please explain
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Further Information

Page: F8. Policies

F8.1

Does your organization have a policy that recognizes the role of reducing deforestation for climate change mitigation and sets out clear goals and guidelines for action?

Policy	Please explain
Yes, a publicly available company-wide policy with performance standards for direct operations including supplier, procurement and contracting best practices	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 achieve our goal of zero deforestation in our company-owned and -operated activities and global supply chains from direct supplier by the end of 2020. • See: 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_land_policy.pdf?sfvrsn=2 • http://www.pepsico.com/docs/album/policies-doc/pwp/pepsico-palm-oil-commitment-3.pdf?sfvrsn=0 • http://www.pepsico.com/docs/album/default-document-library/pepsico-palm-oil-action-plan.pdf?sfvrsn=0 • http://www.pepsico.com/docs/album/policies-doc/pwp/global_pack_policy.pdf?sfvrsn=2

F8.2

Has your organization made a commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain?

Yes

F8.2a

Please identify which of the following criteria are specifically stated in your organization's commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain

Criteria	Commodity coverage	Operational coverage	% of total production/ consumption covered by commitment	Commitment timeframe	Please explain
Zero deforestation and forest degradation Zero net deforestation and forest degradation High Conservation Value (HCV) management High Carbon Stock (HCS) management No peatland conversion Avoidance of land area under conservation Free, Prior and Informed Consent (FPIC) Legality Certification	Timber Palm Oil	Direct operations and supply chain	100%	2020	<p>PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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 sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. PepsiCo sourced 100% certified sustainable palm oil in 2015 primarily through the use of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In 2016, 86% of our supply was traceable to the mill. We have worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates, and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation of an industry definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. Our policy and commitments to all of our products, regardless of the source of production. We regularly report</p>

Criteria	Commodity coverage	Operational coverage	% of total production/ consumption covered by commitment	Commitment timeframe	Please explain
					on our progress against our policies, commitments, and action plan, including our performance on an annual basis.

F8.3

Please explain why your organization has not made a commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain, and whether you plan to do this in the future

Primary reason for not having made a commitment	Do you plan to introduce a commitment?	Please explain
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F8.4

Do you have commodity specific sustainability policies?

Forest risk commodity	Commodity specific sustainability policies?	Criteria	Cut-off date, if applicable	Please explain
Timber	Yes	Zero deforestation and forest degradation Zero net deforestation and	Not applicable	PepsiCo aims to ensure that we and our suppliers practice responsible forestry stewardship. 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 achieve our goal of zero deforestation in our company-owned and -operated activities and global supply chains from direct supplier to source by the end of 2020. As we strive for zero

Forest risk commodity	Commodity specific sustainability policies?	Criteria	Cut-off date, if applicable	Please explain
		forest degradation High Conservation Value (HCV) management High Carbon Stock (HCS) management No peatland conversion Avoidance of land area under conservation Free, Prior and Informed Consent (FPIC) Legality		deforestation in our business operations and supply chain, PepsiCo will adhere to the following principles across all commodities: (i) Compliance with applicable legal requirements of each country in which we operate and from which we source; (ii) No further development on High Carbon Stock (HCS) Forests; (iii) No further development on High Conservation Value (HCV) Forests; (iv) No new conversion of peat lands; and (v) Free, Prior, and Informed Consent (FPIC) 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 (SCoC) 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 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 ensuring efficient energy usage across the product lifecycle.
Palm Oil	Yes	Zero deforestation and forest degradation Zero net deforestation and forest degradation High Conservation Value (HCV) management High Carbon Stock (HCS) management No peatland conversion Avoidance of land area under conservation	2010	PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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 sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. PepsiCo sourced 100% certified sustainable palm oil in 2015 primarily through the use of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In 2016, 86% of our supply was traceable to the mill. We have worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. To enable the creation of an industry definition, we are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis

Forest risk commodity	Commodity specific sustainability policies?	Criteria	Cut-off date, if applicable	Please explain
		Free, Prior and Informed Consent (FPIC) Legality Certification		and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. Our policy and commitments apply to all of our products, regardless of the source of production. PepsiCo regularly reports on our progress against our policies, commitments, and action plan, including performance on an annual basis.

Further Information

Page: F9. Standards and targets

F9.1

Do you have any environmental standards for the production of raw materials for your selected commodities, other than third party certification schemes?

Forest risk commodity	Production standards in place?	Please describe your production standards	Comment

F9.2

Does your organization enforce any procurement standards that impact your sourcing of forest risk commodities?

Forest risk commodity	Procurement standards in place?	Monitor compliance?	Impact on sourcing activities	Please explain
Timber	Yes	Yes	Factored into supplier selection process Impact on supplier engagement strategy	<p>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 recognize 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 activities 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. PepsiCo seeks to only purchase 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 continuously works with our suppliers to help them be more environmentally sustainable in their practices by following credible forestry standards and purchasing their 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., CSA, CERFLOR, PEFC, SFI and FSC) to analyze the extent to which they deliver PepsiCo requirements outlined in the Forestry Stewardship, Land and Sustainable Packaging policies. In addition, they 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.</p>
Palm Oil	Yes	Yes	Factored into supplier selection process Impact on supplier engagement strategy	<p>PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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 has committed to source 100% physically certified sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. We sourced 100% certified sustainable palm oil in 2015 primarily through the use of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In</p>

Forest risk commodity	Procurement standards in place?	Monitor compliance?	Impact on sourcing activities	Please explain
				2016, 86% of our supply was traceable to the mill. We have worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation of an industry definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. Our policy and commitments apply to all of our products, regardless of the source of production. We regularly report on our progress against our policies, commitments, and action plan, including our performance on an annual basis.

F9.3

Are you involved in any multi-partnership or stakeholder initiatives relating to the sustainability of these commodities? Please describe your role

Forest risk commodity	Involved in initiatives?	Initiatives	Please explain
Timber	Yes	The Consumer Goods Forum (CGF) UN Global Compact Sustainable Packaging Coalition (SPC) EUROPEN	PepsiCo is an active member of CGF, a manufacturing and retail industry group that has adopted the following 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. Subject matter experts participate in the Environmental Sustainability Committee and the Palm Oil Working Group. PepsiCo is also an active member of EUROPEN, serving on the Executive Committee and Sustainability & Regulatory Affairs Committee, to drive forward our Global

Forest risk commodity	Involved in initiatives?	Initiatives	Please explain
			Sustainable Packaging Policy. PepsiCo is also an active member of 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)
Palm Oil	Yes	The Consumer Goods Forum (CGF) Roundtable on Sustainable Palm Oil (RSPO) Other: Landscapes Working Group (IDH), AIM Progress	PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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 sustainable palm oil by the end of 2020. We sourced 100% certified sustainable palm oil in 2015 primarily through the use of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In 2016, 86% of our supply was traceable to the mill. We worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation of an industry definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base to identify, assess, and prioritize compliance risks under our policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. The RSPO has been a very helpful platform, though more is needed to foster wide-spread collaboration. We are evaluating additional programs that bring industry supply chain actors together. Consideration of these programs is guided in part by a risk assessment process that identifies geographic areas in our supply chain that are at high risk of non-conformance with our environmental or social policies.

F9.4

Do you specify any third party certification schemes for your selected commodities? Please indicate the percentage of total production and/or consumption currently certified

Forest Risk Commodity	Specify third party certification schemes?	% of total production/ consumption certified	Certification scheme breakdown	Please explain
Timber	FSC PEFC SFI Cerflor Canadian Standards Association (CSA)	Don't know	FSC Chain of Custody PEFC Chain of Custody SFI Chain of Custody Other: SFI Certified Sourcing	We are working with Proforest to understand in detail our paper packaging supply chain and traceability.
Palm Oil	RSPO	100%	RSPO GreenPalm RSPO Mass Balance	PepsiCo has a goal to source 100% physically certified sustainable palm oil by the end of 2020. In 2015, we purchased nearly 12% of our palm oil volume through mass balance. In our transition to physically sourced palm oil, we expect to continue to have 100% RSPO-certified palm oil by leveraging GreenPalm certificates.

F9.5

Do you have any quantified targets for third party certified materials in your direct operations and/or supply chains?

Forest risk commodity	Quantified targets for third party certification?	Certification scheme breakdown	Baseline year	Target year	Coverage	% of materials third party certified in target year	Please explain
Timber	No quantified targets	Not applicable					At this time, we do not have a quantified target for third party certified materials.
Palm Oil	RSPO	RSPO GreenPalm	2015	2020	Supply chain	100%	As more mass balance CSPO becomes available, we will strategically increase our use as we move towards our goal to

Forest risk commodity	Quantified targets for third party certification?	Certification scheme breakdown	Baseline year	Target year	Coverage	% of materials third party certified in target year	Please explain
		RSPO Mass Balance					source 100% physically certified sustainable palm oil by the end of 2020. As we build our use of physically sourced palm oil, we will continue to purchase 100% RSPO-certified palm oil by leveraging GreenPalm certificates. 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 GreenPalm certificates. We believe we have the ability globally to obtain 100% physically certified sustainable palm oil by the end of 2020. PepsiCo has committed to: Exclusively source 100% RSPO certified sustainable palm oil by 2015, which we completed largely through the use of Green Palm credits; achieve 100% traceability to the mill; Purchase 100% physically -certified sustainable palm oil by the end of 2020; and Realize zero deforestation in our company-owned and -operated activities and global supply chains from direct supplier to source by the end of 2020.

F9.6

Do you have any quantified targets for sustainable production and/or procurement, other than third party certification?

Forest risk commodity	Quantified targets for sustainable production/ procurement?	Type of target	Baseline year	Target year	Coverage	% of materials to meet requirements in target year	Please explain
Timber	Yes	Sustainable procurement			Supply chain	100%	PepsiCo seeks to only purchase responsibly-sourced wood fiber products and will not knowingly accept from its supply chain paper-based packaging that may contain wood fiber

Forest risk commodity	Quantified targets for sustainable production/ procurement?	Type of target	Baseline year	Target year	Coverage	% of materials to meet requirements in target year	Please explain
							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 continuously works with its suppliers to help them to be environmentally sustainable in their practices by following credible forestry standards and purchasing their 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, SFI.
Palm Oil	Yes	Sustainable procurement	2015	2020	Direct operations and supply chain	100%	PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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 sustainable by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. PepsiCo sourced 100% certified sustainable palm oil in 2015 primarily through the use of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO Members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In 2016, 86% of our supply was traceable to the mill. We have

Forest risk commodity	Quantified targets for sustainable production/ procurement?	Type of target	Baseline year	Target year	Coverage	% of materials to meet requirements in target year	Please explain
							<p>worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation of a definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016, which represent our largest volumes of palm oil. Our policy and commitments apply to all of our products, regardless of the source of production. We regularly report on our progress against our policies, commitments, and action plan, including our performance on an annual basis.</p>

Further Information

Page: F10. Engagement

F10.1

Have you identified sufficient sources of sustainable materials to meet your operational needs? Please explain what you are doing to ensure security/continuity of supply

Forest risk commodity	Current demand	Future demand	Actions to ensure security/ continuity of supply	Please explain
Timber	Yes	Yes	Supplier improvement plans to increase capacity of supply Engaging in capacity building activities in the value chain	PepsiCo seeks to only purchase 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. To that end, PepsiCo is working with Proforest to understand the level of certified paper packaging material provided today and our ability to increase this amount. These data collection efforts will help us prioritize our efforts in areas of greatest risk. PepsiCo also continuously works with its suppliers to help them to be environmentally sustainable in their practices by following credible forestry standards and purchasing their 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: CERFLOR, CSA, FSC, PEFC, SFI.
Palm Oil	Yes	Yes	Supplier improvement plans to increase capacity of supply Engaging in capacity building activities in the value chain Other: 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 seeks to build certification capacity. This year we sponsored the National Interpretation of RSPO in Mexico and are working with our suppliers and other supply chain actors across this growing region to build capacity of sustainable palm oil.	PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities and global supply chain 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 sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. PepsiCo sourced 100% certified sustainable palm oil in 2015 primarily through the use

Forest risk commodity	Current demand	Future demand	Actions to ensure security/ continuity of supply	Please explain
				<p>of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In 2016, 86% of our supply was traceable to the mill. We have worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation of a definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. Our policy and commitments apply to all of our products, regardless of the source of production. PepsiCo regularly reports on our progress against our policies, commitments, and action plan, including our performance on an annual basis.</p>

F10.2

Are you working with smallholders to encourage and support sustainable forest management practices?

Forest risk commodity	Working with smallholders?	Please explain
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F10.3

Are you working with your direct suppliers to support and improve their capacity to supply sustainable materials?

Forest risk commodity	Working with direct suppliers?	Supplier engagement strategy	Please explain
Timber	Yes	Encouraging certification Supplier questionnaires on environmental and social indicators Workshops and training Supplier audits Contractual agreements	PepsiCo continuously works with our suppliers to help them to be environmentally sustainable in their practices by following credible forestry standards and purchasing their 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: CERFLOR, CSA, FSC, PEFC, 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. We are also working with ProForest to trace our supply chain and understand the level of paper packaging certification and risk of paper used.
Palm Oil	Yes	Developing or distributing supply chain mapping tool Data collection in central database Encouraging certification Encouraging work with multi-stakeholder groups Supplier audits	PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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 sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. PepsiCo sourced 100% certified sustainable palm oil in 2015 primarily through the use of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In 2016, 86% of our supply was traceable to the mill. We have worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation of a definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no

Forest risk commodity	Working with direct suppliers?	Supplier engagement strategy	Please explain
			burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. Our policy and commitments apply to all of our products, regardless of the source of production. We regularly report on our progress against our policies, commitments, and action plan, including our performance on an annual basis.

F10.4

Are you working beyond the first tier of your supply chain to manage and mitigate risk?

Forest risk commodity	Work beyond first tier of supply chain?	Please explain
Timber	Yes	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 only purchasing responsibly-sourced wood fiber products. PepsiCo continuously works with our suppliers to help them to be environmentally sustainable in their practices by following credible forestry standards and purchasing their 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: CERFLOR, CSA, FSC, PEFC, SFI.
Palm Oil	Yes	PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities 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 sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016. We sourced 100% certified sustainable palm oil in 2015 primarily through the use of Green Palm Credits. To support the RSPO, we encouraged our direct suppliers to be RSPO members, and 93% of our suppliers (supplying 98% of all palm oil procured by PepsiCo) were members by the

Forest risk commodity	Work beyond first tier of supply chain?	Please explain
		<p>end of 2016. To better understand our supply chain, we are mapping to the mill of origin and aiming for 100%. In 2016, 86% of our supply was traceable to the mill. We have worked with Control Union and Proforest to develop and implement a Traceability and Verification Protocol. On a quarterly basis, we request our direct suppliers to provide a full list of mills supplying them, including geo coordinates and RSPO status. Our goal is to achieve traceability to the farm/plantation by the end of 2020. We are participating in the Landscapes Working Group led by IDH Sustainable Trade Initiative to facilitate the creation of a definition of traceability to the farm/plantation level. To support the implementation of our Action Plan, we are working with Proforest to develop a risk analysis and mitigation plan, and a verification process that stresses PepsiCo's goals on HCS, HCV, peat lands, land rights, FPIC, human rights, and no burning, as described by RSPO. This work involves an independent risk assessment of direct suppliers and their supply base (leveraging the traceability data) to identify, assess, and prioritize compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments. Risk assessments were conducted in Mexico, Honduras, and Colombia in 2016. Our policy and commitments apply to all of our products, regardless of the source of production. We regularly report on our progress against our policies, commitments, and action plan, including our performance on an annual basis.</p>

F10.5

Do you engage in activities that could either directly or indirectly influence the market for sustainable forest risk commodities?

Activity	Please explain
<p>Increasing demand for sustainable materials Increasing awareness of sustainable materials Raising awareness of the issue of deforestation</p>	<p>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 achieve our goal of zero deforestation in our company-owned and -operated activities and global supply chains from direct supplier to source by the end of 2020. As we strive for zero deforestation in our business operations and supply chain, PepsiCo will increase the awareness/demand for sustainable materials and raise awareness of deforestation issues by: Seeking to only purchase responsibly-sourced wood fiber products; requiring our suppliers to commit to utilizing appropriate standards; and engaging with appropriate industry and other groups to improve our understanding of deforestation issues, adapt our policy, and achieve our goals. PepsiCo committed to source 100% CSPO by the end of 2015, which we completed largely through the use of Green Palm credits; this was an initial step to support market development as PepsiCo transitions to sourcing 100% physically certified sustainable palm oil, which PepsiCo aims to achieve by the end of 2020. Lastly, PepsiCo has communicated regularly our intentions, progress and challenges and will continue to do so. We periodically report on our progress</p>

Activity	Please explain
	against our policies, commitments, goals and palm oil action plan, including performance against metrics on an annual basis. PepsiCo annually reports GHG emissions through the CDP and encourages our direct suppliers to join the CDP and to report on greenhouse gases through the CDP Supply Chain project.

Further Information

Module: Challenges

Page: F11. Barriers and challenges

F11.1

Please describe any key barriers or challenges to achieving deforestation free direct operations and supply chains

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.
- Ability of public sector initiatives whereby government legislators, regulators and other officials to 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 inability of small holders to produce commodities sustainably.
- Lack of availability of credibly certified volumes for some commodities in some markets.
- Lack of universally accepted definitions and protocols, leading to varying certifications and related claims.
- Ability to collaborate among key private, public and NGO actors to achieve results at a meaningful scale.

F11.2

Please describe any measures that would improve your organization's ability to manage deforestation risk

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.
- Ability of public sector initiatives whereby government legislators, regulators and other officials to 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 inability of small holders to produce commodities sustainably.
- Lack of availability of credibly certified volumes for some commodities.
- Lack of universally accepted definitions and protocols, leading to varying certifications and related claims.
- Ability to collaborate among key private, public and NGO actors to achieve results at a meaningful scale.

Further Information

Module: Sign Off

Page: F12. Sign off

F12.1

Please provide the following information for the person that has signed off (approved) your CDP forests response

Name			Job title			Corresponding job category		
Brian Newman			Executive Vice President, Global Operations			Chief Operating Officer (COO)		

Further Information

CDP