PepsiCo Sustainable Sourcing Guidelines: May 2025

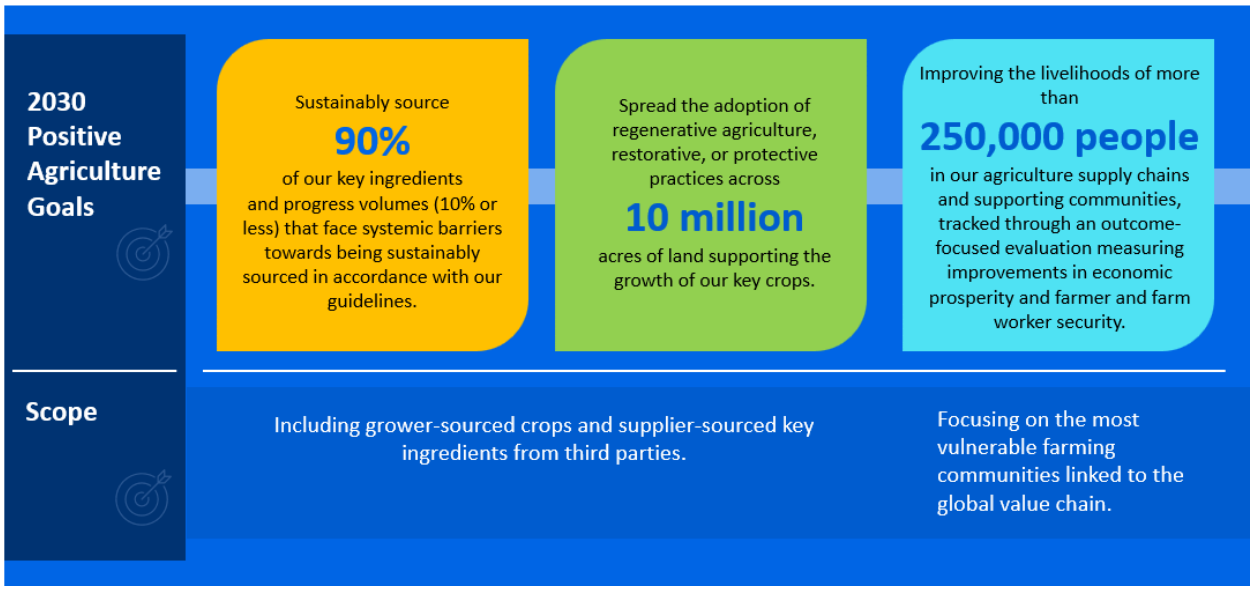
Version 2.1

May 2025

1. Overview

Sustainably source 90% of our key ingredients and progress volumes (10% or less) that face systemic barriers towards being sustainably sourced in accordance with our guidelines, by 2030. Sustainable sourcing is one of three mutually reinforcing goals in the Positive Agriculture pillar of our PepsiCo Positive (pep+) sustainability strategy.

Figure 1: PepsiCo's Positive Agriculture Goals



PepsiCo relies on a steady and sustainable supply of agricultural raw materials to meet our business's demands. Our Sustainable Sourcing approach strives to provide a strong risk management foundation and support long-term business success while advancing our Positive Agriculture goals (*Figure 1: PepsiCo's Positive Agriculture Goals)*. We believe Sustainable Sourcing practices in our supply chain can help protect PepsiCo's ingredient supply security as well as our social license to operate, corporate reputation, and brand security.

2. Purpose

These Sustainable Sourcing Guidelines provide a framework for implementing and measuring progress toward PepsiCo's Sustainable Sourcing goal.

These Guidelines outline:

- how PepsiCo defines ingredients as "Sustainably Sourced" or "Engaged,"
- the scope of ingredients included in PepsiCo´s Sustainable Sourcing goal,

- the risk assessment process for in-scope ingredients [Section 6],
- the different context-based pathways for each ingredient to qualify as "Sustainably Sourced" or "Engaged", and
- PepsiCo's approach to reporting progress against our goal.

3. Defining "Sustainably Sourced"

"Sustainably sourced" refers to ingredient volumes in scope for our Sustainable Sourcing goal, outlined in Section 4.1.1, that meet the criteria outlined in Section 4. Sustainable Sourcing (SuSo) practices can help manage risks, but they alone cannot prevent or address all impacts. Certain challenges like deforestation or social issues can persist in some regions. In such areas, we strive to combine tools like certifications with complementary approaches such as direct engagement with farmers, enhanced monitoring systems, continuous improvement plans, partnerships with local stakeholders, and community-level interventions.

Certain ingredients cannot meet our Sustainable Sourcing criteria due to one or more systemic barriers beyond the control of PepsiCo, the supplier, and the farmers. These include political and regulatory barriers, economic or infrastructure limitations, or labor and social practices in a given country or region [Section 7.4]. Despite such barriers, PepsiCo and relevant local stakeholders may undertake actions to make credible progress delivering positive impacts and continuous improvement in other areas. To acknowledge and track progress in these cases, we have introduced the **"Engaged"** Tier. We expect up to 10% of our total volumes to fall into this category.

The Engaged Tier is designed to recognize improvements in environmental, economic, and social outcomes in areas where systemic barriers persist. Where feasible, PepsiCo will work with partners—including NGOs, governments, and companies—in an effort to address broader barriers.

Engaged volumes count towards the volumes we report as progressing towards Sustainably Sourced. Volumes reported as Engaged must align with the Global Sustainability Agriculture office[1]'s list of progress metrics, and all cases must receive cross-functional approval to ensure measurable and consistent improvement.

4. Scope

To determine which ingredients fall in scope of our Sustainable Sourcing goal, we use both a volume-based and a risk-based approach. Ingredients are considered for inclusion based on a combination of factors, including PepsiCo´s annual spending on the ingredient, purchased volume, and business criticality. In addition, we assess the social and environmental risks

[1] The Global Sustainability Agriculture team and Agro Teams serve distinct roles—while the global team sets strategy and provides guidance across markets, local Agro Teams within each Operating Unit or region focus on on-the-ground execution.

associated with growing or sourcing each ingredient, using publicly available risk indices to guide our evaluation (Section 6).

The Sustainable Sourcing goal applies to grower- and supplier-sourced crops, both imported and domestic, where PepsiCo has purchasing control. The goal excludes ingredients purchased by all joint ventures, franchise bottlers, and other third parties, as well as co-manufacturers and co-packers.

In Scope:

- Categories that represent over 0.01% of annual volume-based supply, where PepsiCo controls, directs, and/or executes purchasing decisions, and where we have validated the received metric tons of key ingredients.
- Categories where potential social or environmental risks justify their inclusion.
- Key ingredients are defined in Section 4.1.1.

Out of Scope:

- Ingredients not listed in Section 4.1.1
- Ingredient volumes for all joint ventures, franchise bottlers, and other third parties as well as co-manufacturers and co-packers.
- Spot purchases: unplanned purchases of key ingredients on the open market.

Spot Purchases

Spot purchases are defined as open-market purchases made by PepsiCo to fulfill unplanned **demand** or in response to supply chain disruptions. They are **generally used** in **situations that are difficult to forecast**, **such as** covering **an unexpected shortfall in contracted volumes, supplier plant shutdowns for unforeseeable reasons, logistical disruptions, or force majeure events.**

Typically, spot purchases account for a minority of crop volumes purchased **and do not come from contracted growers or growers participating in** PepsiCo's Sustainable Farming Program (SFP)**.**

The following are not considered "spot purchases" for the purposes of Sustainable Sourcing:

- **Purchases made in the open market for reasons of price, convenience, etc., or where market buy is the dominant mechanism**
- **Advanced** k**nowledge of the** p**urchase:** i**f the purchase is anticipated and planned for months in advance, even if it is categorized as "one-time**"
- **Recurring Purchases from the same supplier or origin**

The Global Sustainability Ag Office, along with Procurement or Agro/Supply Chain teams as needed, makes the final determination as to whether a purchase of an in-scope ingredient qualifies as a spot purchase and is in or out of scope.

Clarifying examples:

- **We have corn demand of 10,000 tons in country A.** Due to country A's market setup, w**e expect to buy 100% of this** volume **on the open market. 100% of this volume will be in scope.**
- **We have potato demand of 20,000 tons in country B. We contract** for 20,000 tons **but**, due to unforeseen demand, **purchase** an additional **5,000 tons** of potato in country B**.** The 20,000 tons are in scope; the unplanned 5,000 tons are o**ut of scope.**

4.1 Key Ingredients in Scope

PepsiCo's scope for Sustainable Sourcing is subject to change due to regular review of internal and external developments, including major updates to our operational footprint, such as when the company completes mergers, acquisitions or divestitures or when improved data, methodologies, or risk profiles become available.

Key ingredients in scope for the Sustainable Sourcing goal as of the date of this update:

Ingredient	Sub-ingredients
Potatoes	Chipstock
Grains	Whole Corn Cornmeal/corn grits Popcorn** Whole Oats Wheat & Wheat Flour** Rice
Fruits, Vegetables	Plantain* Tomato (sourced from US or Spain)* Coconut (sourced from Brazil)* Raisins (sourced from South Africa)*
Sweeteners	Beet sugar Cane sugar High fructose (including corn and wheat derived**)
Cocoa/chocolate	Cocoa or chocolate-based ingredients
Dairy	Raw milk (sourced from Russia)
Vegetable oils	Canola oil/rapeseed oil Corn oil Palm oil Rice bran oil** Soybean oil

	Sunflower oil Portions of oil mixes that include any of the above in the blend
Pulp and paper	Paperboard** Corrugate** Cartons** Paper canisters**

* New ingredients added to the Sustainable Sourcing scope in this Guidelines update.
**Sub-categories outlined: High fructose wheat, wheat flour, rice bran oil and popcorn. These sub-ingredients were previously included in the Sustainable Sourcing scope however not specifically named as sub-categories; for the avoidance of any confusion, they are named here as in scope. Pulp and paper products, for which sustainable sourcing was previously tracked under a separate packaging policy, have been added to the sustainably sourced ingredients list.

Given PepsiCo's divestiture of its juice business, oranges, bananas, and apple juice were removed. The above list does not capture all our sourced ingredients but shows the key ingredients in scope for the Sustainable Sourcing goal. This list is subject to change as noted above.

5. Origin Transparency

Country-level transparency regarding the origin of our key ingredients enables us to understand the context within our supply chains and potential social and environmental challenges, helping guide effective sourcing decisions. It also supports our work towards deforestation- and conversion-free sourcing under the Positive Agriculture agenda and enhances the accuracy of emissions estimates and reduction strategies for our Climate goals.

Obtaining origin transparency for agricultural ingredients consists of three elements:

1. **Location of origins:** Identifying where an ingredient was produced at a relevant level of detail (e.g., the country, state/province, municipality, processing facility, supply shed or farm) to track whether commitments are being met, take effective action if needed and make credible claims.
2. **Supply chain controls:** Ensuring adequate and robust controls at each stage of the supply chain to help ensure the information on origin is accurate and credible.
3. **Data sharing:** Suppliers are expected to maintain detailed records of ingredient origins, though the level of data requested by PepsiCo may vary depending on specific sourcing needs. In some cases, multiple levels of granularity may be required.

For certain crops in scope of our goal, such as palm, cane, and fiber, traceability is already near 100%, approaching full transparency. While some gaps remain, our ambition is to achieve 100% traceability across all ingredients in scope of our goal, and we will continue to collaborate and engage with our suppliers to refine and maintain this high level of traceability.

At a minimum, origin information will be collected on an annual basis, looking at the prior year's volumes, as part of the Sustainable Sourcing reporting process.

6. Risk Assessment Process

For all in-scope ingredients, a primary risk assessment is the first step in our Sustainable Sourcing process. These risk assessments help us understand the specific risks associated with each in-scope ingredient's supply chain, considering the unique context of its origin.

The primary risk assessment is conducted by a credible third party at the country level to provide an initial risk evaluation (see Annex 1). If there is a disagreement with the initial risk level, a Risk Scoring Dispute Process is available for further verification on a local level (see Annex A1.2).

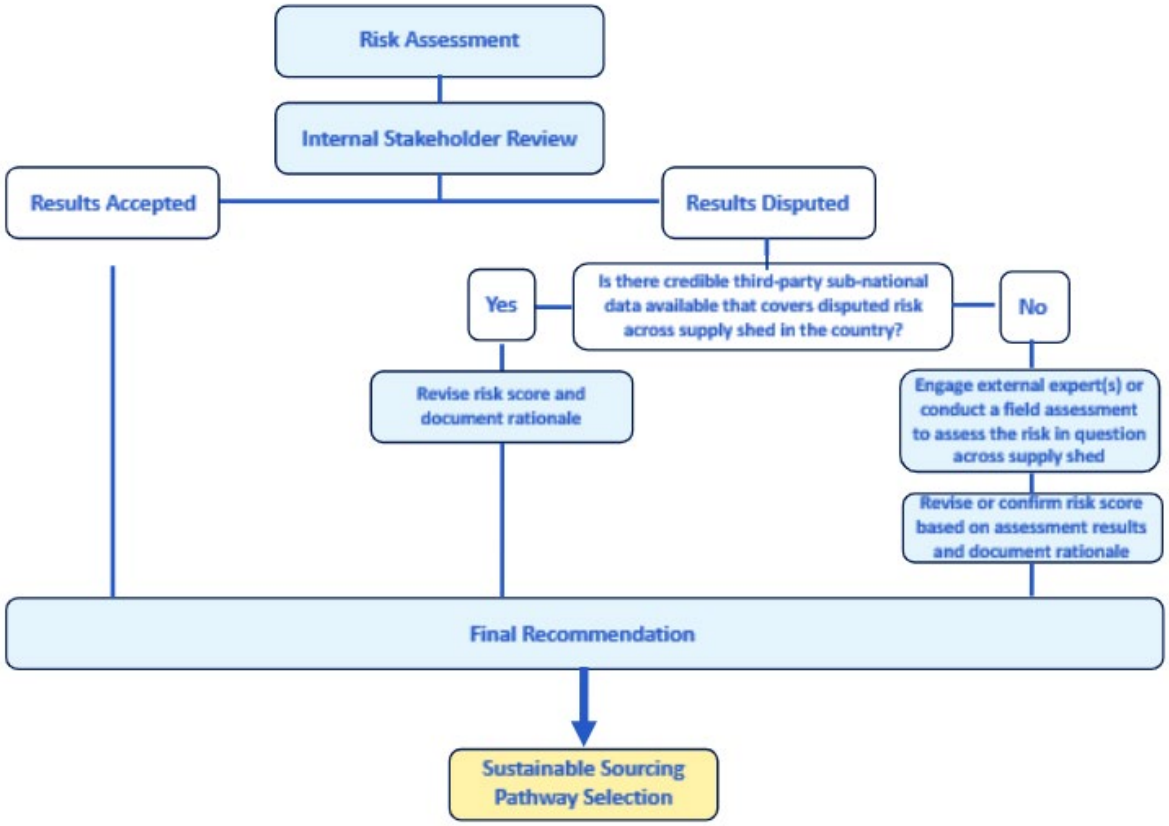
PepsiCo reviews the findings to determine a final recommendation on the risk level and, where applicable, the appropriate Sustainable Sourcing pathway for the ingredient and origin [Section 6].

The outcome of the risk assessment is considered valid for three years, after which it may be revisited through a light-touch approach. In certain circumstances, the risk assessment may be updated earlier if:

- A third-party risk assessment for the same or similar ingredient and from the same region shows a significantly different risk level.
- Significant supply chain or product reformulation changes affect the ingredient or origin location.
- Grievances are raised.
- New information not included in the initial risk assessment becomes available.
- Geopolitical, social, or environmental changes develop (e.g., migration, conflict, infrastructure, etc.)

The risk assessment process is summarized in the graphic below, and its detailed description is included in Annex 1.

Figure 1: Summary of the Sustainable Sourcing Risk Assessment Process



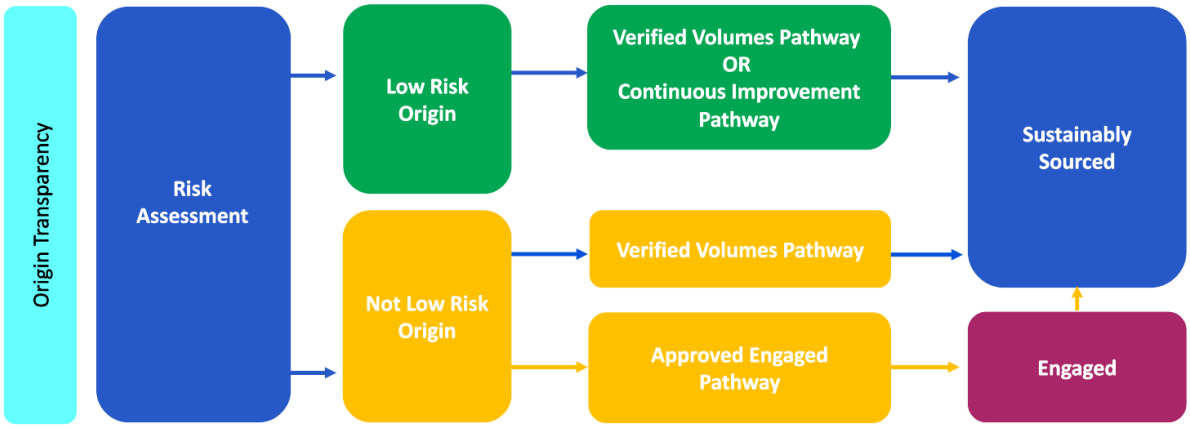
7. Sustainable Sourcing Pathways

Following the risk assessment, PepsiCo categorizes ingredients into one of two pathways:

1. **Low Risk.** Ingredients in this category may qualify as sustainably sourced through:
    a. A PepsiCo-recognized certification or Verified Volumes pathway (see section 7.2.1)
    b. A qualifying Continuous Improvement (CI) program (see section 7.2.2)

2. **Not Low Risk.** Ingredients in this category may qualify as sustainably sourced through:
    a. A PepsiCo-recognized certification or Verified Volumes pathway (see section 7.3)

Figure 2: Schematic summary of the Sustainable Sourcing Pathways



7.2 Low-Risk Pathways:

For ingredients sourced from origins determined to be low risk through the risk assessment process (Section 6), there are two available pathways to qualify as Sustainably Sourced: a Verified Volumes Pathway (section 7.2.1) and a Continuous Improvement Pathway (section 7.2.2). This is valid for both agro-sourced and supplier-sourced key in-scope ingredients.

A low-risk classification indicates that the overall sourcing context does not present significant environmental or social risks requiring immediate mitigation. However, PepsiCo still ensures that ingredients meet sustainability commitments through verified sourcing or structured improvement programs.

7.2.1 Verified Volumes Pathway

The verified volumes pathway applies consistently to both low and not-low risk ingredient and origin combinations, except for the Alternative Verified Programs, which only apply for not-low risk ingredients and origins. For further details, please refer to Section 7.3.1.

7.2.2 Continuous Improvement (CI) Pathway

The Continuous Improvement pathway provides a structured approach for volumes covered by a program that drive on-going improvements in any Positive Agriculture impact area– watershed health, climate, soil health, biodiversity, human rights, and/or livelihoods – as outlined in the PepsiCo Positive Agriculture Supplier Playbook, Livelihoods Implementation Framework for Engagement, and the Regenerative Agriculture Scheme Rules.

In cases where an ingredient is classified as low risk overall but has a specific criterion that scores above a threshold in the risk assessment, the Continuous Improvement program must either address the identified risk through targeted interventions or provide justification as to why the risk is not applicable in the origin. This justification must receive approval from the Global Sustainable Agriculture Office in consultation with Subject Matter Experts.

A qualifying Continuous Improvement (CI) program must meet the following minimum requirements:

- The supply chain must have an action plan with a clear timeline, KPIs and desired outcomes, outlining identified risks and how they will be addressed.
- The program must align with PepsiCo's Positive Agriculture priorities and report annually on the measurable impacts in line with the PepsiCo Positive Agriculture Supplier Playbook, Regenerative Agriculture Scheme Rules, and/or the Livelihoods Implementation Framework for Engagement, depending on the program's scope.

The CI pathway requires consultation and approval from the Global Sustainable Agriculture Office, ensuring alignment with the risk assessment profile of the specific supply chain. An ingredient may use a CI program for part of its volume and a verified volume pathway for another portion of the volume.

7.3 Not Low-Risk Pathways:

For any ingredient volume identified as not-low risk through the risk assessment process, sourcing must follow a Verified Volumes Pathway to ensure compliance with PepsiCo's Sustainable Sourcing requirements. In the case where due to systemic challenges, full Sustainably Sourced determination cannot be achieved, volumes can continue to work towards this ambition via the Engaged Tier.

7.3.1 Verified Volumes Pathway:

To qualify as Sustainably Sourced, an ingredient volume must meet one of the following verification requirements:

1. **PepsiCo Sustainable Farming Program (SFP):** Farmers and/or suppliers in the supply chain must successfully implement and be verified through SFP.

or

2. **SFP-Benchmarked Certification:** The volume must be certified by a standard that has been approved through the SFP benchmarking process.

or

3. **SAI Platform FSA 3.0 Benchmarking:** The volume must be certified or verified against FSA Silver or Gold equivalent standards.

or

4. **Alternative Verified Programs**: For a specific subset of ingredients in not-low risk origins where certification schemes are limited in their availability or applicability for the risk or ingredient, Verified Programs may be used to achieve verified volumes.

For specific ingredients with dedicated action plans and commitments, only specific certification schemes are accepted:

- Palm Oil: All volumes must use RSPO certification.
- Sugar Cane: All volumes must use Bonsucro or VIVE Excellence.
- Soybean Oil from Latin America: All volumes must use RTRS certification.

Additionally, any certification scheme used must follow an accepted Chain of Custody model, as described in Section 7.3.2.

A supplier may submit a standard or program not on PepsiCo´s recognized list for evaluation. The PepsiCo buyer within Agro or Procurement must request the Global Sustainable Agriculture Office to benchmark the certification standard against SFP or a Verified Program. For an FSA benchmark, guidance on the process will be provided as it is external to PepsiCo. The proposed standard must be strategically relevant to PepsiCo and have a reasonable likelihood of meeting PepsiCo's sustainability criteria.

Regardless of the verification approach, suppliers must have a robust internal management system to ensure that all farmers and/or the supply shed supplying PepsiCo ingredients are verified or certified to an approved standard and maintain that status.

In high-risk supply chains, where systemic risks persist despite certification, a risk management plan must be developed, presented and approved by the Global Sustainable Agriculture Office before volumes are reported as Sustainably Sourced. This plan must outline additional mitigation measures implemented alongside certification.

7.3.2 Chain of Custody

Certification schemes usually include Chain of Custody (CoC) to provide assurance to downstream companies that certified material is linked to certified production areas as it moves through the supply chain.

CoC demonstrates the certified production sites are in PepsiCo's supply chain and claims are not double counted, based on audited compliance with defined systems. Although certification bodies may have full information on certified production areas, few schemes currently require this geolocation origin data to be shared with customers as part of CoC, and therefore PepsiCo has additional transparency-to-origin requirements for Sustainable Sourcing to complement these schemes.

Where certifications are used, CoC showing that the certification applies to PepsiCo's physical supply chain are required, except in very limited 'credit model' cases where credits from an unrelated origin are used as an interim 'transition' solution.

There are two types of physical CoC (however, different schemes may use different terminology):

- **Segregation (SG):** Certified material is kept separate from non-certified material through the supply chain.
- **Mass Balance (MB):** Certified and uncertified material can be mixed at each stage of the supply chain if the proportion of product sold as certified is equal to that of certified raw material used. Only some MB approaches include controls for the non-certified component.

It is not necessary for PepsiCo to obtain CoC certification directly, meaning that the PepsiCo sites do not need to be certified, unless a specific scheme requires it. Instead, PepsiCo's process is to ensure that its tier 1 suppliers are certified, and that their certifications extend to the farm level. In some cases, there may be barriers to extending certification back to the farm level, for example, in international supply chains where a farm relies on a national certification but exports some ingredients to another country. When such cases arise, the local Procurement or Agro team should raise them to the Global Sustainable Agriculture Office, Human Rights and Legal team, which will consider and document any exceptions on a case-by-case basis.

7.4 Engaged Tier:

The Engaged Tier can be leveraged only in supply chains where there are systemic barriers beyond the control of farmers, suppliers, or PepsiCo which prevent ingredient volumes from meeting our Sustainable Sourcing criteria. Examples include:

- Political & Regulatory Barriers
  - Misaligned or poorly enforced policies and regulations
  - Land rights issues and informal land leasing
  - Barriers to women's land ownership
  - Regulations preventing collection of certain data (e.g. on wages)
- Economic & Infrastructure Barriers
  - Inadequate collection, transport, storage, and processing facilities provided by the state or local private sector, especially for waste, wastewater, etc.
  - Lack of investment capacity by farmers for agrochemical storage, mixing areas, washroom facilities, and housing
- Labor & Social Barriers
  - Informal migrant labor without valid permits or registration
  - Illiteracy and record-keeping practices among farmers

To qualify to pursue the Engaged Tier, the systemic barrier for an ingredient in a given origin must be:

- Documented: Where ingredient volumes fail to meet our Sustainable Sourcing criteria, local Procurement or Agro teams must provide written evidence of the existence of systemic barriers, such as those noted above.
- Formally Approved: The Global Sustainable Agriculture Office, Legal, and, where appropriate, Human Rights teams must approve the supply chain facing such systemic barrier(s) to pursue volumes under the Engaged Tier.

All non-systemic barriers, as outlined in the SFP or any FSA, must be addressed in order for ingredient volumes to qualify as Engaged. However, if systemic barriers prevent further progress on specific core requirements, the program should remain in the Engaged Tier. In such cases, the inability to address systemic barriers should not disqualify the program, provided it demonstrates commitment to sustainable practices and continued improvement where feasible.

PepsiCo teams are encouraged to collaborate with external stakeholders—including industry groups, NGOs, governments, and local communities that touch our value chain—to drive progress toward addressing systemic barriers.

8. Reporting

PepsiCo reports on its Sustainable Sourcing goal annually, measuring the percentage of total in-scope key ingredient volumes that qualify as Sustainably Sourced and the percent of total in-scope key ingredient volumes that qualify as Engaged in Sustainable Sourcing under these guidelines.

Procurement and Agro teams are responsible for including clear clauses in supplier contracts regarding volume commitments and tracking the validity of suppliers' verification schemes. They must also verify the authenticity of certificates or other forms of verification. Certificates, verification reports, origin transparency declarations, and/or sustainability declarations are required to be maintained by the Procurement and Agro teams as relevant.

Sustainability declarations must include the information below:[2]

- Ingredient name.
- Ingredient origin (at least at the country level). This can be a standalone report and does not need to be included in the same declaration.
- For Sustainably Sourced: Certification standard or program, including the name, certificate/verification number, and evidence as required by the standard (such as a copy of the certificate or a specific note with the relevant information).
- For Engaged: Data and information to prove applicability of an approved Engaged program and associated KPIs.
- Confirmation of sole use to prevent double counting, if verification is not a certification that provides that assurance.
- Supplier name.
- Volume supplied.

Each Sector is responsible for reviewing the evidence supporting a Sustainably Sourced or Engaged claim before reporting in the annual reporting process.

8.1 Reporting Timeline

The following outlines the timelines for the roll out of new components of these Guidelines:

Volumes Engaged: Starting in 2025, PepsiCo plans to report the percentage of key ingredients that qualify for the Engaged Tier within the framework for reporting on 2024 volumes.

[2] End-of-year Sustainably Sourced volumes are reported by procurement and agro teams following a Standard Operating Procedure. The total volume will be the amount received at the plants between January 1 and December 31.

Percentage Engaged = Volume Engaged / Total In-Scope Volume Sourced

Clarified ingredients: Starting in 2025, we will report 2024 volumes from clarified ingredients (popcorn, wheat flour, high fructose wheat).

Percentage Sustainably Sourced = Volume Sustainably Sourced / Total In-Scope Volume Sourced

New ingredients: Starting in 2027, we will report 2026 volumes from approved new ingredients (raisins, coconut, tomato, plantain).

Percentage Sustainably Sourced = Volume Sustainably Sourced / Total In-Scope Volume Sourced

Annex 1: Risk Assessment Process

A1.1 Primary Risk Assessment

The primary risk assessment covers four main categories of risks, each with specific relevant criteria as illustrated below:

Risk Category	Risk Assessment Tool	Risk Criteria
Deforestation and Conversion	Maplecroft	Deforestation (*)
		Natural Ecosystem conversion (*)
Environmental	Maplecroft and Local legislation	Agrochemicals
	Yale EPI	Waste
	WRI Aqueduct	Water Risk
	CIAT CRP	Climate Risk
Human Rights	Maplecroft & LRQA	Child labor (*)
		Modern Slavery (*)
		Decent working time
		Informal workforce
		Freedom of Association and Collective Bargaining
		Decent wages
		Occupational Health and Safety
Civil and Political Rights		Indigenous Peoples' Rights
		Land, Property and Housing Rights
* Criterion must score below five on PepsiCo's weighted 1-10 scale (described in A1.1.2) for the total risk to be categorized as low.		

A1.1.1 Risk Assessment Tools

PepsiCo's risk assessments are conducted at the country level by trusted third parties. The risk assessments cover four main risk categories—deforestation and conversion, environmental risks, human rights, and civil and political rights—and leverage the following publicly available indices and data sources:

- ***Human Rights and Civil and Political Rights:*** *Maplecroft* and LRQA

  Data is from Maplecroft and LRQA, third parties specializing in risk assessment. They provide country-level figures for each risk criterion.

- ***Deforestation and conversion:*** *Maplecroft*

  Maplecroft also provides country-level figures for deforestation and biodiversity loss. Additional tools such as satellite monitoring, national data sets, and expert consultation can be included.

- ***Environmental:***

- *Agrochemicals: Local legislation analysis, as defined below.*
  To determine agrochemical risk in a country, the third party looks at country-level legislation for agrochemicals and enforcement of laws. They first review the "rule of law" indicator from Maplecroft. Countries scoring above 5, based on the 1-10 on PepsiCo's weighted scale (described in A1.1.2), are considered to have adequate legal enforcement. Then, the third party evaluates whether the local legislation covers at least 75% of 12 Sustainable Farming Program practices related to agrochemicals. If both thresholds are met, the country is classified as low risk for agrochemicals.

- *Waste: Yale Environmental Performance Index*
  Data is obtained from the Yale Environmental Performance Index, specifically the controlled solid waste indicator, which serves as a proxy for waste management.

- *Climate: Alliance of Biodiversity International and the International Center for Tropical Agriculture (CIAT) Climate Resilience Platform (CRP)*
  PepsiCo uses its new platform developed with CIAT, the Climate Resilience Platform (CRP), to assess potential climate risks in key sourcing regions, providing insights into the impact of climate change on crops and geographies.

- *Water: The World Resources Institute's (WRI) Aqueduct*
  The Aqueduct Water Risk Atlas tool identifies current and future water risks. Combined with data from farmers, PepsiCo evaluates water use efficiency using the Agricultural Development and Advisory Service (ADAS) -PepsiCo model.

A1.1.2 Risk Scoring

Each risk criterion is scored on a scale of one to ten. If a data source uses a different scale, its outputs will be normalized to the one-to-ten scale for consistency (e.g., Aqueduct scores water risk on a scale from one to five, so those scores would be doubled to align with the one-to-ten scale).

The average of the risk scores for each category determines the overall risk level for the ingredient-country combination. A score below five indicates low risk, while a score of five or higher is considered not low risk. Additionally, to classify the aggregate total risk as low, four specific criteria (child labor, modern slavery, deforestation, and natural ecosystem conversion) must each score below a five individually. These criteria are marked with an asterisk in the visual below.

Risk Category	Risk Criteria	Risk Score 1= Lowest Risk 10= Highest Risk	Category Average Score	Aggregate Score
Deforestation	Deforestation (*)	1 - 10	1-10	**1-10:** **Lower than 5 = low risk**
	Natural Ecosystem conversion (*)	1 - 10		
Environmental	Agrochemicals	1 - 10	1-10	
	Waste	1 - 10		

	Water Risk	1 - 10		**Higher or equal to 5 = not low risk**
	Climate Risk	1 - 10		
Human Rights	Child labor (*)	1 - 10	1-10	
	Modern Slavery (*)	1 - 10		
	Decent working time	1 - 10		
	Informal workforce	1 - 10		
	Freedom of Association and Collective Bargaining	1 - 10		
	Decent wages	1 - 10		
	Occupational Health and Safety	1 - 10		
Civil and Political Rights	Indigenous Peoples' Rights	1 - 10	1-10	
	Land, Property and Housing Rights	1 - 10		

A1.2 Risk Scoring Dispute Process

A local stakeholder, PepsiCo's Procurement team, or PepsiCo's Agro team may dispute the outcome of the primary risk assessment according to the following process.

1. **Initiation** – A local stakeholder, Procurement, or Agro team submits a dispute with supporting data to dispute a risk assessment categorization of "low" or "not low", the disputing party must provide more granular data or local expertise to illustrate sub-national or ingredient-specific factors that global datasets do not capture.

2. **Initial Review** – The GSO Ag Office assesses the submission and determines if additional expert input or field assessments are needed to confirm specific risks and gather insights to plan meaningful action.

3. **Further Investigation** – If required, further investigations can be conducted to confirm or dispute risk assessment results, through:
    a. Reviewing sub-national and ingredient-specific existing data: If alternative verified, credible third-party data is available, the local Procurement or Agro team will review to determine if it indicates a different risk profile for the supply shed. Some sources include, but are not limited to: UN, International Labour Organization, World Bank, Verite, Fair Labor Association.
    b. Engaging third-party experts: Third party experts in the risk area in question may advise on appropriate local risk classification. The Global Sustainable Agriculture team will sign off on any third parties to involve, ensuring that the selected experts are reputable and qualified to provide reliable assessments.
    c. Field assessment: If desktop reviews through additional data sets or expert consultations yield results that still are disputed, PepsiCo may engage a credible third party to conduct field assessments. This could be in the form of specific

satellite monitoring assessments, worker surveys or interviews, etc. The results can be used both for risk classification and to inform a plan of action.

4. **Cross-Functional Approval** – If a change in risk classification is proposed, it must be reviewed and approved by a governance group that includes Legal, Control, Human Rights and the GSO Ag Office.

5. **Final Decision & Implementation** – If approved, the updated risk classification is formally recorded, and any necessary adjustments to mitigation plans or sourcing strategies are made.

Annex 2: Defining Programs Along Sustainable Sourcing Pathways

"Programs" are referenced throughout the Sustainable Sourcing Guidelines. For avoidance of confusion, the distinction among types of programs is outlined below as a reference guide. These programs involve on-the-ground work to address specific practices and advance social or environmental outcomes.

	Program Type	**Where it is Used**	**Purpose**	**Example**
1	Continuous Improvement (CI) Program	**Low risk origins**	Optional **pathway to Sustainably Sourced** that demonstrates on-going positive agricultural outcomes	Regenerative agriculture programs in corn crops in the US
2	Alternative Verified Program	**Not-low risk origins** where a program leads to verified outcomes under one of the following conditions: -Some crops or regions do not have robust certification options. -Existing certifications may fail to cover critical concerns like smallholder inclusion. -Certain countries only allow domestic/state-run certifications or do not recognize international standards.	Optional **pathway to Sustainably Sourced** as an alternative to certifications.	Supplier cocoa programs that support farmers and report verified outcomes on deforestation free supply, livelihoods improved, and GHG emissions reductions
	Engaged Tier Program	Origins where **systemic challenges inhibit a volume** from	**Pathway to Engaged** tier where systemic	Programs that address responsible recruitment in supply

		meeting full SuSo criteria	risks prevent verification	chains at risk of forced labor. Engaged programs may work directly with farmers or involve cross-industry and cross-sector partnerships aimed at improving the risk profile across a jurisdiction or landscape to a level where verification can be achieved.