

F0. Introduction

F0.1

(F0.1) Give a general description of and introduction to your organization.

PepsiCo products are enjoyed by consumers more than one billion times a day in more than 200 countries and territories around the world. PepsiCo generated more than \$64 billion in net revenue in 2018, driven by a complementary food and beverage portfolio that includes 22 brands that generate more than \$1 billion each in estimated annual retail sales (e.g., Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana). At the heart of PepsiCo is Performance with Purpose (PwP) - our goal to deliver top-tier financial performance while creating sustainable growth and shareholder value. In practice, PwP means providing a wide range of foods and beverages from treats to nutritious eats; trying to find innovative ways to reduce our impact on the environment and lower our operating costs; working to provide a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities where we operate.

This CDP Forests Security Questionnaire contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (Reform Act). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words 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 words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statement. These risks and uncertainties include, but are not limited to, those described in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Our Business - Our Business Risks." Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. The discussion of risks below and elsewhere in this report is by no means all-inclusive but is designed to highlight what we believe are important factors to consider when evaluating our future performance.

F0.2

(F0.2) State the start and end date of the year for which you are reporting data.

	Start Date	End Date
Reporting year	January 1 2018	December 31 2018

F0.3

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

USD

F0.4

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

	Stage of the value chain
Timber	Retailing
Palm Oil	Manufacturing
Cattle Products	Manufacturing
Soy	Manufacturing
Other - Rubber	Not applicable
Other	Not applicable

F0.5

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

	Produce/use/sell	Disclosing	Explanation if produce/use/sell but not disclosing
Timber	Yes	Yes	<Not Applicable>
Palm Oil	Yes	Yes	<Not Applicable>
Cattle Products	Yes	No	Cattle products are only used in a few PepsiCo products in a small number of countries. Our current focus is on timber and palm oil, as we source substantially more of these commodities.
Soy	Yes	No	As of 2016, PepsiCo only sourced soy from four suppliers in Brazil. In 2016, we purchased less than 0.1% of the global supply of soy.
Other - Rubber	No	<Not Applicable>	<Not Applicable>
Other	No	<Not Applicable>	<Not Applicable>

F0.6

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

No

F0.7

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

No

F1. Current state

F1.1

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

Forest risk commodity

Timber

Activity

Retailing/onward sale of commodity or product containing commodity

Form of commodity

Paper
Primary packaging
Secondary packaging
Tertiary packaging

Source

Contracted suppliers (manufacturers)

Country/Region of origin

Argentina
Australia
Belgium
Bosnia and Herzegovina
Brazil
Canada
Chile
China
Colombia
Costa Rica
Czechia
Dominican Republic
Ecuador
France
Germany
Greece
Guatemala
Hungary
India
Luxembourg
Mexico
Netherlands
New Zealand
Pakistan
Peru
Poland
Portugal
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Serbia
South Africa
Spain
Thailand
Turkey
Ukraine
United Kingdom of Great Britain and Northern Ireland
United States of America
Viet Nam

% of procurement spend

1-5%

Comment

Wood fiber products are used in a wide range of PepsiCo's primary, secondary, and tertiary packing. Source locations are identified through our divisions, which are: Frito-Lay North America (FLNA), Quaker Foods North America (QFNA), PepsiCo Beverages North America (PBNA), Latin America (LATAM), Europe Sub-Saharan Africa (ESSA), and Asia, Middle East and North Africa (AMENA). Procurement dollar spend % is based on our last calculation from 2016. Countries of origin are based on 2018 updated data.

Forest risk commodity

Palm Oil

Activity

Using as input into product manufacturing

Form of commodity

Refined palm oil
Palm oil derivatives

Source

Contracted suppliers (processors)

Country/Region of origin

Brazil
Cambodia
Colombia
Costa Rica
Cote d'Ivoire
Dominican Republic
Ecuador
Guatemala
Honduras
Indonesia
Malaysia
Mexico
Panama
Papua New Guinea
Peru
Thailand

% of procurement spend

1-5%

Comment

The top three countries from which PepsiCo sources palm oil are Indonesia, Malaysia and Mexico. In 2018, our global purchase of palm oil was approximately 470,000 metric tons (MT). Of this total, palm kernel oil comprised almost 4,700 MT. PepsiCo uses refined palm oil and palm oil derivatives. Procurement dollar spend is based on our last calculation from 2016.

F1.1a

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

Forest risk commodity

Palm Oil

Country/Region of origin

Brazil

State/Region

Specify state/region (Pará)

Municipality

Don't know

Please explain

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

Forest risk commodity

Palm Oil

Country/Region of origin

Colombia

State/Region

Specify state/region (Santander, Casanare, Bolivar, Cundinamarca, Cesar, Atlantico, Norte de Santander, Magdalena, Antioquia, Narino)

Municipality

Don't know

Please explain

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

Forest risk commodity

Palm Oil

Country/Region of origin

Ecuador

State/Region

Specify state/region (Esmeraldas, Pichincha, Manabi)

Municipality

Don't know

Please explain

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

Forest risk commodity

Palm Oil

Country/Region of origin

Indonesia

State/Region

Specify state/region (Kalimantan Selatan, Kalimantan Barat, Riau, Kalimantan Tengah, Sumatera Selatan, Jawa Barat, Banten, Irian Jaya Barat, Sulawesi Tenggara, Papua)

Municipality

Don't know

Please explain

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

Forest risk commodity

Palm Oil

Country/Region of origin

Malaysia

State/Region

Specify state/region (Pahang, Johor, Sarawak, Negeri Sembilan, Sabah, Perak, Trengganu, Melaka, Kelantan, Selangor, Pulau Pinang, Kedah, Kuala Lumpur)

Municipality

Don't know

Please explain

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

Forest risk commodity

Palm Oil

Country/Region of origin

Mexico

State/Region

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

Municipality

Don't know

Please explain

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

Forest risk commodity

Palm Oil

Country/Region of origin

Papua New Guinea

State/Region

Specify state/region (West New Britain, Central, Oro)

Municipality

Don't know

Please explain

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

Forest risk commodity

Palm Oil

Country/Region of origin

Peru

State/Region

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

Municipality

Don't know

Please explain

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

Forest risk commodity

Timber

Country/Region of origin

Argentina

State/Region

Don't know

Municipality

Don't know

Please explain

PepsiCo plans to develop and maintain a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

Forest risk commodity

Timber

Country/Region of origin

Brazil

State/Region

Don't know

Municipality

Don't know

Please explain

PepsiCo plans to develop and maintain a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

Forest risk commodity

Timber

Country/Region of origin

Colombia

State/Region

Don't know

Municipality

Don't know

Please explain

PepsiCo plans to develop and maintain a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

Forest risk commodity

Timber

Country/Region of origin

Ecuador

State/Region

Don't know

Municipality

Don't know

Please explain

PepsiCo plans to develop and maintain a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

Forest risk commodity

Timber

Country/Region of origin

Mexico

State/Region

Don't know

Municipality

Don't know

Please explain

PepsiCo plans to develop and maintain a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

Forest risk commodity

Timber

Country/Region of origin

Peru

State/Region

Don't know

Municipality

Don't know

Please explain

PepsiCo plans to develop and maintain a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This goal is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is useful toward achieving our ultimate goal to only purchase responsibly sourced wood fiber products.

F1.2

(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

	% of revenue dependent on commodity	Comment
Timber	Please select	This information is confidential.
Palm Oil	Please select	This information is confidential.
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>

F1.3

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

Forest risk commodity

Timber

Own and/or manage land?

Don't own or manage land

Type of control

<Not Applicable>

Description of type of control

<Not Applicable>

Country/Region

<Not Applicable>

Land type

<Not Applicable>

Size (Hectares)

<Not Applicable>

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

<Not Applicable>

Type of monitoring system

<Not Applicable>

Description of monitoring system

<Not Applicable>

Recent infraction(s)

<Not Applicable>

Explanation of infraction

<Not Applicable>

Forest risk commodity

Palm Oil

Own and/or manage land?

Don't own or manage land

Type of control

<Not Applicable>

Description of type of control

<Not Applicable>

Country/Region

<Not Applicable>

Land type

<Not Applicable>

Size (Hectares)

<Not Applicable>

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

<Not Applicable>

Type of monitoring system

<Not Applicable>

Description of monitoring system

<Not Applicable>

Recent infraction(s)

<Not Applicable>

Explanation of infraction

<Not Applicable>

F1.4

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

Timber

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

Yes, from suppliers

Please explain

In order to source from Brazil, PepsiCo must comply with the Brazilian Forest Code. In addition to being articulated within our Supplier Code of Conduct (compliance with all applicable environmental laws and regulations), suppliers complete a self-assessment that assesses compliance with all applicable environmental laws in the country. In the case of suppliers in Brazil, this would then be further verified by an independent auditor, as part of the Sedex Members Ethical Trade Audit (SMETA) on-site audits conducted with these suppliers, as part of the Sustainable Sourcing Program. Legal environmental compliance is reviewed as part of the SMETA 4-Pillar methodology, section 10B4.1, stating: 10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards.

Palm Oil

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

Yes, from suppliers

Please explain

In order to source from Brazil, PepsiCo must comply with the Brazilian Forest Code. In addition to being articulated within our Supplier Code of Conduct (compliance with all applicable environmental laws and regulations), suppliers complete a self-assessment that assesses compliance with all applicable environmental laws in the country. In the case of suppliers in Brazil, this would then be further verified by an independent auditor as part of the SMETA on-site audits conducted with these suppliers as part of the Sustainable Sourcing Program. Legal environmental compliance is reviewed as part of the SMETA 4-Pillar methodology, section 10B4.1, stating: 10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards.

F1.4b

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

Forest risk commodity

Timber

KPIs and performance

% of suppliers on the Rural Environmental Registry (CAR) database

Other, please specify (FSC certification, Sedex Members Ethical Trade Audit (SMETA) audit compliance)

Number of suppliers

7

Please explain

In order to source from Brazil, PepsiCo must comply with the Brazilian Forest Code. We prioritize Forest Stewardship Council (FSC) certified purchases, which ensures compliance with the Forest Code. In addition to being articulated within our Supplier Code of Conduct (compliance with all applicable environmental laws and regulations), suppliers complete a self-assessment that assesses compliance with all applicable environmental laws in the country. In the case of suppliers in Brazil, this would then be further verified by an independent auditor as part of the Sedex Members Ethical Trade Audit (SMETA) on-site audits conducted with these suppliers as part of the Sustainable Sourcing Program. Legal environmental compliance is reviewed as part of the SMETA 4-Pillar methodology, section 10B4.1, stating: 10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards.

Forest risk commodity

Palm Oil

KPIs and performance

% of suppliers on the Rural Environmental Registry (CAR) database

Other, please specify (RSPO certification, Sedex Members Ethical Trade Audit (SMETA) audit compliance)

Number of suppliers

3

Please explain

In order to source from Brazil, PepsiCo must comply with the Brazilian Forest Code. We source palm oil from three Roundtable for Sustainable Palm Oil (RSPO) certified Tier 1 suppliers in Brazil. RSPO considers compliance with Forest Code as part of Principle 2 on Legal Compliance. In addition to being articulated within our Supplier Code of Conduct (compliance with all applicable environmental laws and regulations), suppliers complete a self-assessment that assesses compliance with all applicable environmental laws in the country. In the case of suppliers in Brazil, this would then be further verified by an independent auditor as part of the SMETA on-site audits conducted with these suppliers as part of the Sustainable Sourcing Program. Legal environmental compliance is reviewed as part of the SMETA 4-Pillar methodology, section 10B4.1, stating: 10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards.

F1.5

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

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

F1.5a

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

Forest risk commodity

Timber

Data type

Consumption data

Volume

1294788840

Metric

Other, please specify (Kilograms)

Data coverage

Full commodity production/consumption

Please explain

Our full consumption data reflects the packaging used for PepsiCo's direct consumer goods going to consumers. Data was last calculated for year 2018.

Forest risk commodity

Palm Oil

Data type

Consumption data

Volume

470000

Metric

Metric tons

Data coverage

Full commodity production/consumption

Please explain

Our full consumption data is disclosed in the public domain, available on page 3 of our 2018 Palm Oil Progress Report: https://www.pepsico.com/docs/album/esg-topics-policies/palm-oil-progress-report-2018.pdf?sfvrsn=69379f0c_2

F1.6

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

Timber

Sustainable source identified

Yes

Primary action to ensure supply

Supplier improvement plans to increase capacity of supply

Please explain

i. Actions: PepsiCo seeks to only purchase responsibly sourced wood fiber products and does not knowingly accept from its supply chain paper-based packaging that may contain wood fiber harvested illegally or sourced from protected forest areas. PepsiCo is focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is important to achieving our ultimate goal of only purchasing responsibly sourced wood fiber products. To that end, PepsiCo has an ongoing engagement with Proforest, an organization with expertise in managing natural resources sustainably, to understand the level of certified paper packaging material purchased by PepsiCo today and our ability to increase this quantity. These data collection efforts will help us prioritize our efforts in areas of greatest risk and opportunity. PepsiCo also works with its suppliers to help them to be environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. PepsiCo recognizes the forestry standards below as credible within their scope and requires our suppliers to commit to utilizing an appropriate standard: Sistema Brasileiro de Certificação Florestal in Brazil (CERFLOR), Canadian Standards Association's Sustainable Forest Management Standards (CSA), Forest Stewardship Council (FSC), and Program for the Endorsement of Forest Certification Schemes (PEFC), and Sustainable Forestry Initiative (SFI). ii. Timeframe: Our volumes are secured via two-year contracts. We employ specialists to secure adequate supplies and have not experienced any significant continuous shortages that we anticipate will prevent us from meeting our requirements in the foreseeable future.

Palm Oil

Sustainable source identified

Yes

Primary action to ensure supply

Engaging in capacity building activities in the value chain

Please explain

i. Actions: PepsiCo aims to source 100% physically-certified sustainable palm oil (CSPO) by the end of 2020, publishing a Palm Oil Action Plan in 2015 describing our strategy and releasing annual Palm Oil Action Plan Progress Reports. In 2018, we achieved 52% physically-certified sustainable palm oil, exceeding our interim target of 50% for 2018. We encouraged our direct suppliers to be RSPO members; since 2017, 100% of our direct suppliers have been RSPO members. We are also aiming for 100% traceability to the mill; in 2018, 97% of our supply met this goal. Since launching our Traceability to Plantation Protocol, 26 suppliers representing 32% of our volume reported traceability to plantation in 2018; our goal is to achieve traceability to the farm/plantation by the end of 2020. Implementation of our supplier scorecard to track and encourage our suppliers' progress toward increasing sustainable palm has seen our suppliers improve their overall performance by 39% against the 2017 baseline. The scorecard mechanism supports PepsiCo's efforts to build suppliers' capability to deliver NDPE (no deforestation, no development on peatlands, and no exploitation of indigenous peoples and local communities) compliant palm oil, and to address non-compliances found in our supply chain. Finally, our impact programs prioritize capacity building, particularly training and development. Examples in 2018 include being a founding member for the Coalition for Sustainable Livelihoods (CSL) to create sustainable commodity value chains (including palm oil) in North Sumatra and Aceh, and partnering with the Mexican Federation for Palm Oil (FEMEXPALMA) - an impartial entity representing mills and growers and promoting the sustainable production of palm oil in Mexico - to provide training, instructional videos and implementation guides to accelerate the adoption of sustainable practices in Mexico, and working with six companies to design a landscape program for sustainable palm oil in the districts of Siak and Pelalawan, Indonesia. Our policy and commitments apply to all our products, regardless of the source of production. ii. Timeframe: The availability of RSPO credits should allow us to achieve 100% in the near-term as we continue to support market development. In 2019, our interim goal is to source 80% physically-certified sustainable palm oil, with a 100% target by 2020.

F1.7

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

Yes

F1.7a

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

Forest risk commodity

Timber

Impact driver type

Reputational and markets

Primary impact driver

Increased stakeholder concern or negative stakeholder feedback

Primary impact

Brand damage

Description of impact

i. Description: PepsiCo has witnessed a growing interest among Socially Responsible Investors (SRIs), non-governmental agencies, and other key stakeholders in our practices associated with forest impact. PepsiCo has closely monitored consumer and customer campaigns and their general interest in our response to deforestation risks. ii. Scale of impact: Increased stakeholder concerns have not yet represented substantive detrimental impacts on our business. However, PepsiCo's aim is to demonstrate our responsibility toward forest-related stewardship and transparent communication regarding our efforts to mitigate concerns as changes in consumer preference, due to a negative reaction to PepsiCo's reputation relative to the environment, could adversely affect PepsiCo's business.

Primary response

Greater due diligence

Total financial impact

Description of response

i. Stakeholders and outcomes: PepsiCo recognizes the importance of having a credible system for third parties to raise concerns where they believe our standards are not being met. Our Speak Up Hotline provides a means to report suspected violations of our policies or applicable law. Our grievance mechanism for our agricultural supply chain complements our existing program to help prevent, identify and manage environmental and social concerns throughout our value chain, including those associated with timber. This allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain. Our approach is available here: <https://www.pepsico.com/docs/album/esg-topics-policies/agricultural-supply-chain-grievance-mechanism-summary.pdf>. We have engaged our direct suppliers who source from the companies at the center of complaints in 2018 to 1) Validate the allegations, 2) Demonstrate the importance we attach to addressing the concerns raised, 3) Understand corrective action steps already taken and planned in the future, and 4) Influence those actions, monitor progress towards completion and ultimately address the complaint. In 2019, we will continue to address existing and new grievances, as well as review the running of our grievance process to ensure it is meeting its objectives. ii. Cost impact: This figure is confidential.

Forest risk commodity

Palm Oil

Impact driver type

Reputational and markets

Primary impact driver

Increased stakeholder concern or negative stakeholder feedback

Primary impact

Brand damage

Description of impact

i. Description: Agriculture is an integral part of PepsiCo's supply chain. The raw materials we use to produce our products are largely commodities subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty or government incentives and controls. We have witnessed a growing interest among SRIs, non-governmental agencies, and other key stakeholders in the link between palm oil and deforestation. PepsiCo has closely monitored consumer and customer campaigns and their general interest in the responsible sourcing of palm oil in our business. ii. Scale of impact: Increased stakeholder concerns have not yet represented substantive detrimental impacts on our business. However, PepsiCo aims to demonstrate our responsibility toward forest-related stewardship and transparent communication regarding our efforts to mitigate concerns, as changes in consumer preference due to a negative reaction to PepsiCo's reputation

relative to the environment, could adversely affect PepsiCo's business.

Primary response

Engagement in multi-stakeholder initiatives

Total financial impact

Description of response

i. Stakeholders and outcomes: In 2015, we published the PepsiCo Palm Oil Action Plan, describing our strategy for sourcing sustainable palm oil. We disclose our work in annual Palm Oil Progress Reports synchronized with our Annual Communication of Progress to the RSPO. Stakeholder collaboration is vital to achieving our goal of sourcing 100% sustainable palm oil by the end of 2020. In 2018, we continued engaging with industry platforms such as the Consumer Goods Forum, AIM-Progress, and the Tropical Forest Alliance. We met regularly with non-governmental agencies to discuss our efforts, exchange information and consider ways to achieve shared objectives. We publicly support RSPO NEXT, encouraging our direct suppliers to be RSPO members; since 2017, 100% of our direct suppliers have been members. Our grievance mechanism allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain. We have engaged direct suppliers who source from companies at the center of complaints in 2018 to 1) Validate the allegations, 2) Demonstrate the importance we attach to addressing the concerns raised, 3) Understand corrective action steps already taken and planned in the future, and 4) Influence those actions, monitor progress towards completion and ultimately address the complaint. In 2019, we plan to review our grievance process to ensure it is meeting its objectives. ii. Cost impact: This figure is confidential.

F2. Procedures

F2.1

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

Yes, forests-related risks are assessed

F2.1a

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

Timber

Value chain stage

Direct operations
Supply chain

Coverage

Full

Risk assessment procedure

Assessed as a standalone issue

Frequency of assessment

Annually

How far into the future are risks considered?

1 to 3 years

Tools and methods used to identify and assess risks

Internal company methods
External consultants

Please explain

i. PepsiCo assesses deforestation risks in our paper-based packaging supply chain on an annual basis using internal methods and external support from Proforest, with results being reported to the senior vice president, chief supply officer. The combination of internal and external input into our risk assessment process helps see that necessary expertise is available to have thorough coverage of stakeholder considerations and the overall commodity landscape. The risk assessment procedure is chosen to help identify the sustainability risks in the commodity and where they exist in our supply chain. This is part of an ongoing process through which we work with our suppliers to help them become more environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. To enable a greater understanding of and visibility into our supply chain, in 2016, PepsiCo began working with Proforest to trace the supply chain and support implementation of our policies related to paper packaging. ii. For example, Proforest conducts on an ongoing basis an assessment of certification schemes that we recognize (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in our Forestry Stewardship, Land Use and Sustainable Packaging policies. In addition, Proforest conducted a rapid assessment of our current performance and overview of risks involved in the main regions/countries of our paper packaging supply base. These findings are being addressed as we renew contracts starting in 2018, particularly for areas of higher risk such as Russia, China and parts of Southeast Asia.

Palm Oil

Value chain stage

Direct operations
Supply chain

Coverage

Full

Risk assessment procedure

Assessed as a standalone issue

Frequency of assessment

Six-monthly or more frequently

How far into the future are risks considered?

> 6 years

Tools and methods used to identify and assess risks

Internal company methods
External consultants

Please explain

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

F2.1b

(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?

Availability of forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: We believe that our most significant influence on forests is through our sourcing of paper and wood-based products and raw agricultural materials. PepsiCo is working to realize zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. The availability of forest risk commodities, specifically, the availability and quality of commodities that meet specific certification criteria or other measures of sustainable procurement is vital to meet our goal. ii. Usage in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts throughout the business on our key environmental risks. Factored criteria include, but are not limited to: regulation, changes in commodity availability, price increases for commodities and reputational risk. On palm oil, we worked with Proforest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on High Carbon Stock (HCS), High Conservation Values (HCV), peatlands, land rights, including Free, Prior and Informed Consent (FPIC), human rights, as defined by the United Nations Universal Declaration of Human Rights, and no burning, as described by RSPO. This work involves a risk assessment of direct suppliers and their supply base (leveraging the mill traceability data) to identify, assess, prioritize and address top compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments and wider engagement. The process entails site-based verification assessments and eventual engagement with site-assessed suppliers to monitor implementation of continuous improvement plans.

Quality of forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: We believe that our most significant influence on forests is through our sourcing of paper and wood-based products and raw agricultural materials. PepsiCo is working to realize zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. The availability of forest risk commodities, specifically, the availability and quality of commodities that meet specific certification criteria or other measures of sustainable procurement is vital to meet our goal. ii. Usage in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts throughout the business on our key environmental risks. Factored criteria include, but are not limited to: regulation, changes in commodity availability, price increases for commodities and reputational risk. On palm oil, we worked with Proforest to develop a risk analysis and mitigation plan, as well as a verification process that stresses PepsiCo's goals on HCS, HCV, peatlands, land rights, including FPIC, human rights, as defined by the UN Universal Declaration of Human Rights, and no burning, as described by RSPO. This work involves a risk assessment of direct suppliers and their supply base (leveraging the mill traceability data) to identify, assess, prioritize and address top compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments and wider engagement. The process entails site-based verification assessments and eventual engagement with site-assessed suppliers to monitor implementation of continuous improvement plans.

Impact of activity on the status of ecosystems and habitats

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Like many of our stakeholders, PepsiCo has ongoing concerns about how some palm oil is produced. Rainforest conversion, biodiversity loss and other impacts to ecosystems and habitats persist in various producing regions. Our commodity purchasing activities also run the risk of HCS/HCV forest and peatlands being converted to other land uses, resulting in noncompliance with our Forestry Stewardship Policy. ii. Usage in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts throughout the business on our key environmental risks. Factored criteria include, but are not limited to: regulation, changes in commodity availability, price increases for commodities and reputational risk.

Regulation

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: PepsiCo operates globally, which requires us to comply with numerous local regulations. As PepsiCo implements its risk assessment process, we believe that environmental and human rights issues are systemic in some regions. Adding to the challenge are inconsistent federal and local regulations that vary from place to place. As a result of these factors, broad industry collaboration and investment are beneficial, but coordination on such a broad level requires new mechanisms, improved institutions and greater capacity than currently exists. We are seeing increasing interest from national governments and supra-national agencies in the impact of deforestation and in setting regulations to increase transparency and reduce the environmental and social impacts of deforestation around the world. We have also seen an increase in international cooperation, which is highlighted by UN Conference of the Parties (COP)-17 and the Rio+20 Conferences that led to the REDD+ program enhancement, the U.S. Lacey Act, and the European Union Timber regulations. ii. Usage in decision-making: Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts and Government Affairs experts throughout the business on our key environmental risks. Factored criteria include, but are not limited to: regulation, changes in commodity availability, price increases for commodities and reputational risk. Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, Palm Oil Action Plan and Sustainable Packaging Policy, PepsiCo has created a robust framework to help achieve our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct suppliers to source by the end of 2020. Our policy framework, deforestation-related sourcing standards, and decision-making processes are meant to help us stay ahead of regulatory requirements. Additionally, PepsiCo has been working to develop country-specific risk profiles starting with our largest sources of supply, thereby identifying regions that have the highest likelihood of noncompliance and prioritizing our efforts to raise standards accordingly.

Climate change

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: There is an increased focus, including by governmental and non-governmental agencies, investors, customers and consumers, on these and other environmental sustainability matters, including deforestation, land use, climate impact and water use. Our reputation could be adversely affected if we do not act, or are perceived not to act, responsibly with respect to our impact on the environment. ii. Usage in decision-making: Realizing the connection between deforestation and climate change, PepsiCo established an ambitious science-based goal to reduce absolute greenhouse gas (GHG) emissions by at least 20% across our value chain by 2030. Our GHG emissions reduction goal covers our entire value chain (scope 3) and has been approved by the Science Based Targets Initiative, a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) that defines and promotes best practice in science-based target setting. Our approved goal means that PepsiCo is doing its part to help limit global temperature increase to 2° Celsius. To achieve this goal, we must reduce emissions in our agricultural supply chain, including palm oil, by implementing our NDPE policy commitments (specifically no deforestation and no development on peatlands). This directly ties to PepsiCo's efforts to realize our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. Recognizing potential environmental benefits, including climate and biodiversity, as well as human rights, we have committed to source 100% physically-certified palm oil by the end of 2020.

Impact on water security

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: There is an increased focus, including by governmental and non-governmental agencies, investors, customers and consumers, on these and other environmental sustainability matters, including deforestation, land use, climate impact and water use. Our reputation could be adversely affected if we do not act, or are perceived not to act, responsibly with respect to our impact on the environment. ii. Usage in decision-making: PepsiCo continues to assess environmental risk, including those related to water security, in our supply base; this includes supporting industry platforms - such as WRI's GFW Universal Mill List and the GFW Pro platform - to identify risks at the mill and plantation level (<https://www.globalforestwatch.org/>). Additionally, in our efforts to achieve our water efficiency goals, we are investing in projects in high water-risk watersheds that improve the quantity and/or the quality of the water in the watershed. These include watershed protection projects like reforestation, wetlands rehabilitation, and aquifer recharge.

Tariffs or price increases

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Many of the commodities used in our products are purchased in the open market. The prices we pay for such items are subject to fluctuation, and any increases could adversely impact our costs and operating profit. ii. Usage in decision-making: PepsiCo manages this risk through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures. In addition, risk to our supply of certain raw materials is mitigated through purchases from multiple geographies and suppliers. When prices increase, we may or may not pass on such increases to our customers. In addition, we are making investments to improve the sustainability and resources of our agricultural supply chain, including the development of our initiative to advance sustainable farming practices by our suppliers and expanding it globally.

Loss of markets

Relevance & inclusion

Not relevant, explanation provided

Please explain

Loss of markets is not a relevant issue for consideration in our forests-related risk assessments.

Brand damage related to forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Damage to our reputation or brand image, or loss of consumer confidence in our products or employees could result in decreased demand for our products and could adversely affect our business, financial condition or results of operations, as well as require additional resources to rebuild our reputation. PepsiCo has witnessed a growing interest among Socially Responsible Investors, non-governmental agencies and other key stakeholders in the link between palm oil and deforestation. This interest may lead to brand damage and reputational risk, a key criterion considered not just in our commodity-specific risk assessment process but also in our Enterprise Risk Management process. For example, our company has faced accusations related to our palm oil supply chain and our efforts to address both environmental and social sustainability within the space. ii. Usage in decision-making: PepsiCo has closely monitored consumer and customer campaigns and their general interest in the responsible sourcing of palm oil in our business in order to appropriately respond to concerns, leading to increased transparency for several deforestation-related efforts, including our Palm Oil Progress Reports and recently developed grievance mechanisms. Our assessments of risk are based on our Enterprise Risk Management process and consultation with subject matter experts throughout the business on our key environmental risks. Factored criteria include: reputational risks, such as potential brand damage caused by increased stakeholder concerns regarding social and environmental impacts of PepsiCo's activities with regard to our forest-risk commodities.

Corruption

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Like many of our stakeholders, PepsiCo has ongoing concerns about how some palm oil is produced. As with other agricultural commodities that rely on seasonal labor and workers meeting "piece-rate" quotas, there are a number of risks for workers in the supply chain. These include rights of temporary workers, working hours and pay, forced labor and underage labor. Additionally, some commodities are sourced from countries experiencing civil unrest or political instability, where corruption may also be present, leading to potential disruption in supply. Finally, there is also an increased focus, including by governmental and non-governmental agencies, investors, customers and consumers on these and other environmental sustainability matters, including deforestation and land use, where risks could be exacerbated by corruption. Our reputation could be adversely affected if we or others in our industry do not act, or are perceived not to act, responsibly with respect to our impact on the environment. ii. Usage in decision-making: We have developed a grievance mechanism for dealing with environmental and social complaints involving palm oil and other agricultural raw materials in our supply chain. Our aim is to uphold our policies and achieve positive outcomes and, among food and beverage companies, we believe our mechanism is the leading practice. Consistent with our alignment with the UN Guiding Principles on Business and Human Rights, we have sought to use our relationships to bring resolution to deforestation-related complaints involving our supply chain.

Social impacts

Relevance & inclusion

Relevant, always included

Please explain

i. Importance of issue: Like many of our stakeholders, PepsiCo has ongoing concerns about how some palm oil is produced. Human rights abuses persist in certain producing regions. As with other agricultural commodities that rely on seasonal labor and workers meeting "piece-rate" quotas, there are a number of risks for workers in the supply chain. This includes rights of temporary workers, working hours and pay, forced labor and underage labor. ii. Usage in decision-making: We have developed a grievance mechanism for dealing with environmental and social complaints involving palm oil and other agricultural raw materials in our supply chain. Our aim is to uphold our policies and achieve positive outcomes and, among food and beverage companies, we believe our mechanism is the leading practice. Consistent with our alignment with the UN Guiding Principles on Business and Human Rights, we have sought to use our relationships to bring resolution to palm oil complaints involving our supply chain, including and beyond our direct suppliers.

Other, please specify

Relevance & inclusion

Not considered

Please explain

F2.1c

(F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

Customers

Relevance & inclusion

Relevant, always included

Please explain

i. Example of risk considered: PepsiCo has witnessed a growing interest among Socially Responsible Investors (SRIs), non-governmental agencies, and other key stakeholders in the link between palm oil and deforestation. PepsiCo has closely monitored consumer and customer campaigns and their general interest in the responsible sourcing of palm oil in our business. This interest may lead to reputational risk, a key criterion considered not just in our commodity-specific risk assessment process but also in our Enterprise Risk Management process. ii. Method of engagement: Transparency is important for our risk mitigation efforts in response to customer concerns, particularly in relation to potential reputational impacts. PepsiCo's Performance with Purpose (PwP) agenda includes a comprehensive sustainability reporting effort across a wide array of topics, including deforestation and palm oil. We provide regular, detailed information on progress toward delivering on these PwP goals, all of which are publicly available to stakeholders on our website. Additionally, we solicit feedback from civil society through direct meetings and workshops and consider reports by civil society and other organizations.

Employees

Relevance & inclusion

Not relevant, explanation provided

Please explain

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

Investors

Relevance & inclusion

Relevant, always included

Please explain

i. Example of risk considered: PepsiCo has witnessed a growing interest among and other key stakeholders in the link between palm oil and deforestation. This interest may lead to reputational risk, a key criterion considered not just in our commodity-specific risk assessment process but also in our Enterprise Risk Management process. Additionally, commodity-specific risks such as availability and quality of the inputs required to make our products could potentially disrupt business operations, leading to investor concern. ii. Method of engagement: Transparency is important for our risk mitigation efforts in response to investor concerns, particularly in relation to potential reputational risk. We provide regular, detailed information on progress toward delivering our PwP goals, all of which are publicly available to stakeholders on our website. In terms of potential business disruption related to commodity risks, this communication demonstrates to investors PepsiCo's long-term priority to make our growth, our operations and our impact more sustainable.

Local communities

Relevance & inclusion

Relevant, always included

Please explain

i. Example of risk considered: As a significant buyer of palm oil, PepsiCo is an important participant in addressing land-related human rights issues in the industry, which can affect the local communities in which PepsiCo and our suppliers operate. We have identified land rights as an important human rights issue - the human right at risk with the potential for severe impact on the Company's operations and supply chains. PepsiCo's human rights issues also include land-related issues, such as human right to water, and vulnerable workers, such as women. ii. Method of engagement: A key milestone in PepsiCo's approach to the sustainable sourcing of palm oil was our 2014 commitment to "zero tolerance" for land grabs across its supply chains. PepsiCo has also made a number of time-bound implementation plans regarding its land rights commitments in Brazil, Mexico, Thailand and Indonesia. For example, PepsiCo committed to participate in Oxfam's FAIR Company-Community Partnerships project in Indonesia. The project promotes a model for sustainable palm oil that benefits women, smallholder farmers, local communities, the environment and participating companies. In Riau, Indonesia, PepsiCo is one of seven companies who are working together on a landscape program for sustainable palm oil in the districts of Siak and Pelalawan. The goal of the program is to create sustainable landscapes across both districts that will produce deforestation-free and exploitation-free palm oil and maintain or enhance key conservation areas. This will build upon existing local efforts and multi-stakeholder platforms to advance a shared vision of sustainable, inclusive palm oil production models.

NGOs

Relevance & inclusion

Relevant, always included

Please explain

i. Example of risk considered: PepsiCo has witnessed a growing interest among SRIs, non-governmental organizations (NGOs), and other key stakeholders in the link between palm oil and deforestation. PepsiCo has closely monitored consumer and customer campaigns and their general interest in the responsible sourcing of palm oil in our business. This interest may lead to reputational risk, a key criterion considered not just in our commodity-specific risk assessment process but also in our Enterprise Risk Management process. ii. Method of engagement: Transparency is important for our risk mitigation efforts in response to NGO concerns, particularly in relation to potential reputational risk. We provide regular, detailed information on progress toward delivering our PwP goals, all of which are publicly available to stakeholders on our website. Additionally, we solicit feedback from civil society through direct meetings and workshops and consider reports by civil society and other organizations. For example, PepsiCo became a founding member of the Coalition for Sustainable Livelihoods (CSL). CSL is a group of civil society and private sector organizations with a shared interest in sustainable development, active investments in the Aceh and North Sumatra provinces of Indonesia, and a strong desire to work collaboratively with government. The coalition members have agreed to work collectively to achieve common objectives for smallholder livelihoods, sustainable agricultural production and conservation in North Sumatra and Aceh. Finally, PepsiCo speaks regularly with NGOs, with missions ranging from environmental conservation to protection of human rights. In particular, we regularly engage with civil society and other stakeholders to review our policy, our progress and our future actions. We are working to address issues raised via this feedback process, including a desire for clearer statements on our aspirations for an NDPE free supply chain, the scope of our policy and the request to apply our policy to companies in our supply chain at the company wide level, and the need for greater confidence in the independent verification that standards are being met throughout the palm oil supply chain.

Other forest risk commodity users/producers at a local level

Relevance & inclusion

Relevant, always included

Please explain

i. Example of risk considered: As a buyer of palm oil, PepsiCo is an important participant in addressing land-related human rights issues in the industry, which can affect other forest risk commodity users/producers with whom PepsiCo and our suppliers do business. PepsiCo has identified land rights as an important human rights issue - the human right at risk with the potential for severe impact on the Company's operations and supply chains. PepsiCo's human rights issues also include land-related issues, such as the human right to water, and vulnerable workers, such as women. ii. Method of engagement: A key milestone in PepsiCo's approach to the sustainable sourcing of palm oil was our 2014 commitment to "zero tolerance" for land grabs across our supply chains. PepsiCo has also made several time-bound implementation plans regarding its land rights commitments in Brazil, Mexico, Thailand and Indonesia. Finally, PepsiCo committed to participate in Oxfam's FAIR Company-Community Partnerships project in Indonesia. The project promotes a model for sustainable palm oil that benefits women, smallholder farmers, local communities, the environment and participating companies.

Regulators

Relevance & inclusion

Relevant, always included

Please explain

i. Example of risk considered: PepsiCo is seeing increasing interest from national governments and supra-national agencies in the impact of deforestation and in setting regulations to increase transparency and reduce the environmental and social impacts of deforestation around the world. We have also seen an increase in international cooperation, which is highlighted by UN Conference of the Parties (COP)-17 and the Rio+20 Conferences that led to the REDD+ program enhancement, the U.S. Lacey Act and the European Union Timber regulations. PepsiCo stays informed of current and emerging regulatory risks for compliance purposes and also looks to collaborate with regulators and governments to build capacity for sustainable procurement and ensure continued availability and quality of sustainable supplies. ii. Method of engagement: PepsiCo continues to work with the RSPO and other trade associations, government agencies, non-governmental agencies and other critical stakeholders to help bring about positive change and improvements in the operation, regulation and governance of the palm oil industry. As the largest buyer of palm oil in Mexico, PepsiCo has published a detailed analysis of land tenure risks and impacts and is now carrying out training on High Conservation Values (HCV) and High Carbon Stock assessments, as well as separate capacity-building programs with the national association of palm oil mills and producers, smallholders and the federal government. Additionally, PepsiCo is a founding member of the Coalition for Sustainable Livelihoods (CSL) which aims to create sustainable commodity value chains (including palm oil) in North Sumatra and Aceh. This includes supporting efforts to prevent deforestation for palm oil production in the Leuser ecosystem. In 2018, the CSL worked on scoping and baselining of opportunities, culminating in a workshop that brought together more than 130 representatives from across government, private sector, financial institutions and civil society. Among other outcomes, participants agreed on the need to strengthen farmer livelihoods, build solutions with government and develop impact programs that can achieve scale.

Suppliers

Relevance & inclusion

Relevant, always included

Please explain

i. Example of risk considered: Approximately 40% of palm oil is grown by smallholder farmers who often lack access to expertise, capacity building and infrastructure for sustainable practices. Their participation in the shift to sustainable palm requires industry-wide collaboration to remove barriers so that certification can be achieved in markets particularly dependent on smallholders, such as Indonesia and Mexico - two of the top three countries from which PepsiCo sources palm oil. We continue to evaluate and participate in several positive impact programs that bring industry supply chain actors together to engage and help build capability for these smallholders. Our consideration of these programs is guided in part by a risk assessment process that identifies geographic areas within our supply chain that are at high risk of policy non-conformance. ii. Method of engagement: PepsiCo aims to work with suppliers to see that PepsiCo's palm oil policies are implemented in a way that supports the inclusion of smallholders. We have launched a holistic program for sustainable palm oil in Mexico that engages and involves the entire supply chain: from the national palm oil federation FEMEXPALMA to our supplier Oleofinos, to Oleopalma and the smallholders in their supply base. We are working with FEMEXPALMA to consolidate its role in representing and supporting the sustainability of the palm oil sector. This involves strengthening the expertise of the team so they can provide expert advice and support to its members through capacity building and applied research. PepsiCo is also working with RSPO and Oleopalma to support smallholder farmers in Mexico to achieve RSPO independent group certification. Smallholder farmers represent a significant portion of the palm industry, but barriers limit their access to training and certification. These trainings and developments help to increase sustainable palm practices and can positively impact livelihoods. PepsiCo is also investing in piloting studies and adapting global approaches to the Mexico context, specifically in Environmental and Social Impact Assessments and High Conservation Value (HCV). Over 44,000 hectares of Oleopalma's supply base in Mexico were assessed through the HCV approach, which includes smallholders, medium, and large palm-producers.

Other stakeholders, please specify

Relevance & inclusion

Not considered

Please explain

F3. Risks and opportunities

F3.1

(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Timber	Yes
Palm Oil	Yes
Cattle Products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<Not Applicable>

F3.1a

(F3.1a) How does your organization define substantive impact on your business?

PepsiCo incorporates the following factors when defining substantive change in PepsiCo's direct operations, revenue or expenditures from forest risks: 1) magnitude of potential impact on operating costs and/or current and future revenue; and 2) potential impact on stakeholder expectations or perceptions. Substantive change would generally be considered any material change (+/- 5%) to a site's operating environment/costs and/or to PepsiCo's reputation locally, regionally or globally. Should such material change occur, the impact (and any potential need to review the definition) would be reviewed and reassessed by our senior executive team. This definition of substantive change applies to both direct operations and to elements of our supply chain.

F3.1b

(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Forest risk commodity

Timber

Type of risk

Physical

Geographical scale

Region

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Declining ecosystem services

Primary potential impact

Supply chain disruption

Company-specific description

The materials PepsiCo uses to produce our products are largely commodities subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty, or government incentives and controls. Particular to timber, PepsiCo recognizes that severe weather events, losses of ecosystem services, and an unsteady supply of certified sustainable material have the potential to adversely impact our supply chain over the next 1-3 years.

Timeframe

1-3 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Many of the commodities used in our products are purchased on the open market. The prices we pay for such items are subject to fluctuation, and any increases could adversely impact our operating costs and decrease our operating profit growth.

Primary response to risk

Other, please specify (Global purchasing programs and hedging strategies)

Description of response

i. Timeframe: In the normal course of business, we currently manage these risks through a variety of strategies, including global purchasing programs and systematic hedging strategies. Our global purchasing programs include fixed-price contracts, purchase orders and pricing agreements. Our hedging strategies include the use of derivatives to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for agricultural products, energy and metals. ii. Response effectiveness: Commodity Risk Management provides reasonable predictability of cost across our global commodity exposures while allowing controlled flexibility to adapt to unique market circumstances. For timber, PepsiCo considers country of origin and supplier business continuity planning by region. We have identified specific goals at the regional level to address the identified risks, thereby increasing our resilience to mitigate potential impacts.

Cost of response

0

Explanation of cost of response

As our management methods for these risks occur during the normal course of business and are interrelated with several other potential risks that may not be specific to forests, we consider our specific cost to manage these risks to be zero (0).

Forest risk commodity

Timber

Type of risk

Regulatory

Geographical scale

Region

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Regulatory uncertainty

Primary potential impact

Fines, penalties or enforcement orders

Company-specific description

We are seeing increasing interest from national governments and supra-national agencies in the impact of deforestation and in setting regulations to increase transparency and reduce the environmental and social impacts of deforestation around the world. We have also seen an increase in international cooperation, which is highlighted by UN Conference of the Parties (COP)-17 and the Rio+20 Conferences that led to the REDD+ program enhancement, the U.S. Lacey Act, and the European Union Timber regulations. PepsiCo must stay informed of these developments to facilitate ongoing compliance and alignment with our deforestation-related policies.

Timeframe

1-3 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact figure

The financial impact of this risk is confidential.

Primary response to risk

More ambitious forest-related commitments

Description of response

i. Timeframe: Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, Palm Oil Action Plan, and Sustainable Packaging Policy, PepsiCo has created a robust framework to help achieve our goal of zero deforestation in our company-owned and operated facilities and global supply chains from direct suppliers to source by the end of 2020. ii. Response effectiveness: PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which such schemes deliver PepsiCo requirements outlined in our policies. In addition, Proforest conducted a rapid assessment of PepsiCo's current performance and overview of risks involved in main regions/countries of our current paper packaging supply base. We believe this groundwork, along with our policy framework and timber specific sourcing standards and goals will help us stay ahead of regulatory requirements.

Cost of response

Explanation of cost of response

The cost of managing this risk is confidential.

Forest risk commodity

Timber

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased stakeholder concern or negative stakeholder feedback

Primary potential impact

Reduced demand for products and services

Company-specific description

We are a leading global beverage and food company with brands that are respected household names throughout the world. Maintaining a good reputation globally is critical to selling our branded products. Socially Responsible Investors (SRIs), non-governmental agencies, the media and other key stakeholders have shown a growing interest in the link between timber for packaging and deforestation in company-owned operations and supply chains, leading to increased pressure on PepsiCo to respond to related concerns. PepsiCo has closely monitored consumer and customer campaigns, and their overall interest in responsible timber sourcing in our business and how we are addressing deforestation issues that may arise.

Timeframe

1-3 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact figure

PepsiCo's reputation and the behavior of consumers in choosing our products are important to the market value and revenue generation of the Company. Changes in consumer preference, for example, due to a negative reaction to PepsiCo's reputation relative to the environment could adversely affect PepsiCo's business.

Primary response to risk

More ambitious forest-related commitments

Description of response

i. Timeframe: Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, Palm Oil Action Plan and Sustainable Packaging Policy, PepsiCo has created a robust framework to help achieve our goal of zero deforestation in our company-owned and operated facilities and global supply chains from direct supplier to source by the end of 2020. ii. Response effectiveness: To help us to better understand the risks in our supply chain, we are working with Proforest to provide traceability data of our supply chain. This includes conducting supply chain mapping with suppliers to identify high-risk suppliers, regions and countries where interventions are required. In addition, we plan to revise our paper packaging-related policies to clarify scope, make implementation targets more explicit and further develop requirements on recycled content. We believe that our policy framework and timber-specific sourcing standards and goals will help us manage the increasing reputational risk associated with timber and deforestation.

Cost of response**Explanation of cost of response**

The cost of managing this risk is confidential.

Forest risk commodity

Palm Oil

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Availability of certified sustainable material

Primary potential impact

Supply chain disruption

Company-specific description

As a leading global food and beverage company with a complementary portfolio of brands, including Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana, we make, market, distribute and sell a wide variety of convenient beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories. As such, agriculture is an integral part of PepsiCo's supply chain. The raw materials we use to produce our products are largely commodities subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty, or government incentives and controls.

Timeframe

1-3 years

Magnitude of potential impact

Medium-low

Likelihood

About as likely as not

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Many of the commodities used in our products are purchased on the open market. The prices we pay for such items are subject to fluctuation, and any increases could adversely impact our operating costs and decrease our operating profit growth.

Primary response to risk

Other, please specify (Global purchasing and hedging strategies)

Description of response

i. Timeframe: In the normal course of business, we currently manage these risks through a variety of strategies, including global purchasing programs and systematic hedging strategies. Our global purchasing programs include fixed-price contracts, purchase orders and pricing agreements. Our hedging strategies include the use of derivatives to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for agricultural products, energy and metals. ii. Response effectiveness: Commodity Risk Management provides reasonable predictability of cost across our global commodity exposures, while allowing controlled flexibility to adapt to unique market circumstances. For palm oil, PepsiCo considers country of origin, supplier business continuity planning by region and commodity risk management through financial planning on market-based commodities, thereby increasing our resilience to mitigate potential impacts.

Cost of response

0

Explanation of cost of response

As our management methods for these risks occur during the normal course of business and are interrelated with several other potential risks that may not be specific to forests, we consider our specific cost to manage these risks to be zero (0).

Forest risk commodity

Palm Oil

Type of risk

Regulatory

Geographical scale

Country

Where in your value chain does the risk driver occur?

Direct operation

Supply chain

Primary risk driver

Regulatory uncertainty

Primary potential impact

Increased operating costs

Company-specific description

While most of the mechanisms to deliver more sustainable palm oil (e.g., RSPO, Consumer Goods Forum) are non-regulatory, we are seeing increasing interest from governments in using regulation to drive change. PepsiCo must stay informed of these developments to facilitate ongoing compliance and alignment with our palm oil-related policies and action plan.

Timeframe

4-6 years

Magnitude of potential impact

Low

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact figure

The financial impact of this risk is confidential.

Primary response to risk

More ambitious forest-related commitments

Description of response

i. Timeframe: PepsiCo has taken a multi-faceted approach to address our palm oil supply chain by enacting a number of policies and programs on this issue. In 2015, we published the PepsiCo Palm Oil Action Plan, describing our strategy for sourcing sustainable palm oil and achieving our goal of sourcing 100% sustainable palm oil by the end of 2020. We also publicize our Forestry Stewardship Policy, Land Use Policy and annual Palm Oil Progress Reports describing strategic collaborations, use of new tools and impact programs. ii. Response effectiveness: We are also working with Proforest to develop risk analysis and mitigation plans for key regions, as well as a verification process that stresses PepsiCo's goals on High Carbon Stock, High Conservation Values, peatlands, land rights, including Free, Prior and Informed Consent, human rights, and no burning, as described by RSPO. This work involves a risk assessment of direct suppliers and their supply base (leveraging the mill traceability data) to identify, assess, prioritize and address top compliance risks under PepsiCo's policies, including recommending priority mills and supply bases for verification assessments and wider engagement. We expect that this work will increase the level of engagement with suppliers to monitor implementation of continuous improvement plans. We believe our progress against our Palm Oil Action Plan and related deforestation policies will help us stay ahead of regulatory requirements.

Cost of response

Explanation of cost of response

The cost of managing this risk is confidential.

Forest risk commodity

Palm Oil

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Direct operation

Supply chain

Primary risk driver

Increased stakeholder concern or negative stakeholder feedback

Primary potential impact

Reduced demand for products and services

Company-specific description

We are a leading global beverage and food company with brands that are respected household names throughout the world. Maintaining a good reputation globally is critical to selling our branded products. SRIs, non-governmental agencies, the media and other key stakeholders have shown a growing interest in the link between palm oil and deforestation in company-owned operations and supply chains. PepsiCo has closely monitored consumer and customer campaigns and general interest in responsible palm oil sourcing in our business.

Timeframe

1-3 years

Magnitude of potential impact

Low

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact figure

PepsiCo's reputation and the behavior of consumers in choosing our products are important to the market value and revenue generation of the Company. Changes in consumer preference, for example, due to a negative reaction to PepsiCo's reputation relative to the environment could adversely affect PepsiCo's business.

Primary response to risk

More ambitious forest-related commitments

Description of response

i. Timeframe: In 2015, we published the PepsiCo Palm Oil Action Plan, describing our strategy for sourcing sustainable palm oil and achieving our goal of sourcing 100% sustainable palm oil by the end of 2020. ii. Response effectiveness: Transparency is important for our risk mitigation efforts in response to non-governmental agencies' concerns, particularly in relation to potential reputational impacts. We provide regular, detailed information on progress toward delivering our PwP goals, all of which are publicly available to stakeholders on our website. Additionally, we solicit feedback from civil society through direct meetings and workshops and consider reports by civil society and other organizations. Our stakeholder collaboration efforts, including participation in the Palm Oil Working Group of the Consumer Goods Forum, membership in the Tropical Forest Alliance 2020, and regular meetings with non-governmental agencies to discuss our efforts, exchange information and consider ways to achieve shared objectives have resulted in increased confidence in our efforts. As evidence of our progress, the WWF 2016 Palm Oil Scorecard ranked PepsiCo as leading the way in progress on essential actions taken to source sustainable palm oil. In July 2017, we formalized a grievance mechanism for our agricultural supply chain, allowing third parties to raise concerns regarding compliance within our agricultural supply chain and mitigating potential reputational impacts.

Cost of response

Explanation of cost of response

The cost of managing this risk is confidential.

F3.2

(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?

	Have you identified opportunities?
Timber	Yes
Palm Oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other	<Not Applicable>

F3.2a

(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.

Forest risk commodity

Timber

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Other parts of the value chain

Primary forests-related opportunity

Increased brand value

Financial incentives

<Not Applicable>

Company-specific description & strategy to realize opportunity

i. Explanation of opportunity: PepsiCo understands the unique role packaging holds in shaping the way our products are presented to consumers, customers and communities. In addition to understanding its necessary role in protecting the quality and experience consumers have with our products, we believe that our most significant influence on forests is through our sourcing of paper and wood-based products and raw agricultural materials. ii. Explanation of strategy: Through our Forestry Stewardship Policy, Land Use Policy, Palm Oil Commitments, and Sustainable Packaging Policy, PepsiCo has created a robust framework to help achieve our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. PepsiCo seeks to purchase only responsibly sourced wood fiber products and will not knowingly accept from its supply chain paper-based packaging that may contain wood fiber harvested illegally or sourced from protected forest areas. We are focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. iii. Implementation case study: PepsiCo is working with our suppliers to help them become more environmentally sustainable in their practices by following credible forestry standards and purchasing fiber only from sources that support responsible forest management, as outlined in our policies. PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements outlined in our policies. In addition, Proforest conducted a rapid assessment of PepsiCo's current performance and overview of risks involved in main regions/countries of our paper packaging supply base.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

PepsiCo's reputation and the behavior of consumers in choosing our products are important to the market value and revenue generation of the Company. Changes in consumer preference, for example, due to a positive reaction to PepsiCo's reputation relative to the environment, could cause a corresponding positive effect on PepsiCo's business.

Forest risk commodity

Palm Oil

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Other parts of the value chain

Primary forests-related opportunity

Increased brand value

Financial incentives

<Not Applicable>

Company-specific description & strategy to realize opportunity

i. Explanation of opportunity: Socially Responsible Investors, non-governmental agencies, the media and other key stakeholders have shown a growing interest in the link between palm oil and deforestation in our company-owned operations and supply chains. PepsiCo has closely monitored consumer and customer campaigns and general interest in responsible palm oil sourcing in our business. As awareness around palm oil grows, improved consumer response to products carrying RSPO-certified sourced material represents a potential opportunity to grow our revenue. ii. Explanation of strategy: In 2015, we published the PepsiCo Palm Oil Action Plan, describing our strategy for sourcing sustainable palm oil. The action plan includes our commitment to source 100% physically-certified sustainable palm oil by the end of 2020, achieve and maintain PepsiCo and our suppliers' compliance with our various deforestation-related policies and Supplier Code of Conduct; engage suppliers on various capacity-building initiatives; and

achieve greater traceability. We disclose results of our work annually in Palm Oil Progress Reports, synchronized with our Annual Communication of Progress to the RSPO. iii. Implementation case study: In 2018, we achieved 52% physically-certified sustainable palm oil and addressed the gap by purchasing RSPO credits. We encouraged our direct suppliers to be RSPO members; since 2017, 100% of our direct suppliers have been RSPO members. We are also mapping to the mill of origin and aiming for 100%, with a concurrent goal to achieve traceability to the farm/plantation by the end of 2020. In 2018, 97% of our supply was traceable to the mill. Since launching our Traceability to Plantation Protocol, 26 suppliers representing 32% of our volume reported traceability to plantation in 2018. Our Supplier Scorecards provide a means to track and encourage our suppliers' progress towards establishing policies and programs to enhance performance and capability in sustainable palm. Our Palm Oil Traceability Protocol, developed in collaboration with palm experts and industry partners, supports the development of better information systems to help achieve our goals and prioritize opportunities for improvement. Finally, our impact programs prioritize capacity building, particularly training and development.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Low

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

PepsiCo's reputation and the behavior of consumers in choosing our products are important to the market value and revenue generation of the Company. Changes in consumer preference, for example, due to a positive reaction to PepsiCo's reputation relative to the environment, could cause a corresponding positive effect on PepsiCo's business.

F4. Governance

F4.1

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

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

F4.1a

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

Row	Scope	Content	Please explain
Row 1	Company-wide	Commitment to eliminate deforestation and/or conversion Commitment to protect rights and livelihoods of local communities Commitment to transparency Commitment to align with public policy initiatives, e.g. SDGs Description of business dependency on forests Recognition of potential business impact on forests and other natural habitats Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests-related performance standards for direct operations Description of forests-related standards for procurement Reference to international standards and widely-recognized forests-related initiatives	PepsiCo's standards are based on international conventions and reference best practices established by forest-related initiatives and industry groups. Specific to forests-related issues, PepsiCo's publicly available Forestry Stewardship Policy and Land Use Policy are important components of the more comprehensive PepsiCo Responsible Sourcing Guidelines, which applies to all PepsiCo global operations and global supply chains from direct supplier to source. Details in these policies regarding our operational standards, references, targets and business context demonstrate a robust framework to help achieve our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. Among these, PepsiCo aims to adhere to the following principles across all commodities: (i) comply with applicable legal requirements of each country in which we operate and from which we source; (ii) No further development on High Carbon Stock Forests; (iii) No further development on High Conservation Values Forests; (iv) No new conversion of peatlands; and (v) Free, Prior and Informed Consent as outlined in our Land Use Policy. In addition, PepsiCo intends to: (i) Engage with appropriate industry and other groups to improve our understanding of deforestation issues, adapt our policy and achieve our goals; (ii) Provide appropriate grievance mechanisms for suppliers to report suspected breaches; (iii) Leverage our Supplier Code of Conduct as a means of communicating PepsiCo's Forestry Stewardship Policy and associated commitments to our suppliers; and (iv) Periodically report on our performance against this policy and its associated commitments. Our policies reflect PepsiCo's commitment to doing business the right way and transparently communicating to stakeholders our responsibility to ensure that we and our suppliers practice responsible forestry stewardship. The Public Policy & Government Affairs group reviews policies every two years and amends them as appropriate. Relevant policies are available via our Sustainable Sourcing page: https://www.pepsico.com/sustainability/sustainable-sourcing

F4.1b

(F4.1b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope

and content.

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber	Yes	Company-wide	<p>Commitment to eliminate deforestation and/or conversion</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitment to transparency</p> <p>Commitment to align with public policy initiatives, e.g. SDGs</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural habitats</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p> <p>Reference to international standards and widely-recognized forests-related initiatives</p>	<p>Our policies reflect PepsiCo's commitment to doing business the right way and transparently communicating to stakeholders our responsibility to ensure that we and our suppliers practice responsible forestry stewardship. Through our Forestry Stewardship Policy, Land Use Policy and Sustainable Packaging Policy, PepsiCo has created a robust framework to help address our timber commodity practices and achieve our goal of zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. Details regarding our operational standards, references, targets and business context are also provided in our policies. Our sustainable packaging aspirations aim to: (i) Increase the use of recycled content or materials from renewable sources; (ii) Optimize packaging design to use the fewest materials necessary; (iii) Promote the use of materials that can be recycled (beverage containers, cereal cartons, etc.); (iv) Reduce post-industrial waste; (v) Reduce known negative impacts to the environment; and (vi) Achieve a lower carbon footprint by efficient energy usage across the product lifecycle. The Public Policy & Government Affairs group reviews policies biannually and amends them as appropriate. Relevant policies are available online at the following links: https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-forestry-stewardship-policy-1.pdf?sfvrsn=e8ee0f3d_4 https://www.pepsico.com/docs/album/esg-topics-policies/pepsico_land_policy.pdf?sfvrsn=fce24e93_8 https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-sustainable-packaging-policy.pdf?sfvrsn=d808643c_4</p>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm Oil	Yes	Company-wide	<p>Commitment to eliminate deforestation and/or conversion</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitment to transparency</p> <p>Commitment to align with public policy initiatives, e.g. SDGs</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural habitats</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p> <p>Reference to international standards and widely-recognized forests-related initiatives</p>	<p>Our policies reflect PepsiCo's commitment to doing business the right way and transparently communicating to stakeholders our, and our suppliers' responsible forestry stewardship. Recognizing potential environmental benefits, including climate and biodiversity, as well as human rights, we have committed to source 100% physically-certified sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan in 2015 describing our operational standards, references, targets and business context behind our sustainable palm oil practices. Subsequent annual progress reports detail additional interim goals and specific activities undertaken to achieve our goals. Our policy and commitments apply to all of our products, regardless of the source of production. Our June 2018 palm oil policy update provides our long-term vision for a sustainable palm oil sector and updates our commitments to no deforestation, no development on peatlands, and no exploitation of indigenous peoples and local communities ("NDPE commitments"). Policies are reviewed biannually and amended as appropriate. Our newly published 2018 Progress Report details our commitment as a founding member of the Coalition for Sustainable Livelihoods to prevent deforestation for palm oil production in the Leuser ecosystem. The Public Policy & Government Affairs group reviews policies biannually and amends them as appropriate. Relevant policies are available online at the following links: https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-palm-oil-commitment.pdf?sfvrsn=3de2b8fb_4 https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-palm-oil-action-plan.pdf?sfvrsn=e2323423_4 https://www.pepsico.com/docs/album/esg-topics-policies/global-policy-for-sustainable-palm-oil.pdf?sfvrsn=ffec838_6</p>
Cattle Products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

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

F4.2

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

Yes

F4.2a

(F4.2a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.

Position of individual	Please explain
Board-level committee	Under PepsiCo's By-Laws and Corporate Governance Guidelines, the board has the responsibility to manage the business of the Company. Sustainability matters, including forests-related issues, are integrated into our business. Therefore, the board considers them an integral part of its business oversight. Sustainability, including forests-related issues, was specifically added to the key aspects of PepsiCo's businesses over which the board has oversight and is included in our Corporate Governance Guidelines. The Public Policy and Sustainability Committee assists the Board in providing more focused oversight over the company's policies, programs and related risks that concern key sustainability and climate matters. The PepsiCo Executive Committee (PEC) has direct oversight of the sustainability and climate agenda, including strategic decisions and performance management. The PEC is made up of the chairman & CEO, the CFO, sector CEOs and functional heads.

F4.2b

(F4.2b) Provide further details on the board’s oversight of forests-related issues.

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	i. The Board oversees PepsiCo's integrated risk management framework designed to identify, assess, prioritize, address, manage, monitor and communicate our top strategic, financial, operating, business, compliance, safety, reputational and other risks, including forests-related issues across the organization. The PepsiCo Risk Committee (PRC) is a cross-functional diverse group that meets regularly and is responsible for reporting progress on risk mitigation efforts to the Board. The Board receives updates on key risks throughout the year. Key risks related to forests-related issues identified by the Company are included in our 2018 Annual Report on Form 10-K. ii. The governance mechanisms selected contribute to the Board's oversight of forest issues in that they reflect PepsiCo's comprehensive approach to sustainability. The full Board considers sustainability issues an integral part of its business oversight, as sustainability topics are integrated into, and not separate from, our business strategy.

F4.3

(F4.3) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

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

F4.4

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

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

F4.5

(F4.5) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

Yes (you may attach the report – this is optional)

F5. Business strategy

F5.1

(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	5-10	i. Description: PepsiCo considers sustainability issues, including forest-related issues, an integral part of its business objectives; sustainability topics are integrated into, and not separate from, our business strategy. Our Performance with Purpose (PwP) sustainability strategy demonstrated PepsiCo's commitment to deliver top-tier financial performance while creating sustainable growth and shareholder value. We believe our PwP strategy helped enable us to continue delivering strong performance while positioning our Company for long-term sustainable growth. The PwP strategy set out business objectives, including for those related to forests, through 2025. ii. Example: As a leading global consumer packaged goods company, it is a priority for PepsiCo to develop next-generation packaging that continues to meet the needs of our consumers for high quality, safety and consumer experience, while minimizing our environmental footprint. In line with this strategic priority, we set a PwP 2025 goal to strive to design 100% of our packaging to be recyclable, compostable or biodegradable, increase recycled materials in our plastic packaging, and reduce packaging's carbon impact. We have also set a goal to work with associations, governments and cross-sector collaborations to help implement long-term recovery and recycling solutions, including for packaging inputs originating from forest commodities. Related to palm oil, PepsiCo recently updated our approach by incorporating our commitments in our Global Policy on Sustainable Palm Oil. The updated policy provides our long-term vision for a sustainable palm oil sector and updates our commitments to no deforestation, no development on peatlands, and no exploitation of indigenous peoples and local communities ("NDPE commitments").
Strategy for long-term objectives	Yes, forests-related issues are integrated	5-10	i. Description: PepsiCo considers sustainability issues, including forest-related issues, an integral part of its business objectives; sustainability topics are integrated into, and not separate from, our business strategy. Our PwP sustainability strategy, demonstrated PepsiCo's commitment to deliver top-tier financial performance while creating sustainable growth and shareholder value and provides a roadmap for achieving our sustainability objectives, including for those related to forests, through 2025. We believe our objectives and corresponding strategy demonstrate business value, will expand the community of engaged actors, accelerate uptake of sustainable practices and support the scale-up of solutions to systemic issues. ii. Example: As we continue our journey to improve our sustainable sourcing practices, we undertook an initial step in understanding the implications of our policies to support long-term implementation. We engaged Proforest to map the supply chain and support implementation of our policies related to paper packaging, including an assessment of certification schemes that we recognize (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements outlined in the Forestry Stewardship, Land Use and Sustainable Packaging policies.
Financial planning	Yes, forests-related issues are integrated	5-10	i. Description: PepsiCo considers sustainability issues, including forest-related issues, an integral part of its business objectives; sustainability topics are integrated into, and not separate from, our business strategy. Our financial planning, therefore, is inherently impacted by our objectives and strategy to achieve them. Our PwP sustainability strategy demonstrated PepsiCo's commitment to deliver top-tier financial performance while creating sustainable growth and shareholder value, and provides a roadmap for achieving our sustainability objectives, including for those related to forests, through 2025. We believe our objectives and corresponding strategy demonstrate business value, will expand the community of engaged actors, accelerate uptake of sustainable practices and support the scale-up of solutions to systemic issues. ii. Example: As a leading global consumer packaged goods company, it is a priority for PepsiCo to develop next-generation packaging that continues to meet the needs of our consumers for high quality, safety and consumer experience, while minimizing our environmental footprint. In line with this strategic priority, we set a PwP 2025 goal to strive to design 100% of our packaging to be recyclable, compostable or biodegradable, increase recycled materials in our plastic packaging and reduce packaging's carbon impact. Related to palm oil, PepsiCo recently updated our approach by incorporating our commitments in our Global Policy on Sustainable Palm Oil. The updated policy provides our long-term vision for a sustainable palm oil sector and updates our commitments to no deforestation, no development on peatlands and no exploitation of indigenous peoples and local communities ("NDPE commitments"). In terms of financial planning, a certain portion of our budget is allocated to support ongoing progress for our goals and policies. Our capacity-building efforts also support the expansion of sustainable commodities, which may experience price fluctuations that are managed by our global purchasing programs and systematic hedging strategies. Our global purchasing programs include fixed-price contracts, purchase orders and pricing agreements. Our hedging strategies include the use of derivatives to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, including for agricultural products.

F6. Implementation

F6.1

(F6.1) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?

Yes

F6.1a

(F6.1a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?

Tropical Forest Alliance 2020

F6.1b

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

Commodity coverage

Timber

Criteria

- Zero net deforestation
- No forest degradation
- No new development on peatland
- No land clearance by burning or clearcutting
- No conversion of High Conservation Value areas
- No conversion of High Carbon Stock forests
- Adoption of Free, Prior and Informed Consent (FPIC) principles
- Recognition and endorsement of the Universal Declaration of Human Rights
- Promotion of gender equality and women's empowerment
- Adoption of the UN International Labour Organization principles
- Resolution of complaints and conflicts through an open, transparent and consultative process
- Facilitate the inclusion of smallholders into the supply chain
- No sourcing of illegally produced and/or traded forest risk commodities
- No sourcing of forest risk commodities from unknown/controversial sources
- Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

Operational coverage

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

No cutoff date

Commitment timeframe

2020

Please explain

PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in our policies. In addition, Proforest conducted a rapid assessment of PepsiCo's current performance and overview of risks involved in main regions/countries of our current paper packaging supply base. We have also developed new form contract language for our sourced materials to be FSC- and SFI-certified, with the intention of further promoting compliance with our policy criteria. As we undertake new contracts, PepsiCo is negotiating by region to determine the capabilities to source certified materials. We have identified Russia, China and parts of Southeast Asia as our primary focus to mitigate risks. PepsiCo recognizes the importance of having a credible system for third parties to raise concerns where they believe our standards are not being met, such as any compromise of Free, Prior and Informed Consent principles, our zero net deforestation and forest degradation, and potentially illegal and/or controversial activities occurring in our agricultural supply chain. Our Speak Up Hotline provides a means to report suspected violations of our policies or applicable law. PepsiCo's grievance mechanism for our agricultural supply chain complements our existing program to help prevent, identify and manage environmental and social concerns throughout our value chain, including those associated with timber. This allows third parties to raise concerns that our environmental and social goals and policies may not be upheld within our agricultural supply chain. Our approach is available here: https://www.pepsico.com/docs/album/esg-topics-policies/agricultural-supply-chain-grievance-mechanism-summary.pdf?sfvrsn=8d8bccf3_6

Commodity coverage

Palm Oil

Criteria

Zero net deforestation

No forest degradation
No new development on peatland
No land clearance by burning or clearcutting
No conversion of High Conservation Value areas
No conversion of High Carbon Stock forests
Adoption of Free, Prior and Informed Consent (FPIC) principles
Recognition and endorsement of the Universal Declaration of Human Rights
Promotion of gender equality and women's empowerment
Adoption of the UN International Labour Organization principles
Resolution of complaints and conflicts through an open, transparent and consultative process
Facilitate the inclusion of smallholders into the supply chain
No sourcing of illegally produced and/or traded forest risk commodities
No sourcing of forest risk commodities from unknown/controversial sources
Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

Operational coverage

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

2015

Commitment timeframe

2020

Please explain

In 2017, PepsiCo launched our verification process that stresses PepsiCo's goals on HCS, HCV, peatlands, land rights, FPIC, human rights, and no burning, as described by RSPO. Direct suppliers undergo an independent third-party review of the data that is sent to PepsiCo, giving us greater confidence in the integrity of the data used to evaluate our supply chain risks. RSPO's Principles & Criteria (P&C) provided us with the framework for a holistic capacity-building program in Mexico. At the federal level, we are working with FEMEXPALMA to strengthen the team's expertise so they can provide expert support to its members through capacity building and applied research. At the smallholder farm level, PepsiCo engages with Oleopalma to support smallholders to achieve the RSPO independent group certification. PepsiCo is also investing in piloting studies to adapt global approaches to the Mexico context, specifically in Environmental and Social Impact Assessments (ESIA) and HCV. The program's objectives include 1) Improve productivity and livelihoods of smallholders through capacity building and knowledge sharing on the benefits of sustainable production - including the participation of 1,000 producers and 1,200 field workers, 2) Ensure an efficient, inclusive supply chain by collaborating across the entire supply chain, 3) Secure sustainable palm oil through increased implementation of best agricultural practices, 4) Improve the quality of life for producers and protect their land rights, while fully preserving forests and biodiversity through sustained commitment to no deforestation, no development on new peat, and no exploitation of rights of indigenous peoples and local communities' (NDPE) commitments, and 5) Serve as a model for sustainable development for the palm industry in Mexico by demonstrating impact and seek to scale the program through partnerships. Additionally, implementation of our supplier scorecard has seen suppliers improve their overall performance by 39% against the 2017 baseline. The scorecard mechanism supports our efforts to build suppliers' capability to deliver NDPE compliant palm oil, and to address non-compliances found in our supply chain. Finally, our grievance mechanism complements our existing agricultural program to help prevent, identify and manage environmental and social concerns throughout our value chain.

F6.2

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

Yes

F6.2a

(F6.2a) Provide details of your target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.

Target reference number

Target 1

Forest risk commodity

Timber

Form of commodity covered

Paper
Primary packaging
Secondary packaging
Tertiary packaging

Type of target

Sustainable procurement standard

Coverage

Supply chain

Traceability point

<Not Applicable>

Third-party certification scheme

<Not Applicable>

Start year

2015

Start figure

61-70%

Target year

2020

Target

100%

% achieved

81-90%

Please explain

i. Why and how target was chosen: PepsiCo seeks to purchase only responsibly sourced wood fiber products and will not knowingly accept from its supply chain paper-based packaging that may contain wood fiber harvested illegally or sourced from protected forest areas. PepsiCo is focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is important to achieving our ultimate goal of only purchasing responsibly sourced wood fiber products. PepsiCo works with its suppliers to help them become environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. PepsiCo recognizes the forestry standards below as credible within their scope and requires our suppliers to commit to utilizing the appropriate standard: CERFLOR, CSA, FSC, PEFC and SFI.

ii. Strategy to meet target: To enable a greater understanding of, and visibility into, our supply chain, in 2016, PepsiCo began working with Proforest to trace the supply chain and support implementation of our policies related to paper packaging. For example, Proforest conducted an assessment of certification schemes that we recognize (e.g., CERFLOR, CSA, FSC including FSC Mixed, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in the Forestry Stewardship, Land Use and Sustainable Packaging policies. In addition, Proforest conducted a rapid assessment of our current performance and overview of risks involved in main regions/countries of our current paper packaging supply base. The supply chain mapping project commenced in 2016 and is ongoing. In 2017, PepsiCo worked with a Tier-1 supplier to develop new contract language for sustainably-sourced materials, further promoting compliance with our policy criteria. As we renew expiring contracts in 2018, PepsiCo has been negotiating by region to determine our suppliers' capabilities to source certified materials. We have seen our percent certified material increase in several high-risk priority regions, including Russia, China, and Thailand.

Target reference number

Target 2

Forest risk commodity

Palm Oil

Form of commodity covered

All forms of palm oil

Type of target

Third-party certification scheme

Coverage

Supply chain

Traceability point

<Not Applicable>

Third-party certification scheme

RSPO Mass Balance

Start year

2015

Start figure

1-10%

Target year

2020

Target

100%

% achieved

100%

Please explain

i. Why and how target was chosen: In 2010, PepsiCo committed, through the RSPO, to source exclusively 100% RSPO-certified sustainable palm oil by 2015. In 2013, PepsiCo further strengthened this commitment to purchasing 100% physically RSPO-certified palm oil by the end of 2020, providing additional visibility into our palm oil supply chain. The RSPO has played a leading role in mobilizing commercial activity to encourage sustainable supply and setting baseline standards for sustainable palm oil, informing our choice to set this target. While we are committed to the RSPO and its process and standards, we are also looking to go beyond current RSPO standards in order to see further protection of forests, peatlands and human rights. Through our policies and actions, PepsiCo seeks to support the growth of sustainable palm oil, first by addressing standards in our own supply chain and then by working with others to drive improvement more widely. We believe that fulfillment of these policies and commitments will make our supply chain more secure and support stable social, economic and environmental conditions for producers, mills and the communities they support. ii. Strategy to meet target: As more mass balance physically-certified sustainable palm oil (CSPO) becomes available, we plan to strategically increase our use as we move toward our goal to source 100% physically-certified sustainable palm oil by the end of 2020. As we build our use of physically sourced palm oil, we plan to continue to purchase 100% RSPO-certified palm oil by leveraging RSPO credits. As the global supply chains for RSPO physical palm oil become more available, we plan to increase the use of mass balance CSPO and rely less upon the RSPO credits. In 2018, we achieved 52% physically-certified sustainable palm oil, exceeding our interim target of 50% for 2018. Contrary to reports of a surplus of RSPO-certified palm oil, physically-certified supply is limited or non-existent in some regions including, for example, some markets in the Americas. To address this problem, PepsiCo also seeks to build certification capacity on our journey to 100%.

Target reference number

Target 3

Forest risk commodity

Palm Oil

Form of commodity covered

All forms of palm oil

Type of target

Traceability

Coverage

Supply chain

Traceability point

Mill

Third-party certification scheme

<Not Applicable>

Start year

2015

Start figure

61-70%

Target year

2020

Target

100%

% achieved

91-99%

Please explain

i. Why and how target was chosen: Palm oil is the most widely used edible oil in the world and an ingredient in several PepsiCo food products. Like many of our stakeholders, though, PepsiCo has ongoing concerns about how some palm oil is produced. Rainforest conversion, biodiversity loss and human rights abuses persist in various producing regions. Through our policies and actions, PepsiCo seeks to support the growth of sustainable palm oil, first by addressing standards in our own supply chain and then by working with others to drive improvement more widely. We believe that fulfillment of these policies and commitments will make our supply chain more secure and support stable social, economic and environmental conditions for producers, mills and the communities they support. Our traceability target was chosen to provide more visibility into our supply chain to achieve our sustainable palm oil goals.

ii. Strategy to meet target: PepsiCo worked with One Peterson and Proforest to develop and implement PepsiCo's Palm Oil Traceability Protocol, launched in 2017. The protocol was distributed to all direct suppliers along with a recommended quarterly reporting template, which requires the names of all palm oil and palm kernel oil mills, their geo coordinates and the percentage of PepsiCo's volume that is traceable to the mills. Additionally, we implemented a training program in both English and Spanish, and we maintain a help desk with One Peterson to provide ongoing assistance with the collection of timely and accurate data. We continue to make progress toward our goal of 100% traceability to the mill and, at the end of 2018, we estimated that approximately 97% of the palm oil we used was traced to specific mills, up from 94% in 2017, 89% in 2016 and 65% in 2015. We will continue working with our suppliers to increase visibility of the mills in our palm oil supply chain through various engagement efforts, including our mill traceability data verification protocol. In 2017, we established an interim definition for farm/plantation traceability. Since launching our Traceability to Plantation Protocol, 26 suppliers representing 32% of our volume reported traceability to plantation in 2018; our goal is to achieve traceability to the farm/plantation by the end of 2020.

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

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

F6.3a

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

Timber

% of total production/consumption volume traceable

100%

Point to which commodity is traceable

Country

Description of traceability system

PepsiCo is focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and our supply base sourcing as close to the forest of origin as possible. This is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is important to achieving our ultimate goal of purchasing only responsibly sourced wood fiber products. PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in the Forestry Stewardship, Land and Sustainable Packaging policies. In addition, Proforest conducted a rapid assessment of PepsiCo's current performance and overview of risks involved in main regions/countries of our current paper packaging supply base. The supply chain mapping project commenced in 2016 and is ongoing. PepsiCo relies on third-party certifications such as FSC to determine traceability, based on mills where production occurs.

Exclusions

<Not Applicable>

Description of exclusion

<Not Applicable>

Palm Oil

% of total production/consumption volume traceable

91-99%

Point to which commodity is traceable

Mill

Description of traceability system

PepsiCo is implementing data systems and processes that allow us to identify the mills in our supply chain. We worked with One Peterson and Proforest to develop a Palm Oil Traceability Protocol that describes the traceability reporting requirements for suppliers and verification of this data. As required by the Traceability Protocol, suppliers must report quarterly on the name of all palm oil mills from which palm oil is sourced, geo coordinates of the mills and traceability percentage. 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. Control Union, SGS, Bureau Veritas and DNVGL were approved as independent third-party providers. A training program on how to use the protocol was implemented for suppliers. We also established a traceability help desk with One Peterson to provide suppliers with on-going assistance. With this significant level of effort, we have established mill-level traceability accounting for over 97% of our source volume in 2018; since the start of the program, mill traceability has increased by over 25%. In addition, 22% of our Tier 1 suppliers independently verified their mill traceability data in 2018. Our goal is for all of our upstream direct suppliers to complete a downstream verification of their mill data by the end of 2019. PepsiCo is also committed to achieving traceability to plantation (TTP) in our supply chain. In 2017, we established an interim definition for farm/plantation traceability, and in 2018, we engaged with our partners to understand how PepsiCo can work with the industry to achieve this. Since launching our Traceability to Plantation Protocol, 26 suppliers representing 32% of our volume reported traceability to plantation in 2018; our goal is to achieve traceability to the farm/plantation by the end of 2020.

Exclusions

Not applicable

Description of exclusion

Not applicable

F6.4

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

Forest risk commodity

Timber

Do you specify any certification scheme?

Yes

Certification coverage

Consumption volume

Third-party certification scheme

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

% of total production/consumption volume certified

83

Form of commodity

Paper
Primary packaging
Secondary packaging
Tertiary packaging

Volume of production/ consumption certified

1073198858

Metric

Other, please specify (kg)

Please explain

i. Actions: PepsiCo engaged Proforest to map the supply chain and support implementation of its policies related to paper packaging, including an assessment of certification schemes that PepsiCo recognizes (e.g., CERFLOR, CSA, FSC, PEFC, SFI) to analyze the extent to which they deliver PepsiCo requirements, as outlined in the Forestry Stewardship, Land and Sustainable Packaging policies. ii. Example: In 2017, PepsiCo worked with a Tier-1 supplier to develop new contract language for our sourced materials to be FSC- and SFI-certified, further promoting compliance with our policy criteria. As we renew expiring contracts starting in 2018, PepsiCo has been utilizing this language negotiating by region to determine our suppliers' capabilities to source certified materials. We have identified Russia, China and parts of Southeast Asia as our primary focus to mitigate risks, and have seen our percent certified material increase in all of these areas as we renew contracts: from 5% to 80% in Russia, 19% to 44% in China, 0% to 100% in Thailand, as well as 10% to 100% in Brazil.

Forest risk commodity

Palm Oil

Do you specify any certification scheme?

Yes

Certification coverage

Consumption volume

Third-party certification scheme

RSPO Mass Balance
RSPO Book and Claim

% of total production/consumption volume certified

100

Form of commodity

Refined palm oil
Palm oil derivatives

Volume of production/ consumption certified

470000

Metric

Metric tons

Please explain

i. Actions: As more mass balance physically-certified sustainable palm oil (CSPO) becomes available, we plan to strategically increase our use as we move toward our goal to source 100% physically-certified sustainable palm oil by the end of 2020. As we build our use of physically certified palm oil, we plan to continue to purchase 100% RSPO-certified palm oil by leveraging RSPO

credits. As the global supply chains for RSPO physical palm oil become more available, we plan to increase the use of mass balance CSPO and rely less upon the RSPO credits. In 2018, we achieved 52% physically-certified sustainable palm oil, exceeding our interim target of 50% for 2018. To address the problem of limited physically-certified palm oil, PepsiCo also seeks to build certification capacity on our journey to 100%. ii. Examples: Since joining RSPO in 2009, PepsiCo has supported the organization and worked with our suppliers to promote the benefits of membership, including benefits to the environment, workers, local communities and business. We also support RSPO NEXT, an advanced certification scheme that incorporates additional protections for forests, peatlands and human rights, and we look forward to an overall strengthening of the RSPO standard based on the extensive review process that RSPO intends to complete in 2018. Since 2017, 100% of our direct suppliers have been RSPO members. Additionally, our supplier scorecards emphasize policy, engagement, certification and grievances. This tool enables us to engage directly with suppliers, gauge their status on key performance measures and guide a process of continuous improvement to enable them to meet all of PepsiCo's policy commitments, including our commitment to 100% physical RSPO-certified palm oil. Sustainable palm oil production and sourcing requires collaboration and alignment across the supply chain. These supplier scorecards allow PepsiCo to work in a consistent way with our suppliers to help achieve this. Implementation of our supplier scorecard has seen our suppliers improve their overall performance by 39% in 2018, against the 2017 baseline.

F6.5

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

Forest risk commodity

Timber

Do you specify any sustainability standards?

Yes

Type of standard

Procurement

Description of standard

PepsiCo is working to realize zero deforestation in our company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. As part of this approach, we have established our Forestry Stewardship Policy, Land Use Policy and Sustainable Packaging Policy. In support of our policies, PepsiCo is pursuing procurement standards to not source from environmentally sensitive areas, using our Sedex Members Ethical Trade Audit (SMETA) audit data and third-party support from Proforest to assess risks associated with this effort. Compliance with these standards is used in procurement decisions when assessing continued engagement with a supplier and/or renegotiating contracts.

% of total commodity volume covered by standard

100%

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

Yes

Type(s) of monitoring system

First-party auditing
Third-party auditing

% of suppliers in compliance with standards

Don't know

Please explain

i. Monitoring: PepsiCo utilizes Sedex Members Ethical Trade Audit (SMETA) audit data and third-party support from Proforest to assess risks associated with this effort. Our internal Sustainable Sourcing Program (SSP) assesses risk and monitors supplier compliance with our Supplier Code of Conduct through scored self-assessments and third-party auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations. SSP audits leverage SMETA 4-Pillar requirements. In 2018, our SSP conducted or recognized over 960 on-site audits of our first-tier suppliers across 56 countries. PepsiCo engaged Proforest to represent us in evaluating beyond our first-tier suppliers; Proforest engages directly with the mills to better understand sustainable sourcing in high-risk regions. This monitoring combination provides visibility on the ground, as well as ongoing engagement beyond standardized auditing. ii. Example: In 2017, Proforest conducted a specific risk assessment for Russia, having previously identified the country as high risk based on environmental, social and legal criteria. Data assessed included supplied volumes, certified volumes, type of material and certification schemes, and included direct engagement with 11 high-risk suppliers to map supply chains back to forest origin. The assessment determined that further work on prioritizing FSC certification in Russia is needed, such as working with non-certified suppliers to achieve certification and independent auditing to assess compliance with

existing legislation. Applying these learnings into our procurement strategy has seen our percent certified material increase from 5% to 80% as we renew contracts in Russia.

Forest risk commodity

Palm Oil

Do you specify any sustainability standards?

Yes

Type of standard

Procurement

Description of standard

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

% of total commodity volume covered by standard

100%

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

Yes

Type(s) of monitoring system

First-party auditing

Third-party auditing

% of suppliers in compliance with standards

Don't know

Please explain

i. Monitoring: PepsiCo's internal SSP assesses risk and monitors supplier compliance with our Supplier Code of Conduct through scored self-assessments and third-party auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations. SSP audits leverage SMETA 4-Pillar requirements. In 2018, our SSP conducted or recognized over 960 on-site audits of our first-tier suppliers across 56 countries. ii. Example: In 2018, 69% of our direct suppliers of palm oil completed SSP Supplier Code of Conduct training, and 28 on-site audits were conducted or recognized with six sites scoring red audit results. The major non-conformance findings related to health, safety and hygiene, rest days and wages. All sites with non-conformance findings have submitted Corrective Action Plans and have completed follow-up audits to verify that the issues have been closed or rescheduled audits in 2019.

F6.7

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

	Are you working with direct suppliers?	Supplier engagement approach	Please explain
Timber	Yes, working with direct suppliers	Encouraging certification Supplier questionnaires on environmental and social indicators Workshops and training Supplier audits Supplier charters Contractual agreements	i. Strategy: PepsiCo works with our suppliers to help them become environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. PepsiCo recognizes the forestry standards below as credible within their scope and requires 100% of our suppliers commit to utilizing an appropriate standard: CERFLOR, CSA, FSC, PEFC and SFI. We are also working with Proforest to trace our supply chain and understand the level of paper packaging certification and risk of paper used. ii. Example: In 2017, PepsiCo developed new contract language for our sourced materials to be FSC- and SFI-certified, further promoting compliance with our policy criteria. This contract language has since been implemented in 2018. As we undertake new contracts, PepsiCo has been negotiating by region to determine the capabilities to source certified materials. We identified Russia, China and parts of Southeast Asia as our primary focus to mitigate risks, and have seen our percent certified material increase in all of these areas as we renew contracts: from 5% to 80% in Russia, 19% to 44% in China, 0% to 100% in Thailand, as well as 10% to 100% in Brazil. iii. Engagement: As all suppliers must engage with PepsiCo during contract negotiations, we consider our engagement to be 100%.
Palm Oil	Yes, working with direct suppliers	Developing or distributing supply chain mapping tool Collecting data in central database Encouraging certification Encouraging work with multi-stakeholder groups Supplier audits Supplier charters	i. Strategy: PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated facilities and global supply chain from direct supplier to source by the end of 2020. We have committed to source 100% physically-certified sustainable palm oil by the end of 2020, publishing a Palm Oil Action Plan in 2015 describing our strategy and subsequently releasing annual Palm Oil Action Plan Progress Reports. We encouraged our direct suppliers to be RSPO members; since 2017, 100% of our direct suppliers have been RSPO members. Supplier Scorecards help to track and encourage our suppliers' progress towards sustainable palm. Our palm traceability protocol supports the development of better information systems to help achieve our goals and prioritize opportunities for improvement. Finally, our impact programs prioritize capacity building, particularly training and development. ii. Examples: In 2018, we achieved 52% physically-certified sustainable palm oil and addressed the gap by purchasing RSPO credits. To further our progress, PepsiCo works with suppliers to help ensure compliance with our Policy and support their sustainability efforts. An analysis of Supplier Scorecard results, in consultation with our suppliers, informed our transparency efforts including one-on-one sessions with subject matter experts and multilingual live webinars that were recorded for ease of access. Suppliers scoring in the top 25% were approached to partner with us on industry leading protocols and practices, such as traceability to mill verification and NDPE policy compliance through participation in the NDPE framework. In 2018, 28 on-site audits were conducted or recognized via our Sustainable Sourcing Program. Our palm traceability protocol requires direct suppliers provide a full list of mills supplying them on a quarterly basis, including geo coordinates, parent company of the mills and certification/verification status, and undergo an independent third-party review of the reported data. In 2018, we built capacity of 30 direct suppliers to enable them to create, improve and implement NDPE policies, through webinars delivered in English and Spanish. iii. Engagement: 100% of direct suppliers are required to provide operational data on a quarterly basis. Additionally, in 2018, 69% of our direct suppliers of palm oil completed our Supplier Code of Conduct training.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.8

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

	Are you working beyond first tier?	Please explain
Timber	Yes, working beyond first tier	PepsiCo is focused on developing and maintaining a deeper understanding of our paper-based packaging supply chain and its supply-base sourcing as close to the forest of origin as possible. This is an extremely complex undertaking since PepsiCo does not purchase direct raw material from the forest. However, such action is important to achieving our ultimate goal of purchasing only responsibly-sourced wood fiber products. PepsiCo works with our suppliers to help them become environmentally sustainable in their practices by following credible forestry standards and purchasing their wood fiber only from sources that support responsible forest management, as outlined in our policies. To this end, PepsiCo engaged Proforest to represent us in evaluating beyond our first-tier suppliers; Proforest engages directly with the mills to better understand sustainable sourcing in high-risk regions. This monitoring combination provides visibility on the ground as well as ongoing engagement beyond standardized auditing. For example, Proforest conducted a specific risk assessment for Russia, having previously identified the country as high-risk based on environmental, social and legal criteria. Data assessed included supplied volumes, certified volumes, type of material and certification schemes, and included direct engagement with 11 high-risk suppliers to map supply chains back to forest origin. Applying these learnings into our procurement strategy has seen our percent certified material increase from 5% to 80% as we renew contracts in Russia.
Palm Oil	Yes, working beyond first tier	We work with suppliers to see that PepsiCo's palm oil policies are implemented in a way that supports the inclusion of smallholders. We have created a 3-year holistic, inclusive and collaborative palm oil sustainability program in Mexico that engages the supply chain at three different levels: at the sector level (with national palm oil federation FEMEXPALMA), in the PepsiCo Supply Base (with our supplier Oleofinos) and with smallholders (with Oleopalma and the smallholders in their supply base). We are working with FEMEXPALMA to consolidate its role in representing and supporting the sustainability of the palm oil sector. This involves strengthening the team's expertise so they can provide support to its members through capacity building and applied research. At the smallholder farm level, PepsiCo engages with Oleopalma to identify areas of improvement for farmers through conducting surveys, and with these results help to implement sustainable practices. Through the initiative, smallholders will be supported to achieve the RSPO independent group certification. PepsiCo is also investing in piloting studies to adapt global approaches to the Mexico context, specifically in Environmental and Social Impact Assessments (ESIA) and High Conservation Values (HCV). The program's objectives include 1) Improve productivity and livelihoods of smallholders through capacity building and knowledge sharing on the benefits of sustainable production - including the participation of 1,000 producers and 1,200 field workers, 2) Ensure an efficient, inclusive supply chain by collaborating across the entire supply chain - from the national palm oil federation to our supplier and smallholders in their supply base, 3) Secure sustainable palm oil through increased implementation of best agricultural practices, 4) Improve the quality of life for producers and protect their land rights, while fully preserving forests and biodiversity through sustained commitment to no deforestation, no development on new peat, and no exploitation of rights of indigenous peoples and local communities' (NDPE) commitments, and 5) Serve as a model for sustainable development for the palm industry in Mexico by demonstrating impact and seek to scale the program through partnerships. Our policy and commitments apply to all our products and suppliers, regardless of the source of production.
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other	<Not Applicable>	<Not Applicable>

F6.9

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

Forest risk commodity

Timber

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

UN Global Compact

Tropical Forest Alliance 2020 (TFA)

The Consumer Good Forum (CGF)

Other, please specify (Sustainable Packaging Coalition, EUROOPEN)

Please explain

PepsiCo is an active member of the Consumer Goods Forum (CGF), a manufacturing and retail industry group that has adopted a resolution concerning deforestation. The CGF Resolution on Deforestation states, "As the Board of the Consumer Goods Forum, we pledge to mobilize resources within our respective businesses to help achieve zero net deforestation by the end of 2020. We look to achieve this both by individual company initiatives and by working with governments and NGOs." PepsiCo's Chairman and CEO serves on the CGF Board of Directors. PepsiCo is also an active member of The European Organization for Packaging and the Environment, known as EUROOPEN, serving on the Executive Committee and Scientific & Regulatory Affairs Committee, to drive forward our Global Sustainable Packaging Policy (see: https://www.pepsico.com/docs/album/esg-topics-policies/pepsico-sustainable-packaging-policy.pdf?sfvrsn=d808643c_4) As a member of the Tropical Forest Alliance 2020 (TFA), PepsiCo supports the TFA's mission to foster public-private partnerships in which partners take voluntary actions, individually and collaboratively, to reduce tropical deforestation.

Forest risk commodity

Palm Oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

Tropical Forest Alliance 2020 (TFA)

The Consumer Good Forum (CGF)

Roundtable on Sustainable Palm Oil (RSPO)

Other, please specify (Coalition for Sustainable Livelihoods (CSL))

Please explain

To support the implementation of our action plan, we are working with several stakeholder initiatives, industry platforms and non-governmental agencies. We continued our participation in CGF's palm oil working group and contributed to the group's efforts to develop an industry point of view on the RSPO Principles & Criteria (P&C's) update, and in 2018, we participated in the official revision of RSPO's 2013 P&C's. To support the RSPO, PepsiCo encouraged our direct suppliers to be RSPO members; since 2017, 100% of our direct suppliers have been RSPO members. During 2018, PepsiCo convened industry representatives to develop and trial an NDPE Implementation Framework tool which aims to monitor the progress of mills and producers and report on NDPE compliant volumes. PepsiCo collaborated with companies including Cargill to pilot this framework, co-convening two workshops alongside the RSPO roundtable (RT) meetings to bring a wider group of companies together to support the framework's development and roll out. In 2019, PepsiCo will support the scaling-up of this approach through further collaboration, by piloting and implementation of the framework within our supply chain. In 2017, we established an interim definition for farm/plantation traceability. Since launching our Traceability to Plantation Protocol, 26 suppliers representing 32% of our volume reported traceability to plantation in 2018; our goal is to achieve traceability to the farm/plantation by the end of 2020. As a member of TFA, PepsiCo supports the TFA's mission to foster public-private partnerships in which partners take voluntary actions, individually and collaboratively, to reduce tropical deforestation. PepsiCo is an active member of AIM-Progress, which focuses on improving sustainability within supply chains through mutual recognition and capacity building. Finally, PepsiCo became a founding member of the Coalition for Sustainable Livelihoods (CSL). CSL is a group of civil society and private sector organizations with a shared interest in sustainable development, active investments in the Aceh and North Sumatra provinces of Indonesia, and a strong desire to work collaboratively with government. The coalition members have agreed to work collectively to achieve common objectives for smallholder livelihoods, sustainable agricultural production and conservation in North Sumatra and Aceh.

F7. Linkages and trade-offs

F7.1

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

Yes

F7.1a

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

Linkage/tradeoff

Linkage

Type of linkage/tradeoff

Decreased GHGs emissions

Description of linkage/tradeoff

By 2030, it is expected that the world will need to meet rising food demand by increasing production by 50% or substantially reducing the 35-50% of food that is currently wasted or lost through the value chain. If the world follows business as usual, greenhouse gas (GHG) emissions are expected to increase significantly. Managing the interrelationship between agriculture, climate change, energy and water in terms of both adaptation and mitigation will be crucial for food and beverage businesses seeking long-term, sustainable growth. PepsiCo's specific goals to help address climate change reflect a linkage to our forests-related efforts. We support the Paris Agreement on Climate Change and have an ambitious science-based goal to reduce absolute GHG emissions by at least 20% across our value chain by 2030. To achieve this goal, we must reduce emissions in our agricultural supply chain, including palm oil, by implementing our NDPE policy commitments.

Policy or action

i. Impact: PepsiCo measured emissions associated with palm oil for the first time in 2017. Emissions totaled 1,250,000 mt CO₂e in 2018, calculated for volume coming from Indonesia and Malaysia using secondary data and literature review. We expect to see these emissions decrease as we convert our sourcing to certified sustainable. Additionally, PepsiCo estimates purchased goods and services emissions associated with agriculture/forestry to be 18,020,530 mt CO₂e. This data is vital for PepsiCo to manage our scope 3 emissions. ii. Integration into strategy: PepsiCo supports the Paris Agreement on Climate Change and has an ambitious science-based goal to reduce absolute greenhouse gas emissions by at least 20% across our value chain by 2030. Our goal covers our entire value chain (scope 3) and has been approved by the Science Based Targets Initiative, which means that PepsiCo is doing its part to help limit global temperature increase to 2° Celsius. To achieve this goal, we must reduce emissions in our agricultural supply chain, including palm oil, by implementing our NDPE policy commitments. This directly ties to PepsiCo's efforts to realize our goal of zero deforestation in company-owned and -operated facilities and global supply chains from direct supplier to source by the end of 2020. Recognizing potential environmental benefits, including climate and biodiversity, as well as human rights, we have committed to source 100% physically-certified palm oil by the end of 2020.

F8. Verification

F8.1

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

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

F9. Barriers and challenges

F9.1

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

Forest risk commodity

Timber

Coverage

Supply chain

Primary barrier/challenge type

Supply chain complexity

Comment

With respect to deforestation-free supply chains, barriers and challenges include: • Our ability to trace supply, meaning the ability of a buyer or end user to have accurate data on the specific sources of its purchased commodities, working back through direct suppliers all the way to individual plantations • Availability of public sector initiatives whereby government legislators, regulators and other officials work in concert with the private sector to incentivize forest conservation, protect forests through effective enforcement of laws and anti-corruption measures, improve transparency and achieve synergy between laws/regulations and certification schemes • Ability to identify areas at high-risk of deforestation in order to prioritize action • Root causes of deforestation such as poverty and the inability of small holders to produce commodities sustainably • Lack of availability of credibly-certified volumes for certain commodities in some markets • Lack of universally-accepted definitions and protocols, leading to varying certifications and related claims • Our ability to collaborate with key private, public and non-governmental agency actors to achieve meaningful results.

Forest risk commodity

Palm Oil

Coverage

Supply chain

Primary barrier/challenge type

Supply chain complexity

Comment

With respect to deforestation-free supply chains, barriers and challenges include: • Our ability to trace supply, meaning the ability of a buyer or end user to have accurate data on the specific sources of its purchased commodities, working back through direct suppliers all the way to individual plantations • Availability of public sector initiatives whereby government legislators, regulators and other officials work in concert with the private sector to incentivize forest conservation, protect forests through effective enforcement of laws and anti-corruption measures, improve transparency and achieve synergy between laws/regulations and certification schemes • Ability to identify areas at high-risk of deforestation in order to prioritize action • Root causes of deforestation such as poverty and the inability of small holders to produce commodities sustainably • Lack of availability of credibly-certified volumes for certain commodities in some markets • Lack of universally-accepted definitions and protocols, leading to varying certifications and related claims • Our ability to collaborate with key private, public and non-governmental agency actors to achieve meaningful results

F9.2

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

Forest risk commodity

Timber

Coverage

Supply chain

Main measure

Improved data collection and quality

Comment

Forest risk commodity

Palm Oil

Coverage

Supply chain

Main measure

Greater stakeholder engagement and collaboration

Comment

F18. Signoff

F-FI

(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

F18.1

(F18.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

	Job Title	Corresponding job category
Row 1	Executive Vice President & Chief Science Officer	Other C-Suite Officer

SF. Supply chain module

SF0.1

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

	Annual revenue
Row 1	64661000000

SF0.2

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

No

SF1.1

(SF1.1) On F6.4 you were asked “Do you specify any third-party certification schemes for your disclosed commodity(ies)? Indicate the volume and percentage of your production and/or consumption covered”. Can you also indicate, for each of your disclosed commodity(ies), the percentage of certified volume sold to each requesting CDP supply chain member?

No

SF1.1b

(SF1.1b) Why can you not indicate the percentage of certified volume sold to each of your requesting CDP supply chain members? Describe any future plans for adopting and communicating levels of certification to requesting members.

Requesting member

Restaurant Brands International

Forest risk commodity

Timber

Primary reason

Insufficient data on what is sold to requesting member

Please explain

PepsiCo does not currently have the capability to allocate certified volumes in the many thousands of product types currently sold to our customers, or to allocate those certified volumes to the many individual customers we have.

Requesting member

Restaurant Brands International

Forest risk commodity

Palm Oil

Primary reason

Insufficient data on what is sold to requesting member

Please explain

PepsiCo does not currently have the capability to allocate certified volumes in the many thousands of product types currently sold to our customers, or to allocate those certified volumes to the many individual customers we have.

Requesting member

Walmart - Brasil

Forest risk commodity

Timber

Primary reason

Insufficient data on what is sold to requesting member

Please explain

PepsiCo does not currently have the capability to allocate certified volumes in the many thousands of product types currently sold to our customers, or to allocate those certified volumes to the many individual customers we have.

Requesting member

Walmart - Brasil

Forest risk commodity

Palm Oil

Primary reason

Insufficient data on what is sold to requesting member

Please explain

PepsiCo does not currently have the capability to allocate certified volumes in the many thousands of product types currently sold to our customers, or to allocate those certified volumes to the many individual customers we have.

SF2.1

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

SF2.2

(SF2.2) Have requests or initiatives by CDP supply chain members prompted your organization to take organizational-level action to reduce or remove deforestation/forest degradation from your operations or your supply chain?

No

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

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

Please confirm below

I have read and accept the applicable Terms