Enabling Good Business Practices through the PepsiCo Sustainable Sourcing Program

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Performance with Purpose

**Performance**

- Strive to deliver superior long-term financial performance and sustained shareholder value.

**Human**

- Continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fat, and developing a broader portfolio of product choices.
- Continue to provide clear nutrition information on our products, and sell and market them appropriately to our consumers, including children, in line with our global policies and accepted global standards.

**Environmental**

- Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water.
- Innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment.
- Work to eliminate solid waste to landfills from our production facilities.
- Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses.
- Continue to support sustainable agriculture by expanding best practices with our growers and suppliers.

**Talent**

- Create a safe, healthy, diverse and inclusive workplace that reflects the global communities in which we operate.
- Respect human rights in the workplace and across the supply chain.
History of Responsible Sourcing Engagement - Sustainable Sourcing

- PepsiCo Joined SEDEX & AIM 2007
- Implemented Disciplined Approach SCoC Audits & Human Rights Policy 2009
- Launched Web-Based CoC Training 2014
- SCoC Contractual Requirement, 100% Compliance 2010
- Launch SSP Program for 3rd party suppliers May 2015
The Supplier Code of Conduct is the Foundation for our Supplier Relationship

- Labor / Human Rights
- Health & Safety
- Environment
- Business Integrity
- Food Quality & Safety
Supplier Code of Conduct Outlines Expectations

1. Maintain awareness and comply with all applicable laws and regulations of the countries of their operation.

2. Compete fairly for PepsiCo’s business, without paying bribes, kickbacks or giving anything of value to secure an improper advantage.

3. Encourage a diverse workforce and provide a workplace free from discrimination, harassment or any other form of abuse.

4. Treat employees fairly, including with respect to wages, working hours and benefits.

5. Prohibit all forms of forced or compulsory labor.

6. Prohibit use of child labor

7. Respect employees’ right to freedom of association and collective bargaining, consistent with local laws.

8. Provide safe and healthy working conditions.

9. Carry out operations with care for the environment & comply with all applicable environmental laws and regulations.

10. Maintain accurate financial books and business records in accordance with all applicable legal and regulatory requirements & accepted accounting practices.

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

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

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

Sustainable Sourcing is a robust holistic approach to help ensure our suppliers understand and comply to PepsiCo’s Supplier Code of Conduct.

**DIMENSION**
- Accountability
- Engagement
- Assessment
- Mitigation

**MECHANISM**
- Strong Contractual Obligation
- Effective Supplier Training
- Identify Social Risk through SAQ & On-Site Audit
- Resolution, Capability Building, And Tracking

Standardized process, materials and coordinated efforts to ensure program execution and focus on continuous improvement.
SSP Tiered Risk Management Process

1. Supplier Inherent Risk Assessment
   - Initial risk assessment of suppliers in scope
   - Risk analysis considers combination of inherent factors that pose risk to PepsiCo brand:
     - Country location of supplier site
     - Product categories or services
     - High risk commodities

2. Supplier Self-Assessment
   - Following SCoC Training & Site Profile in GSM tool
   - Complete online site-level self-assessment questionnaire covering:
     - Business practices
     - Social compliance
     - Health & Safety Environment
     - Integrity and anti-corruption practices
   - Combined Risk score determines priority timeline for on-site audits

3. Supplier On-Site Audit
   - Perform SMETA audit or have Accepted Mutually Recognized Audit by approved third party auditor
   - Deploy Corrective Action Programs
   - Complete Corrective Actions of pending audit findings
   - Auditor verifies CAP and Re-Audit
   - Audit score & completed Corrective Actions will inform next steps
Journey of Continuous Improvement...