

Global Policy on Sustainable Packaging

December 2021

Introduction and Scope

Packaging plays an essential role in safely delivering our products to customers and consumers. As a leading global consumer packaged goods company, PepsiCo aims for sustainable and circular packaging that meets our long-term commitments to protect the environment, human health, and human rights. Our vision is a world where packaging never becomes waste.

Our packaging footprint is comprised of primary, secondary, and tertiary materials, and its value chain has the following set of distinct stages: 1) production of raw materials, such as plastics, aluminum, glass, and bio-based materials, including fiber; 2) packaging manufacturing; 3) manufacturing of PepsiCo's food and beverage products where the primary packaging is filled; 4) transportation of our products to customers and consumers, including the use of secondary and tertiary packaging; 5) product sale and use; and 6) end-of-life reuse, recycling, composting, biodegradation, or disposal.

We recognize that our packaging value chain may have impacts on the environment and implications for human health and human rights. For example, production of raw materials may have a significant carbon footprint due to energy use (e.g., aluminum, plastics, glass) or deforestation (e.g., fiber). Of significant concern, packaging is often disposed of improperly after a product has been consumed, which can lead to litter and its accumulation in the marine environment and on land. In some cases, this occurs because a community lacks the systems and infrastructure to ensure appropriate end-of-life disposal. Additionally, informal recycling systems in some parts of the world can pose hazardous working conditions and the potential for human rights abuses.

PepsiCo is committed to sustainable packaging and being part of an industry-wide transformation to a circular economy, including our long-term, comprehensive efforts to reduce, reuse, and recycle our packaging. This global policy is guided by a set of principles, namely that our packaging should:

- Be safe for consumers and comply with food safety regulations;
- Protect the product and prevent wastage;
- Strive for the smallest possible environmental footprint;
- Be convenient and affordable for consumers;
- Meet the needs of our customers;
- Leverage innovation in new materials, technologies, processes, and business models, including reuse systems such as SodaStream; and
- Harness scalable approaches in partnership with others.

In this policy we describe specific requirements that apply to all primary packaging (including labels, closures, etc.) as well as secondary and tertiary packaging used in all our company-owned operations as well as franchise, joint venture, and contract manufacturing operations where stated. This policy updates and replaces previous packaging policies and should be read in connection with other relevant PepsiCo policies and statements, including:

- [Global Supplier Code of Conduct](#)
- [Forestry Stewardship Policy](#)
- [Global Human Rights Policy](#)
- [Packaging ESG disclosures](#)

Requirements

In addition to compliance with all applicable legal requirements including food safety requirements of each country in which we operate and from which we source materials, PepsiCo requires the following:

1. *Design for Sustainability*

PepsiCo strives to design 100 percent of our packaging to be recyclable, compostable, biodegradable or reusable. This goal applies to company-owned operations as well as franchise operations and joint ventures where we have greater than 50 percent ownership. To assist our businesses with achieving this aim, we develop and periodically update guidance that covers key definitions, design parameters, and internal reporting procedures. This guidance is informed by the work of leading third-party organizations such as the Association of Plastic Recyclers, CEFLEX/Circular Economy for

Flexible Packaging, Consumer Goods Forum Plastic Waste Coalition of Action, Ellen MacArthur Foundation's New Plastics Economy initiative, and European PET Bottle Platform, among others.

As part of our "Sustainable from the Start" program, we evaluate the environmental footprint of our products during the design stage, including emissions, water usage, and packaging materials, to sustainably inform our innovation and product development processes. Recognizing that the carbon footprint of our packaging is one of the largest sources of carbon emissions along the value chain of our business, we encourage the use of lower-carbon materials where possible, including efforts to use post-consumer recycled content and renewable biomass as feedstock. Our efforts also include reusable packaging where product safety, quality, convenience, affordability, and other important criteria can be met.

For **plastic packaging** specifically, the following design considerations apply:

- PepsiCo is a signatory to the New Plastics Economy Global Commitment and endorses its [Vision of a Circular Economy for Plastic](#).
- We have adopted a set of specific design rules developed by the Consumer Goods Forum that apply to rigid and/or flexible plastic packaging, to be achieved by 2025.ⁱ
- We are committed to phasing out the use of the following problematic elements by 2025:
 - Polyvinyl chloride (PVC) or polyvinylidene dichloride (PVDC);
 - Expanded polystyrene (EPS) or polystyrene (PS);
 - Undetectable carbon black;ⁱⁱ
 - Polyethylene terephthalate made with glycol (PETG) in rigid plastic packaging; and
 - Oxo-degradable, consistent with the New Plastics Economy [statement on oxo-degradable](#) and as defined by CEN, or the European Standards authority, unless use is required by law.
- PepsiCo is committed to providing packaging which is safe and complies with all food regulatory standards. We manage this through packaging specifications, testing procedures, and lab certifications where relevant, for all new packaging we develop. In particular, our plastic beverage bottles are formulated from approved food-grade polyethylene terephthalate (PET) and do not contain / are not formulated with Bisphenol A (BPA).
- PepsiCo is committed to using post-consumer recycled content in plastic packaging in compliance with food safety regulations and rigorous industry standards that apply to food contact materials.

2. Sustainable Sourcing of Fiber and Other Bio-Based Materials

PepsiCo is committed to realizing zero deforestation in our company-owned and -operated activities and global supply chains, including fiber supply chains, from direct supplier to source of production. We seek to source wood fibers for packaging that originate from certified, well-managed forests/plantations and do not involve controversial sources.ⁱⁱⁱ

We aim to optimize the use of post-consumer recycled fibers in our packaging materials wherever feasible. For virgin fiber, PepsiCo is committed to 100% sustainably certified fiber for our company-owned packaging by 2025. We seek Forest Stewardship Council (FSC) Forest Management and Chain of Custody certification but accept product certified under national schemes approved by the Program for the Endorsement of Forest Certification (PEFC) where it provides equivalent assurance and/or there is not enough FSC-certified product available to meet our needs.

Through chain of custody certification requirements, we will drive traceability of the fiber supply chain to country of harvest, and we will promote growth in forest-certified materials. PepsiCo will work continuously with our fiber packaging suppliers to be environmentally sustainable across their packaging businesses, assess the risk of non-compliance with this policy, and follow credible forestry standards. We will also work in collaboration with other stakeholders in priority countries to engage in landscape initiatives that support forest conservation and sustainable management.

For other bio-based packaging materials, such as materials derived from agricultural byproducts or waste, we seek to align with globally accepted standards and obtain certification from credible third parties.^{iv} To avoid compromising food production, we will seek to avoid materials that would stress food supply for people or animals.

3. No Human Rights Abuses

Packaging value chains—from production of raw materials to end-of-life recycling and disposal—are exposed to potential human rights abuses, including both land and labor rights. The production of fiber should adhere to the principle of Free, Prior, and Informed Consent as defined in PepsiCo's [Land Policy](#) and not involve violation of traditional and civil rights. The informal waste sector that exists in many countries is an important concern, and PepsiCo will seek to use its leverage to support workers

and communities that are involved in this sector. PepsiCo aims for our packaging value chains and organizations we work with to meet the following conditions:

- Follow the United Nations Guiding Principles on Business and Human Rights;
- Adhere to the International Bill of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work;
- Prohibit child labor and all forms of forced labor;
- Adhere to the Employer Pays Principle and follow ethical recruitment practices to ensure every worker has freedom of movement, no worker is required to pay recruitment fees, and no worker is indebted or coerced to work;
- Respect freedom of association;
- Recognize the rights of all workers, including temporary, migrant and contract workers; and
- Comply with all applicable laws and regulations.

4. Sustainability Claims

We recognize that our consumers have an interest in the sustainability of our products. At the same time, sustainability-related product labels have proliferated worldwide, leading to concern about consumer confusion and misleading claims if the information provided is not clear, transparent and backed by robust science. PepsiCo supports the use of information on labeling that drives greater awareness among consumers, supports sustainable purchasing decisions, and incentivizes companies to innovate and improve. We believe sustainability claims should adhere to the following principles:

- Practical for companies to put in place;
- Understandable to consumers with varying levels of sustainability knowledge and passion;
- Credible and meaningful;
- Based on harmonized standards that ensure a level playing field for all businesses; and
- Adhere to applicable local laws and regulations

Our Commitment to Action, Transparency, and Engagement

To achieve our long-term vision for sustainable and circular packaging and meet our goals, PepsiCo aims to:

- Maintain oversight that is integrated into PepsiCo's sustainability governance structure, including oversight by senior executives and our Board of Directors;
- Implement a comprehensive, strategic program of action with performance goals that cover key aspects of packaging sustainability, such as reduction in virgin fossil-based plastic, use of recycled content, and design for sustainability;
- Provide regular progress reporting and disclosures, including packaging disclosures on PepsiCo's Environmental Social & Governance (ESG) reporting platform as well as annual reporting under the New Plastics Economy Global Commitment, CDP Forests, and the CGF Forest Positive Coalition;
- Invest in innovation in new materials, business approaches and circular economy solutions;
- Lead change through active partnerships with a wide range of external stakeholders;
- Engage in constructive policy advocacy to advance smart public policy solutions that are broad based, deliver strong environmental outcomes, provide incentives for sustainability, and give industry a seat at the table in designing and implementing programs; and
- Provide effective remedy where we have caused or contributed to adverse human rights impacts, in line with the United Nations Guiding Principles.

Signed:



Roberto Azevêdo
PepsiCo Executive Vice President, Chief Corporate Affairs Officer and Chairman
of Board of Directors, PepsiCo Foundation

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Authorized by: Global Public Policy

i To increase value in the recycling of PET plastic, we will: 1) Use transparent and uncolored PET (preferred), or transparent blue or green in all PET bottles (with a minimum L value of 40 and consistent with specifications by recycling organizations such as the Association for Plastics Recyclers and the European PET Bottle Platform), and 2) Ensure material choice, adhesive choice and size of sleeve or label is not problematic for recycling, including phase out of PETG and PLA labels/sleeves, non-water soluble/dispersible adhesives and sleeves that cover more than 75% of bottle unless proven not to limit the recyclability of the product. Additionally, we are committed to the following: designing flexible films to fit the requirements of developing recycling systems; increasing the recycling value of rigid HDPE and PP; and working to further reduce plastic overwraps and virgin plastic use in business to business packaging.

ii Undetectable means by commonly used sortation technologies.

iii "Controversial sources" include: illegally harvested wood; wood harvested in violation of traditional and civil rights; wood harvested in forests in which high conservation values are threatened by management activities; and wood harvested in forests being converted from natural and semi natural forest to plantations or non-forest use.

iv For example, Biodegradable Products Institute or TÜV, among others.