PEPSICO REPORT

EU CODE OF CONDUCT FOR RESPONSIBLE BUSINESS AND MARKETING PRACTICES

JULY 2024

Commitment made:

PepsiCo aims to reduce the average level of added sugar in our EU soft drinks portfolio by 25% by 2025, and 50% by 2030. This pledge is in line with the company's global sugar reduction goal

Progress made towards that goal, as at 31 December 2023:

We have exceeded our 2025 goal already and are on track to achieve our goal by 2030. In yearly average, and vs. our 2019 baseline:

- We have reduced our average sugar content by 36%.
- Our No Sugar volume mix has increased by 7 points to 33%.
- This means a reduction in our yearly sugar content by ca. 90,000 tonnes.

Factors that allowed us to make this progress/prevented us from making even more progress:

- Continued reformulation across markets and top brands & continued marketing and sales investment in No Sugar.
- Consumer preferences shifting towards sugar reduction, with regulatory (and tax) environment favouring low/no sugar options in several markets.

Outlook for the future, with regard to this goal, and policy – or other – enablers – that are needed to achieve the target we have set:

- Through reformulation and mix shifts, we have already exceeded our 2025 goals in 2023.
- We will continue to reduce our sugar levels to meet our 2030 targets, offering consumers 'Better For You' products.

Policy enablers

- Sustained regulatory acceptance and public endorsement of the safety of sweeteners based on robust scientific evidence are crucial. Any regulatory restrictions or public authorities questioning of the benefits of sweeteners for managing sugar intake would hinder our progress in this goal.

Commitment made:

PepsiCo aims to build a $500 million "healthier snacking" business in the EU by 2025, with products that would be compliant with a Nutri-Score B definition or better (as rated in July 2021). Our ambition is to grow that part of our business to $1 billion by 2030.

PepsiCo also aims to transform a range of our snacks that currently rate D or E in Nutri-Score to be compliant with a C classification or better (as rated in July 2021). Our ambition is to grow that part of our business to $400 million by 2025, and to $500 million by 2030.

Progress made towards that goal, as at 31 December 2023:

- By the end of 2023, our sales in products A+B in the EU have increased from $18 million (in 2019, our baseline year) to $372 million (retail sales value). We have reached 74% of our 2025 target.
- By the end of 2023, across the EU, we have increased our conversion of products previously classified as D or E to C or better by an additional $193 million (retail sales value) reaching $246 million overall. We are at 62% of our 2025 target.

Factors that allowed us to make this progress OR prevented us from making even more progress:

- More and more of our brands (e.g., Lays Backed or Doritos) have been reformulated towards our 'healthier snacking' business and have arrived on the market.
- PepsiCo will continue to evolve that part of our portfolio.
- We continue to transform a range of our products from D+E into C across different brands in different EU markets. Overall progress since 2019:

EU CoC Snacks Portfolio Split

NR %	A	B	C	D	E
2019 Actual	0.1%	0.4%	21.5%	62.6%	15.0%
2023 Actual	0.5%	8.1%	48.5%	40.9%	2.0%
	+0.4%	+7.7%	+27.0%	-21.7%	-13.0%

Outlook for the future, with regard to this goal, and policy – or other – enablers – that are needed to achieve the target we have set:

- Having reached 75% Nutri-Score A+B and 62% of our Nutri-Score C goals for 2025 shows the substantial progress we have made to date. Despite PepsiCo's continued determination towards achieving our goals the Nutri-Score decision to change its algorithms continues to be a reason for concern regarding the predictability and year-on-year comparability of the basis on which we made our goals.
- The announcement by Nutri-Score that further algorithm changes might occur in the future, provides neither certainty/confidence to the manufacturer, nor consistency towards the consumer. We need clarification from Nutri-Score as to the cadence of future changes and we need reassurance that any changes made are based on rigorous review of all sound, reliable science with recommendations to reflect the highest standard of assessment of this science. Above all, we want a labelling scheme that is trustworthy, science-based and practicable, towards which our research and innovation colleagues can work with confidence.

Policy enablers

- Ongoing uncertainty about the EU's direction on front-of-pack nutritional labeling impacts our reformulation efforts. Therefore, PepsiCo supports a single, unified labeling system in the EU to end the proliferation of voluntary schemes.
- We need a stable, science-based, and predictable Nutri-Score system. Any algorithm changes must be based on clear, sound science and allow realistic transition periods for implementation.
- Introducing any front-of-pack nutrition labeling must be accompanied by significant consumer education to effectively influence purchasing behavior and dietary habits in the EU.

Commitment made:

PepsiCo aims to convert to 100% rPET for brand Pepsi bottles in 9 EU markets by end 2022

Progress made towards that goal, as at 31 December 2023:

- By end of 2023, no virgin PET is used in our Pepsi brand in 10 EU countries: Spain, Germany, Poland, Romania, France, Greece, Denmark, Finland, Belgium and Luxembourg. Where plastic packaging is used in those markets, 100% is now rPET, intended as the body of the bottle, excluding cap and label.
- In other EU markets we are well advanced in transitioning the Pepsi brand to rPET.
- In addition, we continue to extend rPET to *other* PepsiCo portfolio brands such as Mirinda, Lipton, 7 Up, and Mountain Dew.

Factors that allowed us to make this progress/prevented us from making even more progress:

- We have built a long-term sourcing plan encompassing mechanically recycled rPET derived from beverage bottles.
- We continue to make significant financial investments to secure supply, including long-term off-take agreements.
- The high premium and limited capacity of the market remains a great concern regarding further acceleration of the PepsiCo roll-out.
- It is likely to become more difficult to secure consistent, good quality supply without high return rates of well segregated material - we need clean streams of collected empty bottles to be converted back with low yield loss to recycled bottles. Unfortunately, today, collection rates of empty bottles remain at low levels in many EU Member States, hindering the level of supplies of good quality rPET. In parallel, the mandated 25% recycled content target across EU that comes into force starting 2025, drives high demand which is not compensated by collection improvement delivered by DRS (Deposit Return Schemes) being rolled-out gradually across more and more EU member states. We expect this should stabilize in 2-3 years when rPET availability for the beverage industry should improve.

Outlook for the future, with regard to this goal, and policy – or other – enablers – that are needed to achieve the target we have set:

- Despite the headwinds described above, we are continuing our agenda through 2024, as the transition of the full Pepsi portfolio progresses well.
- Poland, Romania and Greece are additionally expected to be at 100% rPET for the full portfolio by end of 2024.

<u>Policy enablers</u>

- Faster introduction of legislation and implementation of industry-led, well-run, not-for-profit Deposit Return Schemes, removing the blockages typically seen at existing waste collectors or municipalities. A well-functioning DRS will include a first right of refusal into DRS schemes to ensure bottle-to-bottle recycling.
- Ensuring that the collected material is sold at the most competitive rate possible. Any efforts by Member States to tax those sales will reduce the system efficiency and will hurt circularity.
- We call for no cross-subsidization of costs within existing PRO systems.
- A landfill ban should be applicable as soon as possible and no incineration of recyclable packaging allowed.

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