



AgWater Challenge Goals

PepsiCo's Agwater Challenge goals are part of a suite of water and sourcing goals (Box 1) that collectively strive to achieve Positive Water Impact by applying a strategic approach to water stewardship globally, informed by PepsiCo's respect for water as a fundamental human right and the imperative for integrated water management within local watersheds.

PepsiCo is committing to improve the water-use efficiency of our direct agricultural supply chain by 15% in high-water-risk sourcing areas. The achievement of this goal will conserve a volume of water that is approximately equivalent to the entire water use of all PepsiCo direct operations. We seek to meet the goal by 2025 using a 2015 baseline.

The AgWater Challenge goals cover all of our major crops, including those that we directly source, such as potatoes, corn, oats and citrus, as well as other key commodities both directly contracted and indirectly procured. Additional ongoing sustainable procurement commitments apply to palm oil and sugar.

To lay the groundwork for our agwater goal, PepsiCo has set up an ongoing water risk assessment process and put in place policies to guide our work. We have used the Aqueduct tool developed by the World Resources Institute to analyze key sourcing areas. We have also looked at specific geographies and created models with Columbia Earth Institute for climate impacts, such as timing of monsoon arrival. Our [Sustainable Agriculture Policy](#) includes major water criteria and compliments and refers to PepsiCo's Supplier Code of Conduct. All procurement contracts reference the Supplier Code of Conduct, including Section 9 "Care for the environment".

To evaluate the effectiveness of our sourcing goals in addressing local watershed conditions, PepsiCo relies on its Sustainable Farming Initiative (SFI). SFI establishes basic, fundamental good practices across the grower base and more advanced practices based on risk through a program of continuous improvement and ongoing engagement. SFI establishes profiles of our direct growers with information on how they are performing with respect to SFI criteria, including water criteria such as:

- Prior to utilizing a water source, a water source assessment is conducted and steps taken to avoid or mitigate potential issues identified during the assessment;
- Irrigation water use is optimized to maximize yield and minimize negative effects on water sources;
- Develop and maintain an irrigation water management plan;
- Keep records, on source water quality testing, total water use and irrigation equipment calibration;
- Optimize the use of organic and inorganic nutrients through a nutrient management plan that optimizes ecosystem, soil and plant health; and
- Preserve and improve soil quality by sustaining or improving soil organic matter, minimizing compaction and erosion, balancing nutrients and avoiding damage due to disease and contamination.

Based on the results of the water risk mapping that we have done for both direct operations and direct agricultural sourcing, we will identify priority watersheds for collaboration and advocacy efforts. Watersheds that are at high risk and where we have both operations and agricultural sourcing will be our top priorities. Where there is no overlap between the two maps, we will identify priority watersheds based on the size of the risk to PepsiCo (i.e., spend at risk in sourcing, criticality of agricultural input from that area, revenue at risk from operations, etc.) as well as our ability to effect change (i.e., are there others doing work that we can add scale to, are local stakeholders open to collaboration, etc.). Collaboration in these watersheds will begin with stakeholder engagement leading to mutual agreement on priority issues to be solved. Action taken by PepsiCo as a result will vary depending on the results of these engagements but may include advocating for changes to local policy/regulation, providing resources for infrastructure development, knowledge sharing, etc.). Further, to meet our goal to source 100% sustainable sugar

cane, PepsiCo will undertake region-specific initiatives in places such as India and Thailand to significantly increase the adoption of the Bonsucro standard.

To achieve our new commitments around agriculture sourcing and water, which have been further strengthened through participation in the AgWater Challenge, PepsiCo will provide educational resources that encourage responsible water stewardship by farmers of crops that PepsiCo purchases directly, namely citrus, food corn, oats and potatoes, focusing on sourcing regions that are at high or extremely high water risk. Education and training will be an essential part of any local initiative, such as the design and operation of irrigation systems, methods of irrigation scheduling, and nutrient/fertilizer optimization. Additional training packages and expertise will be offered as part of specific water strategies. Current practices already in place through SFI include the dissemination of best practices and training to suppliers through company field resources as well as external experts. Our program is currently reaching greater than 25% of direct crop growers with best practices sharing and forums such as PepsiCo Universities. This percentage will go up over time with emphasis on high water risk sourcing areas.

Current incentives provided by PepsiCo revolve around product quality factors and some direct incentives for irrigation change in sourcing regions identified as high-water-risk. With the new goal in place, incentives will be assessed as part of the goal implementation process and may take the form of market security or support with purchase agreements for loan negotiations. The aim is to secure targeted financial resources according to need to facilitate change in water stewardship at the agriculture source. This will always be specific to the market.

Box 1: PepsiCo's Goals Related to Water and Sourcing

- Improve the water-use efficiency of our direct agricultural supply chain by 15% in high-water-risk sourcing areas, a volume approximately equivalent to the entire water use of all PepsiCo direct operations.
- Water-use efficiency and WASH in direct operations:
 - Build on the 25% improvement in water use efficiency achieved to date with an additional 25% improvement by 2025, with a focus on manufacturing operations in high-water-risk areas;
 - Maximize water reuse in high-water-risk areas and ensure that 100% of wastewater from our operations meets PepsiCo's high standards for protection of the environment; and
 - Ensure appropriate access to safe water, sanitation and hygiene (WASH) for 100% of our own manufacturing employees.
- Local replenishment:
 - Replenish 100% of the water we consume in manufacturing operations located in high-water-risk areas, ensuring that such replenishment takes place in the same watershed where the extraction has occurred.
- Respect for water as a human right:
 - Advocate for strong water governance in communities and watersheds where we operate, promoting water solutions that meet local water needs;
 - Initiate and support collaborative efforts with other stakeholders to address water risk and mitigate water insecurity; and
 - With the PepsiCo Foundation and its partners, work to provide access to safe water to a total of 25 million people since 2006 in the world's most at-water-risk areas, with a focus on communities near where PepsiCo works.
- Source Sustainably:
 - Through PepsiCo's Sustainable Farming Initiative (SFI) or equivalent industry programs, strive to sustainably source our direct agricultural raw materials by 2020; and seek to sustainably source our non-direct major agricultural raw material ingredients by 2025
 - Building on our earlier goal, continue to invest in the necessary measures to complete our plans to sustainably source 100% of palm oil and cane sugar by 2020.