PEPSICO REPORT

EU CODE OF CONDUCT FOR RESPONSIBLE BUSINESS AND MARKETING PRACTICES

JULY 2025

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 2024:

PepsiCo has already surpassed our goal for 2025, and we are on track to achieve our further commitment by 2030. In yearly average, and vs. our 2019 baseline:

- We have reduced our average sugar content by 46%.
- Our No Sugar volume mix has increased by 11 points to 37%.
- This means a reduction in our yearly sugar content by more than 120,000 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 commitment, and policy – or other – enablers – that are needed to achieve the target we have set:

- We are already ahead of the 2025 target through reformulation and mix shift across markets and major brands in 2024.
- We will continue to strive to reduce our sugar levels to meet our 2030 targets, providing consumers with 'Better For You' products within our soft drinks portfolio.

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 the benefits of sweeteners for managing sugar intake would hinder our progress in this goal.
- The requirement to reduce minimum 30% of a product's energy in order to use sweeteners is hindering speed of innovation and competitiveness, as a 30% reduction means extensive reformulation with a big impact on the sensory profile of the product. The requirement only exists in the EU and should be abolished.

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 2024:

- By the end of 2024, our sales in products that would be rated A+B in the EU have increased from $18 million (in 2019, our baseline year) to $876 million (retail sales value). We have exceeded our 2025 target and are on track to meet our 2030 target.
- By the end of 2024, across the EU, we have increased our conversion of products previously classified as D or E to C or better by an additional $413 million (retail sales value) reaching $659 million overall, thereby already reaching our 2030 target 6 years early.

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 and 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%
2024 Actual	0.5%	20.9%	41.8%	34.6%	1.6%
	+0.4%	+20.5%	+20.3%	-28.0%	-13.4%

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 exceeded our 2025 Nutri-Score A+B and our Nutri-Score C goals already in 2024 shows the substantial progress we have made to date. Despite PepsiCo's continued determination towards also achieving our goals for 2030, 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.
- In order to make Nutri-Score a success consumers need to be better educated on the labeling scheme to understand it better and for other producers to join Nutri-Score.

<u>Policy enablers</u>

- Ongoing uncertainty about the EU's direction on front-of-pack nutritional labeling impacts our reformulation efforts. PepsiCo continues to support 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.
- Producers should be enabled to communicate reformulation efforts to the consumers even if the reformulation is less than the currently legally required 30% (25% for salt) minimum reduction for sugar, salt and fat. The requirement should be revisited.

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 2024:

- By end of 2024, no virgin PET is used in our Pepsi brand in 9 EU countries: Belgium, Luxembourg, France, Germany (for single use bottles), Spain, Greece, Poland, Romania, and Finland. 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 are unsatisfactory 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 came into force this year drives high demand which is not yet compensated by collection improvement delivered by DRS (Deposit Return Schemes) being rolled-out gradually across more and more EU member states, as demanded by the Packaging and Packaging Waste Regulation (PPWR) as of 2030

Outlook for the future, with regards 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 2025, as the transition of the full Pepsi portfolio progresses well.

Policy enablers

- Faster introduction of legislation and implementation of industry-led, well-run, not-for-profit Deposit Return Schemes. A well-functioning DRS will include a first right of refusal for obligated beverage companies 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.
- To sustain the nascent DRS systems in many EU countries and ensure the long-term financial sustainability of EPR systems, PROs must avoid cross-subsidization of costs between packaging types and materials.
- A landfill ban should be applicable as soon as possible and all recyclable packaging must be collected for recycling as prescribed by PPWR. The mandated plastic recycled content introduced by the PPWR by 2030 will put pressure on the availability of recycled plastic. This could endanger the continued achievement of 100% rPET goal in the future. Accordingly, sufficient availability of recycled plastic on the market should be ensured.

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