



PEPSI-COLA PRODUCTS PHILIPPINES INC.

# WIN THE GAME

2019 ANNUAL & SUSTAINABILITY REPORT



## ABOUT THE COVER

Pepsi-Cola Products Philippines, Inc. (PCPPI) is currently mid-game in its sustainability play. Inspired by bold and dynamic elements from sports and digital game design, the cover design shows PCPPI's winning strategy built from the three sustainability pillars: inclusive business, circular economy, and water stewardship. This gameplay works its way into the layout of the inside pages, which depicts PCPPI going for the goal by using lines that connote direction and movement. Additional features such as having a progress bar in section breakers and sports statistics-like data visualizations amplify the look and feel. Overall, the creative treatment highlights how PCPPI is in the playing field, making moves, and taking shots in order to **WIN THE GAME**.

## TABLE OF CONTENTS

16	MESSAGES
24	HIGHLIGHTS
31	INCLUSIVE BUSINESS
49	CIRCULAR ECONOMY
73	WATER STEWARDSHIP
80	GOVERNANCE

## ABOUT THIS REPORT

PCPPI presents this 2019 Annual and Sustainability Report (ASR), **WIN THE GAME**, in fulfillment of our commitment to transparent sustainability reporting. In 2018, we set the tone by being among the first companies to beat the deadline in submitting a sustainability report to the Securities and Exchange Commission. Our 2018 ASR, "*Win as One!*", was a testament to our sincerity in transparent sustainability reporting.

Since then, our sustainability framework has served as the guide for all PCPPI plants, and we continuously refine our practice. Our employees, stakeholders, partner communities and organizations remain active players in the Company's ongoing sustainability journey. **WIN THE GAME** shows the Company's performance, our wins, and continued goal-setting as we raise the bar for excellence.

The 2019 ASR is based on the Philippine Securities and Exchange Commission's (SEC) Sustainability Reporting Guidelines for Publicly Listed Companies and the GRI Standards. This report has been prepared in accordance with the GRI Standards: Core option. **WIN THE GAME** is a reminder for PCPPI to always master the game and come out on top.

### REPORTING FRAMEWORK:

1. Philippine SEC Sustainability Reporting Guidelines for Publicly Listed Companies
2. GRI Standards

### REPORTING PERIOD:

January to December 2019

### DATE OF MOST RECENT REPORT:

May 2018

### REPORTING CYCLE:

Annual

For any general inquiry or feedback, please contact:

#### Aljon Valdenibro

Communications Specialist  
Corporate Affairs and Communications  
(632) 888-PEPSI (888-73774) loc. 5586  
aljon.valdenibro@pcppi.com.ph

#### Vivian A. Cheong

SVP for Human Resources  
Corporate Affairs and Communications  
(632) 888-PEPSI (888-73774)  
vibes.cheong@pcppi.com.ph

#### PCPPI Head Office

Km. 29 National Road, Tunasan,  
Muntinlupa City, Metro Manila, 1773  
Republic of the Philippines

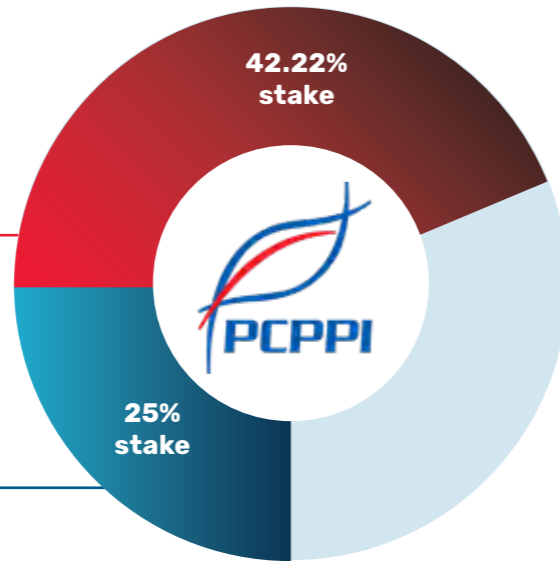
# WHO WE ARE

Pepsi-Cola Products Philippines, Inc. (PCPPI, "the Company") has a legacy of refreshing the Filipino spirit for over 70 years as the exclusive bottler of Pepsi products in the country.

The Company is co-managed by two biggest shareholders:

**Lotte Chilsung Beverage Company Ltd.**

**PepsiCo (Quaker Global Investments B.V.)**



## OUR BRAND PORTFOLIO INCLUDES:

Carbonated drinks



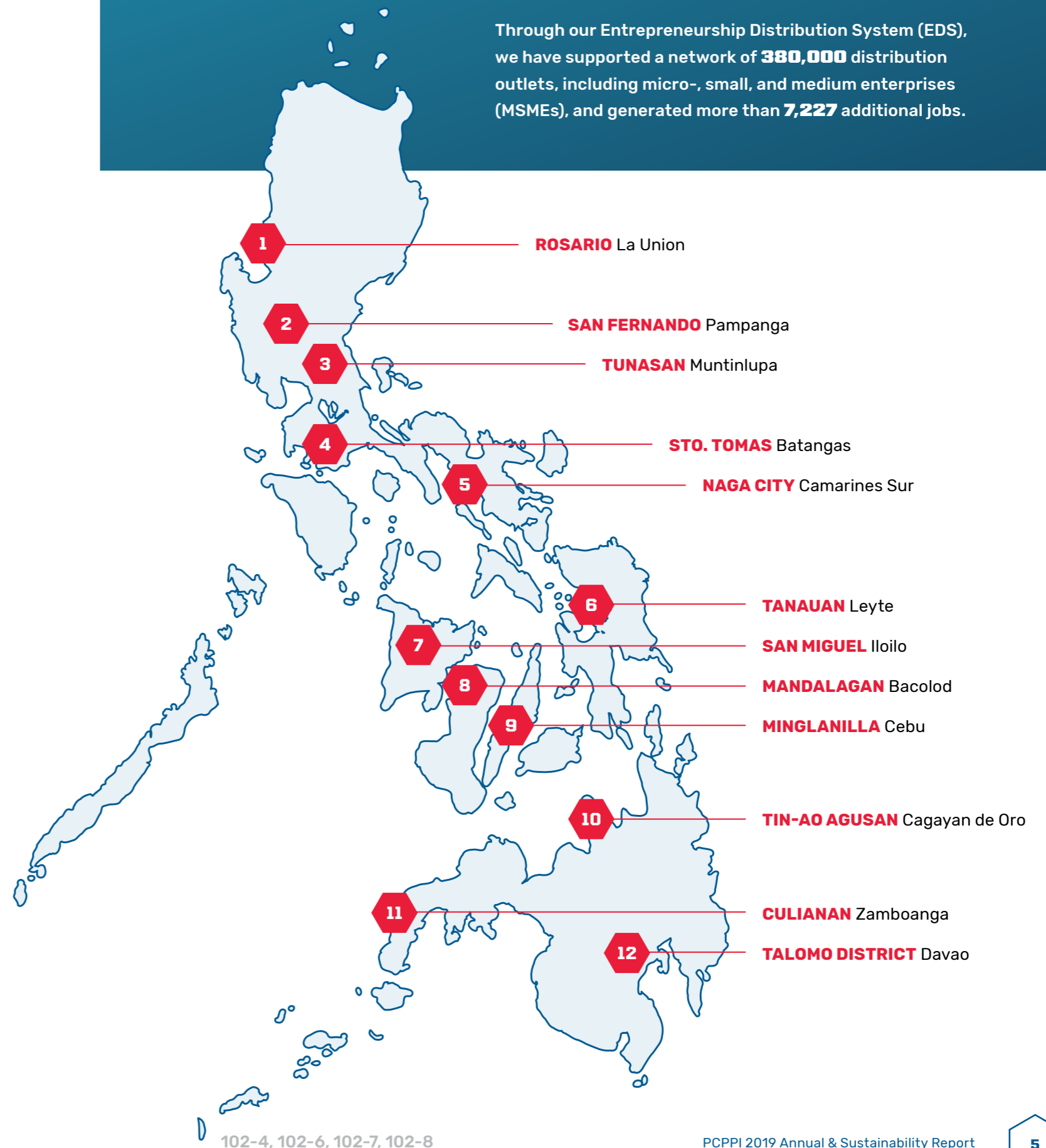
Non-carbonated drinks



## STRATEGIC LOCATIONS

We employ **3,304** individuals, primarily working at **12** manufacturing plants across the country, serving more than **700,000** retail and distribution outlets nationwide.

Through our Entrepreneurship Distribution System (EDS), we have supported a network of **380,000** distribution outlets, including micro-, small, and medium enterprises (MSMEs), and generated more than **7,227** additional jobs.





# PASSION AND PURPOSE

## OUR VISION

To be the premier food and beverage company in the Philippines.

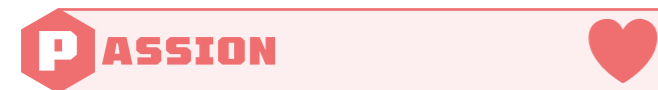
## OUR MISSION

To continue to market a portfolio of international and homegrown branded quality products at prices that provide good value to our consumers in key food and beverage categories.

To expand the business and provide healthy financial returns to our shareholders, and opportunities for growth and enrichment of our employees, business partners, and the communities where we operate.

## OUR VALUES

In everything we do, we are guided by our core values of:



# PARTNER ASSOCIATIONS

With our nationwide presence, we recognize our position to help and influence the communities where we operate. We align our efforts with the following associations:

- Association of Safety Practitioners of the Philippines, Inc. (ASPPi)
- Beverage Industry Association of the Philippines (BIAP)
- European Chamber of Commerce of the Philippines (ECCP)
- International Association of Business Communicators (IABC)
- Management Association of the Philippines (MAP)
- Philippine Alliance for Recycling and Materials Sustainability (PARMS)
- Philippine Business for Social Progress (PBSP)
- Philippine Chamber of Commerce, Inc. (PCCI)
- Philippine Disaster Resilience Foundation (PDRF)
- People Management Association of the Philippines (PMAP)
- Pollution Control Association of the Philippines (PCAPI)
- Procurement and Supply Institute of Asia (PSIA)
- Public Relations Society of the Philippines (PRSP)

...alongside other partnerships.



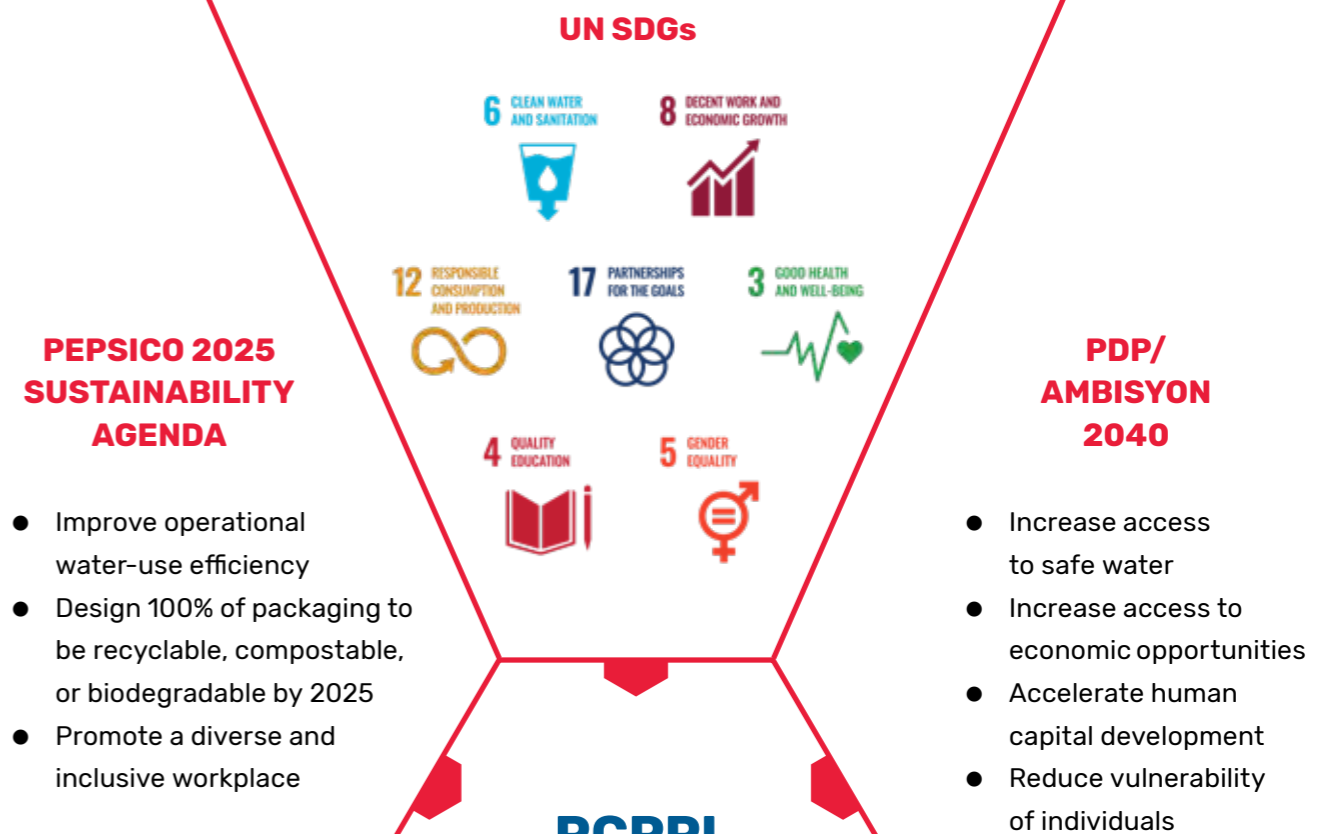


**OUR SUSTAINABILITY PLAY**

# ENGAGE, LEAD, TRANSFORM

We have incorporated sustainability into our business strategy since 2014. At the time, we considered it “responsible” business. Understanding that PCPPI is part of a larger picture, we revisited our objectives in 2018 and aligned our initiatives with the priorities set by the Philippine government and the global community. Our sustainability strategy is thus heavily influenced by the

Philippine Development Plan (PDP) and National Economic Development Authority’s (NEDA) Ambisyon 2040, as well as the PepsiCo 2025 Sustainability Agenda. We also looked at the Sustainability principles of Lotte Chilsung and have also aligned our work with the United Nations Sustainable Development Goals (UN SDGs) in the hopes of contributing to greater collective impact.



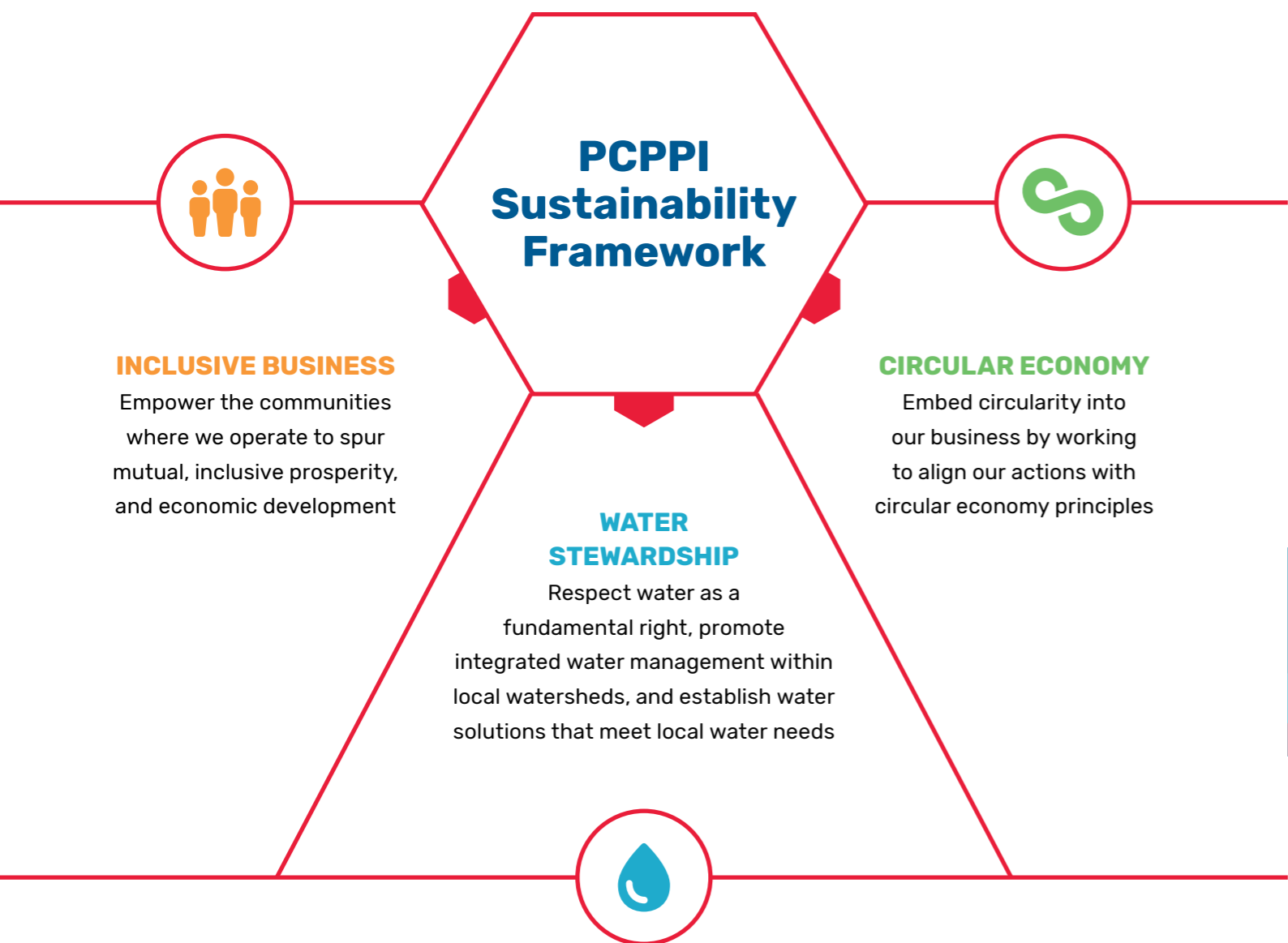
In summary, PCPPI commits to

- 1** Ensure responsible consumption
- 2** Continue sustainable and efficient operations
- 3** Share the benefits of the business with our partner communities

**WE STRIVE TO DO WHAT IS RIGHT FOR THE BUSINESS WITHOUT COMPROMISING THE ENVIRONMENT AND THE COMMUNITIES WHERE WE OPERATE.**

# OUR SUSTAINABILITY FRAMEWORK

PCPPI's Sustainability Framework provides the structure for our sustainability commitments. With this guide, we are able to prioritize based on **THREE SUSTAINABILITY PILLARS**:



# OUR KEY PLAYERS

Our employees play a key role in the Company's sustainability strategy. They communicate, implement, and monitor PCPPI's programs and operations. They propel the Company toward fulfilling various sustainability initiatives. We have set up **TWO TEAMS** to help oversee the sustainability programs:



## PCPPI'S BUKLURAN COUNCIL

leads and engages employees to participate in the Company's sustainability initiatives that promote diversity and inclusion in the business units.

*A more extensive discussion of the programs will be in the Inclusive Business section of the report.*



## PCPPI'S SUSTAINABILITY TASK FORCE

is composed of PCPPI's business leaders that have a direct hand in planning and implementing the sustainability programs and initiatives. The task force helps operationalize the sustainability agenda, aligning the sustainability strategy with the business.

**WE INCORPORATE SUSTAINABILITY ACROSS OUR OPERATIONS, PROGRAMS, AND PARTNERSHIPS.**  
How we do our business is how we take part in the national government's commitment in providing better lives for Filipinos.

Sustainability reporting is a means of documenting and evaluating our progress. We follow the GRI Reporting Principles to determine the report content, ensuring that we involve our stakeholders (stakeholder inclusiveness) by discussing relevant issues (materiality) in full (completeness), and with the proper background (sustainability context). We also follow a reporting process that ensures accuracy, reliability, balance, and timeliness of reporting. We also prefer a storytelling style and narrative framework that adds to clarity and comparability with other industry reports.





# REVIEWING THE STAKES

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

Maintaining healthy relationships with our key stakeholders is a priority for PCPPI. We recognize the need to understand and identify their concerns and find ways to effectively resolve them. As part of our responsibility, we have established engagement channels to maintain regular communications and ensure transparency in our dealings and accountability for our actions.

The PCPPI Sustainability Task Force reviewed the various stakeholder engagements of our key business units to identify the most pressing concerns of our stakeholders in 2019. This stakeholder concerns review was a key input in this year's sustainability report.

STAKEHOLDER GROUP	TOP CONCERNS	CHANNELS OF COMMUNICATION
Stockholders/Shareholders	<ul style="list-style-type: none"> <li>Enhancements on compliance</li> <li>Profitability</li> <li>Healthy financial returns, dividends</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Emails</li> <li>Disclosures to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE)</li> </ul>
Management	<ul style="list-style-type: none"> <li>Policies</li> <li>Compliance</li> <li>Ethics</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Emails</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Employment policies</li> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Emails</li> <li>Huddles</li> </ul>
Government/Regulators (National government, LGU, DENR)	<ul style="list-style-type: none"> <li>Monitoring of regulatory and legal compliance</li> <li>Plastics and packaging</li> <li>Wastewater management</li> <li>Permits and licenses</li> <li>Replacement of trees due to building construction</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Emails</li> <li>Policy drafts</li> <li>Committee hearings</li> <li>Quarterly Reporting</li> <li>MOAs</li> </ul>
Suppliers, Contractors, Partners	<ul style="list-style-type: none"> <li>Compliance to Supplier's Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Emails</li> </ul>
Community	<ul style="list-style-type: none"> <li>Health and nutrition</li> <li>Job creation</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> </ul>
Consumers	<ul style="list-style-type: none"> <li>Product quality</li> </ul>	<ul style="list-style-type: none"> <li>Channels</li> </ul>
Media	<ul style="list-style-type: none"> <li>News-worthy events, operational movements</li> </ul>	<ul style="list-style-type: none"> <li>Press release</li> <li>Press conference</li> </ul>

# OUR MATERIAL TOPICS

Guided by the SEC's Sustainability Reporting Guidelines and the GRI Standards, our material topics represent the operational impacts which we must manage and mitigate; potential risks and opportunities to our business, as well as aspects of our business that our stakeholders need us to address.

We identified these topics through engagement with our key business units and through discussion and validation by our Sustainability Task Force.



MATERIAL TOPICS	TOPIC BOUNDARY
<b>ECONOMIC PERFORMANCE</b>	
Profitability	Within the organization
Impact of regulations on operations (i.e., policies on plastic and packaging)	Within the organization
Supplier and contractor management (i.e., compliance with Supplier's Code of Conduct)	Extending beyond the organization, through our business relationship
<b>CORPORATE GOVERNANCE</b>	
Socioeconomic compliance	Within the organization
Code of Conduct	Within the organization
<b>ENVIRONMENTAL MANAGEMENT</b>	
Water use (i.e., water usage reduction, wastewater management)	Within the organization
Energy use (i.e., electricity use and fuel yield optimization)	Within the organization
Waste management	Within the organization
Materials use, with emphasis on packaging (i.e., lightweighting)	Within the organization
Air emissions (i.e., pollutants)	Within the organization
Environmental compliance	Within the organization
<b>SOCIAL PERFORMANCE</b>	
Community <ul style="list-style-type: none"> <li>● Local employment</li> <li>● Health projects</li> <li>● Partnerships with government, barangays</li> </ul>	Extending beyond the organization, through community service
Employees <ul style="list-style-type: none"> <li>● Career path, talent management, training &amp; development</li> <li>● Diversity and inclusion</li> <li>● Wages and benefits</li> <li>● Workplace safety</li> <li>● Labor-management relations (CBA)</li> <li>● Human rights (forced labor, child labor)</li> </ul>	Within the organization
Customers <ul style="list-style-type: none"> <li>● Product quality &amp; safety</li> <li>● Product design improvements</li> <li>● Marketing initiative</li> </ul>	Extending beyond the organization, through the customer relationship



# GAME ON!



The year 2019 proved to be a transitional period for the non-alcoholic beverage industry and for PCPPI. We have outperformed the prior year's results and current year's targets, in a business environment marked by the continuing adverse effects of the massive change in sugar tax and the penal taxation of high fructose corn syrup (HFCS), eliminating its use as a sweetener supplement. There were also restrictions in the access to the traditional sources of groundwater as a more stable and cost effective water supply. I believe these challenges, and our response to them, make us a stronger organization in the long run. 2019 was the year we celebrated our 30<sup>th</sup> anniversary under the 'PCPPI' name and true to the fighting spirit of our Pepsi champions, we marked it with highlights such as the induction of our San Fernando, Pampanga plant in the LGU Hall of Fame for receiving the "Healthiest Workplace" award three years in a row, and the good reception and recognition given by local and foreign award-giving bodies on our sustainability projects and our very first combined Annual and Sustainability Report, "Win as One."

## FOCUS ON SUSTAINABILITY

The year 2019 unified us as an organization and was characterized by our focus on refining our sustainability practices. We updated our roadmap for our *Luntiang Yaman* program, realigning our practices with the PepsiCo 2025 global commitments and recent developments. In line with this evolved plan and process, our newly formed Sustainability Task Force and legal department will continue to track and assess government policies that may affect our operations, and determine the appropriate response and coordination needed to mitigate any impacts.

Our Sustainability Task Force, which includes the various business unit heads, plays a crucial role in aligning our whole workforce with our sustainability goals. The regular meeting among task force members brings everyone up to speed on current and future environmental initiatives and provides a venue to discuss the role of each organizational unit in the execution. The information and commitments per unit are then cascaded down the line for implementation. This has allowed us to be more deliberate and unified in our efforts.

The task force, together with our *Bukluran* Councils nationwide, also continue to strategize with partner organizations, community groups, and local governments on how we can collaborate for the good of the environment and society. Through this strategic alignment, we are able to agree on the implementation of long-term solutions for everyone's benefit. As a result of these deliberations, we have expanded our reach and now pursue nationwide participation on our volunteer programs, starting with *Brigada Eskwela* and the International Coastal Cleanup.

## GOOD PLANT MANAGEMENT

When we started our sustainability journey, we realized that we would not be reinventing the wheel, having already established our efficiency programs. However, we committed to making necessary adjustments to better meet our goal of being operationally sustainable. We started by surveying what was working for us; in the first quarter of 2019, for example, we finished the materials recovery facilities for our plants. This will enhance our segregation of waste materials for easier transport and disposal.

We will be pushing forward with our other planned investments, in equipment and in systems, at our various plants. For starters, we have allocated PHP125 million for a water recycling and reuse project with Muntinlupa as our pilot plant. The budget resulted in the development of four projects: the final rinse recovery for clean-in-place (CIP) implemented during first quarter of 2019; the bottle washer water recovery; the final rinse recovery for water treatment tanks; and the PET rinse water recovery. Already, we have seen the effects of our bottle washer water recovery, along with our other water usage reduction initiatives, which allowed us to reduce the water usage of four lines by 10,000 to 12,000 cu.m. per month versus the 2018 projection of 13,500 cu.m. We envision that the additional investment to expand water recycling and reuse will have a profound impact on our water consumption and our environment as a whole.

## ON TRACK AND INVOLVED

As we further develop our programs under our sustainability pillars, we will continuously study the landscape and remain open to partnering with other Pepsi companies, various organizations, and our host communities—particularly where our goals unite:

### Inclusive Business

Having been the sponsor to 2019's Teen Speak, we now look for similar opportunities for championing education to the youth, particularly from vulnerable sectors.

### Circular Economy

We forged a partnership this year with ABS-CBN Foundation for the *Bantay Baterya* and *Bantay Langis* program where they collect and recycle our used oil and batteries and use the financial proceeds for their environmental projects.





### Water Stewardship

We have been initiating and participating in cleanups at nearby water bodies to ensure that the communities near our plants continue to have access to clean water sources. In line with this advocacy, we recently conducted an assessment study on our impact on the groundwater resource near the main Muntinlupa plant and we will use our findings to determine a site for watershed replenishment—thus further enhancing our stewardship program.

More and more of us in the industry are embracing our responsibility to the community, and are willing to take that extra step to be better corporate citizens. You can see this in the quick response of the private sector at the start of 2020 to the devastation left by the Taal Volcano eruption, closely followed by the health, economic, business and livelihood impact of the global pandemic and subsequent localized enhanced community quarantine. For our part, our plant crew and *Bukluran* volunteers were instrumental in bringing drinking water to displaced communities in Batangas, with a number of our employees even donating their blood in a partnership with the Philippine Red Cross for emergency medical cases post-eruption. At the outset of the global pandemic, we were among the first who presented a united front in partnering with PepsiCo and its philanthropic arm PepsiCo Foundation, along with the Philippine Disaster Resilience Foundation (PDRF), Caritas Manila, and Benby Enterprises, Inc. We distributed millions of our hydration drinks and high-quality beverages and nutritious meals to our most vulnerable communities.

### ELEVATING OUR A-GAME

The unprecedented events of the first quarter of 2020 have affected our lives and disrupted our business operations. No industry has been spared, and we who belong to manufacturing, and distribute essential goods such as bottled water, will continue to be of service while taking the necessary precautions to protect our stakeholders. This is exactly what sustainability is about: to safeguard the interests of the future by doing what needs to be done today.

We are elevating our A-game. With the aid of our task force, we aim to unite the workforce, our partner communities and organizations, toward achieving the vision we have set out for our sustainability track. Beyond compliance, we aim to drive sustainability as an embraced mindset, which we pursue in our business and philanthropic activities and in creating long-term, positive impact to society and the environment.

We are playing for keeps. Despite the hurdles, we are totally determined to win.



**OSCAR  
S. REYES**

**CHAIRMAN AND  
INDEPENDENT DIRECTOR**

### YONGSANG YOU'S MESSAGE

# PASSING ON THE TORCH



Another year, another hard-fought victory, I must say.

Our 2018 Annual and Sustainability Report, *Win as One*, gained recognition and approval from local and international award-giving bodies. This proves to us that we are on the right track on our sustainability journey. In the process of making the report, we were able to identify the strengths of our programs and initiatives, as well as how we can further improve our sustainability play. We applied what we learned, and our biggest accomplishment is how we were able to strategically align with our whole workforce to overcome hurdles and play to our strengths to *Win the Game*.

### CHANGES AND CHALLENGES

The year 2019 has been a year of significant changes for PCPPI that influenced our operations. One would be a change in management starting with the resignation of Samudra Bhattacharya, who was president of our company since 2017. His resignation affected ongoing internal programs and whether we should continue them; this and other high-level questions were resolved when our new president, Mr. Frederick D. Ong, took the leadership position in February 2020.

Another change in 2019 was our renewed focus on our beverage line, which led to the closure of our snacks production line in Cabuyao, Laguna. From 2020 onwards, we will leverage and renew our focus on our beverage line, which has been our core business for 70 years. Snacks will still be available in the Philippine market via importation from PepsiCo.



These changes, naturally, had an impact on our financial performance for the year. Notably, in 2019, we were able to start adjusting from the impact the sugar tax had on the Company and still remain competitive in the beverage industry.

#### **GREAT TO BE PEPSI**

We continued with our 'Great to be Pepsi' internal campaign which promotes PCPPI as a great place to work, bond, and grow. The campaign aimed to bolster the employees' spirit by giving positive reviews on performance wins and recognizing outstanding employees who exemplified the P.E.P.S.I. values. PCPPI is a family—and we reinforced that sense of togetherness by assuring our employees of their place in the Company.

Rather than letting go of the employees affected by the snack plant's closure, we decided to review their capabilities and relocated them accordingly. For those who did not wish to be relocated and would rather pursue another line of work, we provided the option of leaving PCPPI with the attendant separation benefits. Majority of our employees, however, stayed with us and were deployed to our head office in Muntinlupa, STRO, and Pampanga. As we conducted Resource Conservation (ReCon) trainings per plant, we were also able to address and mitigate another separate attrition issue of improper work turnover from predecessors.

#### **OPTIMIZED WORK SYSTEMS**

In 2019, we also re-launched our business value chain in order to clearly show our employees the flow of work in the Company, the importance of each function in correlation with one another, and the impact—the value created and distributed—by our operations. We established the Strategic Supply Chain and Operations (SSCO) function who manages the integrated supply chain model we adopted. This integrated supply chain model enabled us to realign the roles and responsibilities of our business units for a more strategic and integrated approach to our supply chain processes.

#### **A SUSTAINABILITY BOOSTER**

Sustainability practice has been given a boost, particularly with the Sustainability Task Force coaching the various business units in program implementation. With our 2018 performance as baseline figure, we have also aligned our internal targets with the PepsiCo 2025 vision in further reducing our fuel and electricity usage by 20 percent; reducing water usage by 25 percent; and reducing virgin plastic content in our plastic packaging by 35 percent.

#### **UNITED EFFORT**

Given our optimization efforts, the emphasis on collaboration, and our Great to be Pepsi program, PCPPI is now experiencing a greater sense of camaraderie. This is evident in more employees signing on for our corporate social engagements. With the help of the Sustainability Task Force and *Bukluran* Councils, 495 employee-volunteers participated in the *Brigada Eskwela* program and 364 volunteers participated in the International Coastal Cleanup. We are aiming for more nationwide participation from employees, across all our plants, in order to achieve greater impact with our sustainability programs.

Creating a strategic course of action, along with coordinating the whole workforce in fulfilling our objectives for 2019 and the years to come, have been an achievement made possible by everyone at PCPPI. A strong, unified workforce, our ongoing and future programs and initiatives for better operations efficiency is what I pass on to the successor of my role, Mr. Ong. For the years that I have worked with the Company, it's really great to be Pepsi.

***In the process of making the report, we were able to identify the strengths of our programs and initiatives, as well as how we can further improve our sustainability play.***



**YONGSANG  
YOU**  
MANAGING DIRECTOR

MESSAGE FROM THE NEW  
PRESIDENT AND CEO

# WIN AND LEARN



PCPPI came out strong in 2018 with the achievements of the Company as well as our first annual and sustainability report *Win as One*. In 2019, the Company aimed to be better. Thanks to the programs and initiatives implemented by Mr. Yongsang You, my predecessor, I aim to continue our strong strategy, particularly during this time where the situation has greatly changed.

Uncertainty is inevitable; and we have trained our people to roll with the punches—whether this means external conditions that are beyond our control, or internal changes in leadership and direction. We addressed the changes, first, through effective communication, and secondly, by maintaining a working environment with built-in programs to enhance and recalibrate our workforce’s skills. We also shifted how our operations work for the safety of our people given the new protocols and systems set in place by the national government. This is a challenge that I, and the whole PCPPI, face head on.

### PREPARING TO WIN

Better communication is key in dealing with the current situation the COVID-19 pandemic has placed on us. Our established Sustainability Task Force, composed of business unit heads, will continue to discuss regularly and comprehensively the Company’s current programs and planned future developments. Final decisions will be cascaded down the line, resulting to better integration, cross-functionalities, and more seamless implementation.

We aim to continue developing programs that will reap long-term benefits for PCPPI, the society, and the environment. To reduce our emissions, we have conducted

studies on alternative refrigerants and are in the process of procuring the appropriate equipment. To get a better grasp on our water footprint, we have also conducted assessment studies on our water resources for our plants and nearby communities. We will continue finding ways to help conserve our natural resources.

We have invested and will be investing in equipment that will allow us to shorten production steps and minimize resource use. We are also looking at equipment that will allow us to do more efficient waste recovery and recycling, together with our partner communities and organizations. In line with our sustainability framework and purposive strategies, we aim to achieve solutions that benefit our Company, as well as the host community, and the environment.

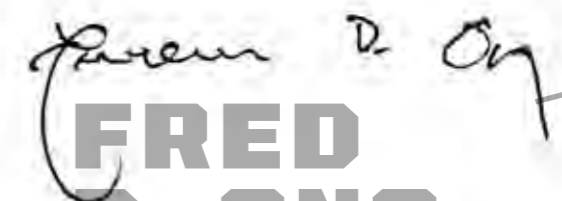
### RESILIENCY DURING TOUGHER TIMES

Greater modifications to our power plants may take time and given the current situation, it might take longer. Regardless, I see the situation as an opportunity for PCPPI to optimize operations despite the challenges, and to unite the workforce towards achieving the goals we have set out since we started our sustainability journey. We will continue to transform our business and strengthen our safety initiatives for the benefit of our employees, suppliers, and end customers. We provide our employees with the means to not only survive the current situation, but to thrive as much as possible.

We continue to give them training programs in their homes, allowing them to build their capabilities for them to fulfill their work duties. We also provide them the means to stay healthy and not get infected.

PCPPI still remains a purposive business amidst the fears and uncertainties caused by COVID-19. This is evident in the recent efforts initiated by our plants nationwide during the first quarter of 2020. Our Pepsi Bravehearts personally went out to deliver product donations to frontliners and hospitals while observing proper protocols. We have also lent out Pepsi tents for personnel in checkpoints nationwide. We have delivered more than 10,000 cases or almost 200,000 bottles of drinks and lent 120 tents to checkpoints. We also provided millions of our hydration drinks and high-quality beverages and nutritious meals to communities made even more vulnerable by the pandemic.

We remain inspired and confident to continue our purpose due to the passion and spirit of service truly evident in each Pepsi Braveheart. As one winning team, PCPPI will brave through the current situation as we continue pushing for our goals and objectives as a purposive business for the society and the environment.

  
**FRED  
D. ONG**  
PRESIDENT AND CEO





# YEAR IN PLAY

With our business leaders and Sustainability Task Force leading our initiatives, we created a strategy that aims for long-term sustainable development for the Company and our partner communities. This strategy continues to make considerable progress. Following the wins and insights we gained as we made our 2018 annual and sustainability report *Win as One*, we take it to the next level this 2019.

## PEPSI SCORECARD

Guided by our sustainability framework, we incorporated the most efficient methods that work for us.

Our scorecard reflected our passion and actions to **WIN THE GAME** in 2019.

- 
 In 2019, we launched 2 new SKUs (1.75 and 2.25mL) for more quantity options and added Gatorade Ion to the healthy beverage line.
- 
 Our "Gatorade Win as One" marketing campaign, led to a 2% growth in our financials, a turnaround from the double-digit decline we experienced in 2017.

## ONGOING PARTNERSHIPS

We renewed several exclusive partnerships, including PCPPI Davao plant securing a renewal of Exclusivity Agreement with well-loved local food chain, Penong's Barbeque Seafood and Grill. High client satisfaction for this account means Penong's will be exclusively serving our beverage line in the food chain's ongoing nationwide expansion.



# ECONOMIC GAINS

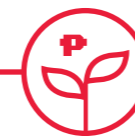
PCCPI's economic performance is anchored on our mission of expanding the business and providing healthy financial returns to shareholders, as well as opportunities for growth and the enrichment of employees, business partners, and host communities.

PHP **40.1**  
**BILLION**  
GROSS SALES

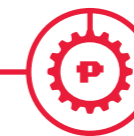
PHP **6.7**  
**BILLION**  
GROSS PROFIT

PHP **2.7**  
**BILLION**  
CAPEX

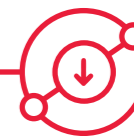
PHP **3.6**  
**BILLION**  
EBITDA



PHP **100.3**  
**MILLION**  
Invested in sustainability efforts for the benefit of society and the environment



PHP **108**  
**MILLION**  
Cost savings from resource management



**450**  
**METRIC TONS**  
Reduction in carbon footprint across all plants, due to efficiency initiatives



## CIRCULAR ECONOMY

We continue to reduce our resource consumption, and recover our solid waste material. These are converted into valuable items with the help of our partner communities, businesses, and organizations.

### Design

Realigned our goals with 2025 PepsiCo global commitments of:

- 100% of packaging recyclable, compostable, or biodegradable
- 25% recycled plastic content in our plastic packaging
- 35% reduction in virgin plastic content
- 25% reduction in water usage reduction
- 20% reduction in energy usage (fuel and electricity)

### Plant Waste Recovery

- Accomplished 100% completion of our materials recovery facilities
- Successfully recycled 81% of in-plant solid waste, putting us on track with our 85% goal by 2020
- Established partnerships to turn our waste materials into items of value:
  - Upcycling of carboys and drums by partner communities like Elsie Gaches for water storage and automated irrigation system for their indoor farming, greenhouses, and composting
  - Upcycling of non-hazardous waste by inmates of the Bureau of Jail Management and Penology as a livelihood project
  - Turned over our used batteries and oils to ABS-CBN's *Bantay Baterya*, *Bantay Langis*, and *Bantay Kalikasan* programs

### Conversion

Implemented new technologies and practices on improving our operations efficiency:

- Three-step automated clean-in-place bottling equipment
- Steam condensate recovery in seven out of our 12 plants
- Implementation of the water recycling and reuse project
- Warehouse and transport optimization
- Boiler control upgrades for two out of five plants slated for upgrades in 2021
- Demand side energy management
- Shift to dry conveyor lubrication
- Task force leak correction
- Pre-form injection plant

### Market Recovery

Utilized market connections to recover and repurpose our waste packaging, post-consumption:

- Established a partnership with PARMS for a joint recycling facility
- Made a greenhouse out of our polyethylene terephthalate (PET) bottles and turned it over to Echague National High School in Cagayan Valley
- Turned over 50 modified water sprinklers in Bacolod
- Turned over 54 trash bins to schools covered by our Metro Operations Services (MOS), Modern Trade Office, Northern Luzon, Central Luzon, and Davao operations

### PACKAGING MATERIALS REDUCED VIA DESIGN

### REDUCTION IN USAGE 2019

### REDUCTION IN USAGE 2014-2019

Plastic resin used in PET containers	19.7 MT	863.4 MT
Glass material in glass bottles	24.0 MT	6,467.5 MT
Carton material for packaging	11.0 MT	921.35 MT

ECONOMIC VALUE GENERATED	
Revenue	PHP 40.1 Billion
ECONOMIC VALUE DISTRIBUTED	
Operating costs	PHP 23.7 Billion
Employee wages and benefits	PHP 2.0 Billion
Payments to suppliers, other operating costs	PHP 34.5 Billion
Dividends given to stockholders	PHP 162.5 Million (0.044 per share)
Interest payments to loan providers	PHP 348.0 Million
Taxes given to government	PHP 8.5 Billion
Investments to communities (CSR)	PHP 2.0 Million







## WATER STEWARDSHIP

We practice efficient water usage and management in our operations, promote integrated watershed management, and conduct WaSH trainings and seminars on proper handwashing, sanitation, and water usage in partner schools and communities.

In 2019, PCPPI:

- Adopted 6 water bodies, and potentially 2 more in 2020.
- Gathered 364 PCPPI Bravehearts across all our plants to participate in the International Coastal Cleanup. Together, we cleaned an estimated 5km of coastline, picking up a total of 3,102kg of trash that filled 242 bags.
- Turned over a 50,000-liter water tank servicing 1,000 families and 40,000 Internally Displaced People (IDPs) for our Water for Peace in Marawi program.
- Continued WaSH training program for students and communities, extending into 2020.
- Conducted a study on watersheds as a more sustainable water source solution in Muntinlupa City.



## INCLUSIVE BUSINESS

We implement various programs that help our employees, partner communities, and organizations attain long-term inclusive growth and development.

### Diversity and inclusion

Engaged PWDs through Bigay Buhay Multipurpose Cooperative (BBMC) for environment-friendly marketing promotions materials and collaterals

### Livelihood

Continued our Entrepreneurship Distribution System, covering 380,000 outlets and creating 7,227 jobs for our partner MSMEs

### Education

- Sponsored University of the Philippines Advertising Core's (UP AdCore) Teen Speak program
- Conducted our nationwide *Brigada Eskwela*, gathering 495 volunteers, dedicating 2,707 volunteer hours to implement activities and programs for 27 school beneficiaries nationwide

### Disaster resilience

- Donated Premier water, tap water, blankets, and carboys to quake-affected areas in Mindanao, and donated bottled beverages to first responders in Porac, Pampanga
- Served as resource speaker in PDRF forums on resilience



# OUR WINS

## EARNING THE RESPECT OF OUR PEERS

Our journey toward excellence has earned the Company several recognitions for the year.



### Asia CEO Awards "Circle of Excellence"

Asia CEO Awards awarded PCPPI with an Asia CEO Awards Circle of Excellence for Corporate Social Responsibility for CSR programs *Luntiang Yaman* and *Water for Peace in Marawi*. The award-giving body recognizes PCPPI's contribution to society by sharing knowledge on sustainable practices, protecting the environment through efficient operations, and uplifting communities by providing access to clean water.



### Asia Responsible Enterprise Awards 2019

Out of the 200 entries across 16 Asian countries, PCPPI received the accolade for Social Empowerment for *Water for Peace in Marawi*. PCPPI provided long-term sustainable solutions addressing the needs of the Muslim internally displaced persons in Marawi.





**San Fernando plant receives LGU Award for Healthiest Workplace**

PCPPI's San Fernando plant has set the standards when it comes to maintaining a safe and healthy working environment. Winning the LGU Award for Healthiest Workplace three times in a row, the San Fernando plant has proven its dedication toward providing a working environment with minimal health risks.



**7-Eleven Suppliers' Night**

PCPPI won three major awards, namely the Innovation, Brand Activation Partnership, and Account Management Awards, at the 7-Eleven Suppliers' Night. The Company was given recognition for our creative, customer-centric sales, and marketing initiatives.



**Citimart Suppliers Appreciation Night Awards**

PCPPI STRO won the "Most Improved Supplier" and "Excellence in Branding" Awards for Mountain Dew. The awards recognize suppliers with outstanding performance in the region.

**We push ourselves to become better and excel at our tasks.**

**EXCEEDING OUR OWN STANDARDS**

As PCPPI employees, we apply the P.E.P.S.I. values in the work that we do. We push ourselves to become better and excel at our tasks. We also recognize fellow employees who went above and beyond to bring PCPPI to the next level.

- PepsiCo Ring of Honor Awards is the highest front-line recognition for PCPPI sales associates for all PepsiCo subsidiaries around the world
- Metro's Finest celebrates the year to date targets achieved by the Company
- *Kuwento Mo 'To*, a yearly national activity, rewards those who exemplified P.E.P.S.I. values through simple deeds, and serves as precursor to the Gold Crown Award
- Gold Crown Award recognizes nominated core performing employees who highly exemplified P.E.P.S.I. values



*At PCPPI, we regard the employees as our greatest asset*



**WINNING BUSINESS THROUGH INCLUSIVE BUSINESS**



# LOVE FOR THE GAME

GREAT TO BE PEPSI

At PCPPI, we regard the employees as our greatest asset. We ensure that our employees are at the top of their game by providing them the environment where they can work, bond, and grow together. We perform better as one unified team. Guided by our sustainability framework, we aim to achieve our business goals and aid our partner communities in achieving long-term inclusive growth and development.



## PCPPI HOSTS MEDIA ROUNDTABLE ON SUSTAINABILITY

We held a media roundtable on June 26, 2019 discussing our 2018 annual and sustainability report *Win as One*. PCPPI's executives presented our sustainability framework and what we have achieved through its implementation. While touching on the origins of our sustainability journey, we also emphasized how we continue to uphold responsible operations and leave a lasting positive impact in the communities where we operate. By sharing our "wins" and learnings, we also strive to encourage stakeholders and members of our host communities to live more sustainably.

IGNITING THE PCPPI SPIRIT

# 30 YEARS OF PEPSI

2019 was a special year as it marked the 30<sup>th</sup> anniversary of PCPPI. To celebrate this milestone, PCPPI held a simultaneous festivity across all plants on July 30, 2019. Highlights of the celebration included an awarding ceremony to honor our 105 employees who have rendered 30 years of service, and a video presentation of PCPPI's Sustainability programs.



Cagayan Valley Operations tree planting activity at Cauayan Sports Complex



Fun celebration at the North Luzon Operations



Davao plant conducts Health Fair for employees



PCPPI Zamboanga conducts medical and dental missions



Celebrations and a Brigada Planta at the Southern Tagalog Region Operations plant (STRO)



64 Metro Operations Services employees receive a Loyalty Award for 30 years of service

# TEAM PEPSI

We believe in the strength of our people. Our Company strives to better enable them, further build their capability, and provide them with a harmonious working environment.

## 3,304 TOTAL NUMBER OF EMPLOYEES



### BY GENDER



**2,650** MALE (80.2%) **654** FEMALE (19.8%)

### BY AGE

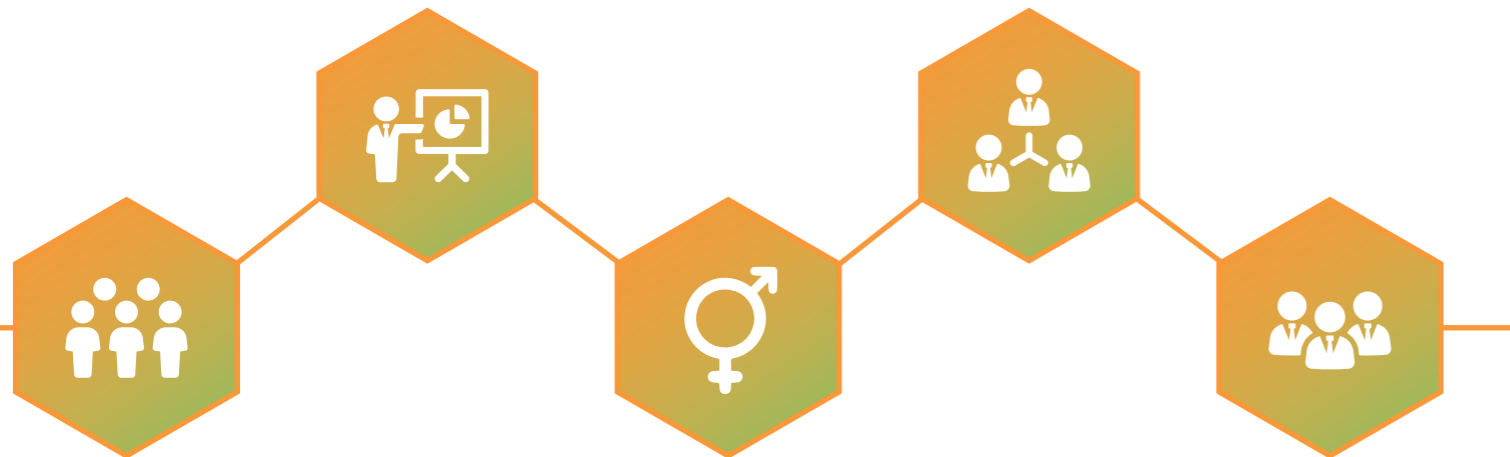


**823** <30 (24.9%) **2,112** 30-50 (63.9%) **369** >50 (11.2%)

### BY EMPLOYMENT CATEGORY



**1,213** RANK AND FILE (36.7%) **1,070** PROFESSIONAL/TECHNICAL/ANALYST (32.4%) **866** MIDDLE MANAGEMENT (26.2%) **155** SENIOR MANAGEMENT (4.7%)



## 386 ATTRITION RATE (11.7%)



### BY GENDER



**294** MALE **92** FEMALE

### BY AGE



**168** <30 **175** 30-50 **43** >50

### BY EMPLOYMENT CATEGORY



**51** RANK AND FILE **200** PROFESSIONAL/TECHNICAL/ANALYST **118** MIDDLE MANAGEMENT **17** SENIOR MANAGEMENT

## 404 NEW HIRES DURING THE REPORTING PERIOD (12.2%)



### BY GENDER



**282** MALE **122** FEMALE

### BY AGE



**248** <30 **148** 30-50 **8** >50

### BY EMPLOYMENT CATEGORY



**102** RANK AND FILE **244** PROFESSIONAL/TECHNICAL/ANALYST **51** MIDDLE MANAGEMENT **7** SENIOR MANAGEMENT



## FULL-TIME EMPLOYEE BENEFITS INCLUDING EXTENDED MATERNITY LEAVE

-  SSS
-  Retirement fund aside from SSS
-  PhilHealth
-  Medical benefits aside from PhilHealth
-  Pag-Ibig
-  Telecommunicating
-  Sick Leaves
-  Vacation Leaves
-  Parental leaves



## TRAINING THE TEAM

We support and develop our people to become the best versions of themselves to *win the game*.

**89,527**  
TOTAL TRAINING HOURS  
PROVIDED TO EMPLOYEES

**36.18**  
AVERAGE TRAINING HOURS  
PROVIDED TO EMPLOYEES



### WARM-UP FOR THE GAME

At PCPPI, we equip our new hires with the right skills and know-how before they enter the playing field. *Pepsimula 1.0* is PCPPI's employee onboarding program that provides new hires with the information and skill set specific to the needs of our Company. *Pepsimula 1.0* runs for 2 to 3 days. Discussed under the program are the Company's history, vision, mission, and values.

### LEARNING SESSION SERIES

Launched in 2019, Pepsi University developed the Learning Session Series providing practical lessons in the workplace. The series features 12 pocket learning events with one module delivered every month.



### PCPPI PROMOTES WOMEN EMPOWERMENT AT THE ECCP WOMEN IN BUSINESS FORUM

Held on August 15, 2019, the European Chamber of Commerce of the Philippines (ECCP) Women in Business Forum provided thought leaders, managers, government representatives, and women empowerment advocates with a platform where they can exchange views and best practices on advancing women empowerment initiatives in the workplace and in society. PCPPI, an equal-opportunity employer and a staunch supporter of women entrepreneurship, participated in the Forum. Through our sustainability framework, we empower our whole workforce, regardless of gender or status, to play an active role in incorporating sustainability into day-to-day operations.

# IT'S GREAT TO BE PEPSI

Great to be Pepsi is PCPPI's employee engagement brand that aims to drive a positive work culture. Through our various people engagement programs, we keep our workforce active and engaged. We ensure that our Company remains a great place to work, bond and grow.

## WORK

At Pepsi, we achieve success because we think smart, act fast, and implement good practices.

## BOND

At Pepsi, we celebrate the beauty of collaboration, engagement, and teamwork because we know we can achieve more when we do things together.

## GROW

At Pepsi, we nurture an environment where we can uncover our potentials, develop our strengths, and grow to be the best versions of ourselves.

### ROLLOUT OF THE CAMPAIGN

As one of the program's initiatives, a series of Great to be Pepsi (GTBP) discussions was carried out to the plants from April to May 2019. The goal was simple—to spread the GTBP vibe!

The GTBP vibe is built out of the positivity, resiliency, and unity exemplified by each PCPPI Braveheart. This vibe is what we aim to sustain in our Company. Under our GTBP campaign, we conducted a series of discussions that highlight the many reasons that make PCPPI a great place to work, bond, and grow in.

This was further cascaded to the *Bukluran* leaders during the people engagement session of the Directorate's Summit.

### 2019 DIRECTORATE'S SUMMIT

Instead of holding the Annual Summit this year, PCPPI Management decided to do a Directorate Summit. This enabled the Management Committee (Mancom) to visit each directorate and discuss the business plan and our people programs. This was also an opportune time to fuel the collective spirit and rally the people to "Win the Game!"

The Directorate Summit garnered positive feedback as such pocket events enabled more relational and focused discussions.



## THE WORKFORCE AS ONE

# BUSINESS VALUE CHAIN

A systemic process exists in PCPPI's operations. Each department has its own role and function in ensuring our Company operates without fail. However, there is also the need for the departments to learn how their functions interconnect and affect one another. For this reason, PCPPI launched the Business Value Chain (BVC) program. The BVC illustrates the departments' interconnectedness and how each one brings value and purpose to PCPPI.



The BVC program gives employees a comprehensive, end-to-end view of the business. It maps out PCPPI's entire value chain vis-à-vis our business objectives and responsibilities to the community and partner organizations. The BVC aligns to PCPPI's sustainability framework but more so, focuses on value creation of each function under one PCPPI organization.

The BVC is a two-day program which can be delivered in modular methodology depending on the business need. The content of the program came from subject experts like managers, with the clearance from function heads. A pilot run of the program was implemented in October 2019 at Pepsi University and was attended by the Operations Leadership Development Program (OLDP) participants.

The program garnered positive feedback from the employees. The business value chain helped them to fully understand the business from end to end and how each department works with the other. Knowing how their work contributes to PCPPI overall, employees became more engaged and had better understanding of the business and their functional counterparts.





# DEVELOPING PEOPLE

## PCPPI'S ADVANCEMENT PROGRAMS

PCPPI believes in developing talents from within, to strengthen their capability, boost their morale and complement the Company's succession. Through PCPPI's learning and development arm, Pepsi University (PU), we conduct advancement and leadership programs, such as the *Pepsimula 2.0*, a program that guides new leaders as they take on their new roles. Aside from this, the Operations Leadership Development Program (OLDP) and Advanced Territory University (ATU) were also further implemented in 2019.

### OPERATIONS LEADERSHIP DEVELOPMENT PROGRAM

The Operations Leadership Development Program (OLDP) answers the need for a capability enablement program where select employees are trained with the technical know-how and leadership skills to excel on the job. As an acceleration program, employees under OLDLP are slotted a position after. Candidates are selected through a nomination process where they are interviewed and assessed by the operations excellence panel and subject matter experts (department heads). Once they qualify, the employees undergo weeks of intensive training. To graduate from the program, they complete a case presentation.

Following its successful launch on July 11, 2018, the OLDLP accepted its second batch of employees determined to become PCPPI's future leaders in Operations function. This year's OLDLP ran from July to October 2019, with roughly 15 weeks of in-depth training and learning sessions from various mentors. Candidates were immersed in Quality Food Safety (QFS), Environment, Health, Safety, and Security (EHSS) training, Operations and Logistics training, and importantly, leadership skills training. As part of the program, candidates were tasked to work on PCPPI case studies and defend it to the Operations Excellence Committee.

The program continues to be successful in developing line leaders. Graduates have been deployed across PCPPI's plants. The three-month program also included a post-program check-in, to ensure that the graduates are adjusting well in their new and more challenging roles. This also serves as a network and support system for these new leaders.

### ADVANCED TERRITORY UNIVERSITY

Advanced Territory University (ATU) is a flagship program anchored on the PepsiCo model and designed for PCPPI's salesforce. Under this program, a regional champion discusses the best practices of the Pepsi sales force and how these are implemented by the PCPPI team.

Discussed in the ATU are the principles of selling to better understand our Company's selling cycle. The program highlights crucial tasks in day-to-day sales performance such as sales monitoring and tracking. Refresher and reinforcement modules are also provided in ATU. These modules allow our sales teams to understand their contribution and impact to the PCPPI business.

In order to become effective sales leaders, the sales team are required to enroll in the ATU program under the guidance of coaches trained under the Developing the Coaching Culture (DCC) program. The coaches under DCC undergo sales training through the Sales Leadership Development Program (SLDP) before cascading the learning to their sales teams through ATU.

In total, there were **23** DCC runs, covering **450** Sales Coaches, in **8,586** learning hours.

# HIGH-PERFORMING, VALUES-BASED CULTURE

PCPPI supports the career development and aspirations of employees. Our commitment towards creating an organization built on trust, resilience, and transparency, with our P.E.P.S.I. values as our driving force, is a shared effort within the PCPPI community. We embed the P.E.P.S.I. values in our people development programs to define and identify the culture and character of our employees as PCPPI's representatives.

Apart from development programs and regular performance reviews, PCPPI has also implemented the Navigating Your Career in PCPPI (NYCP). NYCP provides employees the tools to formally plan and track their career development. Career goals, aspirations, strengths, and development opportunities of the employee are noted and discussed with the line manager to enable support on career growth. With NYCP, career development of each employee becomes a shared accountability of the employee and the line manager.



We created recognition programs that highlight employees who exhibit outstanding performance in their work. These recognition programs recognize employees across the whole business.

## KWENTO MO 'TO

*Kwento Mo 'To* is a plant-wide program that encourages values formation. Colleagues who exemplify the values even in simple ways are nominated and recognized during plant assemblies or gatherings.

## GOLD CROWN AWARDS

The Gold Crown Awards are given yearly to recognize employees who highly exemplify and uphold our P.E.P.S.I. values. The screening and selection of Gold Crown Awards go through a thorough review process.

For 2019, the employees who best applied the P.E.P.S.I. values in their work are:

<b>P</b> ASSION	Gerrybel Mendoza (Cebu)	♥
<b>E</b> XCELLENCE	Florence Sangalang (NLO)	★
<b>P</b> ROFESSIONALISM	Jiggs Gandeza (MOS)	✓
<b>S</b> ERVICE	Roberto Progozo Jr (CLO)	📚
<b>I</b> NTEGRITY	Jesse Celerio (STRO)	🤝



# SAFETY OF THE TEAM

## EHSS SUMMIT

PCPPI also places great value on employee safety. There have been major changes in the requirements for compliance with Republic Act (R.A.) 11058, an act providing penalties for those who do not comply with Occupational Safety and Health (OSH) standards ordered by DOLE. To comply, we held a three-day Environment, Health, Safety, and Security (EHSS) Summit where EHSS representatives discussed with one another on-going and new health and safety policies and programs that can be applied in their respective plants.

With the guidance of PCPPI EHSS Head Office, all our plants across the country came up with an OSH program suitable for their work environment. Each site conducted their own risk assessment to determine whether the workplace is at low, medium, or high risk depending on the risk factors and the number of workers. During the conference, EHSS representatives from each plant convened and set their key performance indicators (KPIs) and directives according to the standards set by the head office. Also, training and appointment of Safety Officers were discussed.

Schedules have been set for all EHSS Managers and Officers to attend the mandatory eight-hour OSH training carried out by the Head Office EHSS. The modules used during the training are aligned with the guidelines of the Bureau of Working Conditions. Additionally, Safety Officers per plant have been appointed to oversee the implementation of each plant's safety and health program. The Safety Officer has the duty of overseeing, monitoring, and inspecting the implementation of the program. The Safety Officer will also assist government inspectors when they conduct safety and health inspections, providing them with the necessary information and OSH reports.

## WORKPLACE CONDITIONS

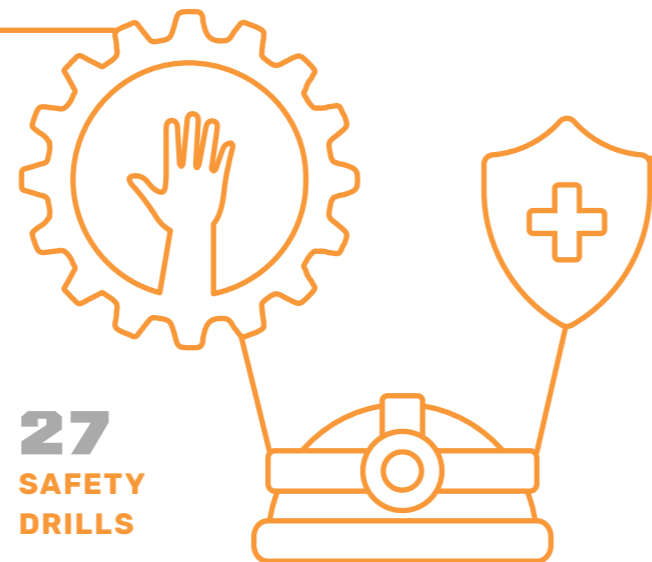
**14,392,046.42**  
SAFE MAN-HOURS

**17** LOST-TIME INCIDENTS (LTI)  
WORK-RELATED INJURIES

**0**  
WORK-RELATED  
FATALITIES

**0**  
WORK-RELATED  
ILL HEALTH

**27**  
SAFETY  
DRILLS



## PCPPI PROMOTES SELF-INSPECTION EXERCISES

PCPPI promotes health and safety beyond compliance and policies. Our Company encourages plants to perform self-inspection exercises and activities for better health and well-being. A topic is discussed monthly based on the Department of Labor and Employment (DOLE), Department of Environment and Natural Resources (DENR), and the Department of Health (DOH) calendar.

## EMPLOYEE GRIEVANCES HEARD THROUGH THE SPEAK UP PROGRAM

Grievances in the workplace are unavoidable. PCPPI acknowledges this and provides the means where employees can file their complaints. With the HR department's aid, the Speak Up program was reinforced in 2019. Communication materials were created in the form of comics. Concerns are logged as incident reports, sorted, and escalated to the ethics committee for discussion and resolution. In the future, the committee aims to work on informing employees that their reports have been resolved.

103-1, 103-2, 103-3, 403-6

## BEST OF BUKLURAN 2019

A very important part of PCPPI's overall employee engagement is the *Bukluran* Council. It is composed of representatives from our 16 business units, taking on the important role of promoting the four pillars of people engagement— Innovation, Culture-Building, People Program, and Community-Building. Our programs toward community building support the Company's overall sustainability and social responsibility agenda.

The *Bukluran* Councils help in implementing sustainability initiatives in the plants. Its internal initiatives focus on the efficient usage of natural resources. Through the strong participation of the employees, there has been a reduction in water, fuel, and electricity usage, saving the Company a total of PHP108 million.

Additionally, the Councils also serve as HR's arm in implementing our external initiatives, communicating with partner organizations and communities based on plant location. It leads the implementation and results of our Company's CSR programs that fall under diversity and inclusion, livelihood, education, and disaster resilience.

## EMPOWERING BUKLURAN COUNCILS WITH ONE SMALL BIG IDEA

Relaunched in July 2019, the One Small Big Idea (OSBI) aims to encourage employees to produce innovative ideas that can contribute to the Company's productivity agenda. We engage the *Bukluran* Councils in implementing One Small Big Idea by getting them involved in the selection and adoption of innovative ideas in their respective plants.



# STRENGTHENING PARTNERSHIPS WITH CSR

Following the success of *Win as One*, we recognize the value of having a structured sustainability framework. The Sustainability Task Force ensures PCPPI's internal and external initiatives are aligned with the sustainability framework. We empower everyone at PCPPI to be a strong, united workforce capable of helping the business, the environment, and our partner communities thrive.

## PCPPI'S EXTERNAL SUSTAINABILITY INITIATIVES

Our *Bukluran* Councils communicate with our partner communities on which activities and programs they need, provided they are aligned with PCPPI's sustainability pillars. The following programs address the needs identified by the communities alongside new ideas on how the Company can continue to help.

### DIVERSITY AND INCLUSION



Engaging PWDs through Bigay Buhay Multipurpose Cooperative

- Provided persons with disabilities (PWDs) with long-term income source by enlisting them as PCPPI's source for environment-friendly marketing promotions materials and collaterals

### LIVELIHOOD



Additional income for MSMEs through the Entrepreneurship Distribution System

- EDS routes cover 380,000 outlets such as sari-sari stores, market stalls, bakeries, *carenderias*, and sidewalk vendors
- The program has employed 1,071 EDS Operators and created 7,227 jobs



### EDUCATION



Sponsoring UP AdCore's Teen Speak program

- Utilized the program as an avenue to discuss and promote sustainability in Company operations
- Groups from various universities were mentored by PCPPI, also giving them the opportunity to talk to our President
- Plant tours were also conducted to showcase how we implement our own sustainability framework in our operations
- Another opportunity to promote long-term sustainability practices to students apart from conducting *Brigada Eskwela*



### DISASTER RESPONSE



PDRF Partner for Resilience

- Donated Premier water and tap water to quake-affected areas in Mindanao
- Donated to first responders in Porac, Pampanga
- Served as resource speaker in PDRF forums on resilience





# BRIGADA ESKWELA GOES ALL-IN FOR SUSTAINABILITY

We believe that good education will allow communities to thrive. In support of DepEd's *Brigada Eskwela*, we aim to provide the youth with the means they need to focus on their education. Partner schools were chosen based on the location of our plants. They communicated to the *Bukluran* Council the needed projects, and we provided, on condition that the projects are aligned with the sustainability pillars – inclusive business, circular economy, and water stewardship.

On our first nationwide *Brigada Eskwela*, PCPPI managed to gather 495 volunteers, dedicating 2,707 volunteer hours to provide activities and programs to 27 school beneficiaries nationwide.

The following activities were conducted throughout the nationwide *Brigada Eskwela*.



**INCLUSIVE GROWTH**



**CIRCULAR ECONOMY**



**WATER STEWARDSHIP**

Donated 17,200 school notebooks and 275 sets of school supplies

Built a greenhouse made from recycled PET bottles

Donated 50 modified water sprinklers and 54 trash bins

Conducted 3 solid waste management seminars for parents and teachers, with at least 30 participants per seminar

Donated 5 high-grade drinking water fountains, benefiting 5,356 students

Built 3 handwashing facilities with demonstration on proper handwashing benefiting 1,006 students



*PCPPI empowers the communities where we operate by sharing the benefits of our business efforts*



CIRCULAR ECONOMY

We manage our resources by optimizing our operations as well as maximizing our resource materials—from production, development, and market recovery. Arm in arm with our partner businesses, organizations, and communities, we transform our collected solid waste materials into items of value. This is how PCPPI achieves becoming a purposive business for the society and the environment.

# ACHIEVING OUR VISION

## OUR PLANT STORY

PCPPI remains committed to observing the country's environmental laws and regulations as we implement our programs and initiatives. We realigned our priorities for 2019 after our assessment on our overall operations and sustainability programs in 2018. Guided by our sustainability framework, we continue to improve on our operational efficiency, constantly developing and learning best practices and utilizing technology in order to minimize waste produced throughout our operations.

Since then, we have embedded circular economy principles in our operations and production to meet the global community and national requirements on environmental compliance. We further refined how we bring these principles into play by following a continuous process from design to market recovery. We continue to reduce waste throughout this process and recycle the non-biodegradable waste we collect from our customers, through our partner organizations.



In 2019, PCPPI established the Sustainability Task Force, composed of business unit heads, to learn about the status of ongoing projects and provide strategic alignment across all functions in order to achieve our goals. Apart from reintroducing the sustainability framework across all business units, each business unit was able to voice out the concerns and points of growth for each plant.

Environment protection was identified as a key priority across all plants. With the help of the task force, strategic alignment across all functions was initiated and training programs were executed to improve operations, reduce resource consumption, and reduce waste generation. We not only comply with the environmental laws and regulations, we also reduce our impact on the environment through our internal initiatives and programs under our Circular Economy pillar.

### DESIGN

With the Sustainability Task Force, legislations banning plastics were discussed and taken into consideration regarding how it can affect our operations and goal-setting.

We continue to monitor bills related to single-use plastics for us to better prepare and define our strategies. As these bills focus on the banning of single-use plastics commonly used in food and beverage packaging, there is a need for PCPPI to further innovate product packaging to ensure recyclability. Apart from modifying product packaging, we are also paying close attention to how we keep waste to a minimum and looking at additional ways to further reduce our environmental impact.

Upon convening the sustainability task force, we revisited the goals we set out in 2015. Having completed our three-year roadmap of our *Luntiang Yaman* program in 2019, the task force reviewed and set new goals for PCPPI. With 2018 as our performance baseline, we aligned our objectives to PepsiCo's 2025 global commitments, with the following targets to be achieved by 2025:

- **100%** of our packaging will be recyclable, compostable, or biodegradable
- **25%** recycled plastic content in our plastic packaging
- **35% REDUCTION** in virgin plastic content
- **25% REDUCTION** in water usage
- **20% REDUCTION** in energy (fuel and electricity) usage



103-1, 103-2



With the help of the Sustainability Task Force, we have maintained quality standards in our operations and supply chain management.



### LUNTIANG YAMAN

Since 2014, PCPPI has been making processes more efficient without compromising on resources and the communities where we operate. Under our *Luntiang Yaman* program, we constantly monitor and assess our Energy, Water, Waste, and Materials Lightweighting as part of our ongoing effort to make PCPPI become a zero-waste company.

We entered 2019 with a revitalized spirit given our *Luntiang Yaman* progress assessment and our reset goals with 2018 as our baseline performance. We continue to improve our initiatives in order to achieve our new, streamlined targets.

## ENERGY CONSUMPTION WITHIN THE ORGANIZATION



### 2019 ENERGY CONSUMED

# 149,247 MWh

Total power consumption from non-renewable and renewable sources

## 108,418 MWh

Total fuel consumption from non-renewable sources (purchased bunker fuel)

## 40,829 MWh

Total fuel consumption from renewable sources (purchased steam)

# 88,706 MWh

purchased electricity

### 2018 ENERGY CONSUMED

# 137,904 MWh

Total power consumption from non-renewable and renewable sources

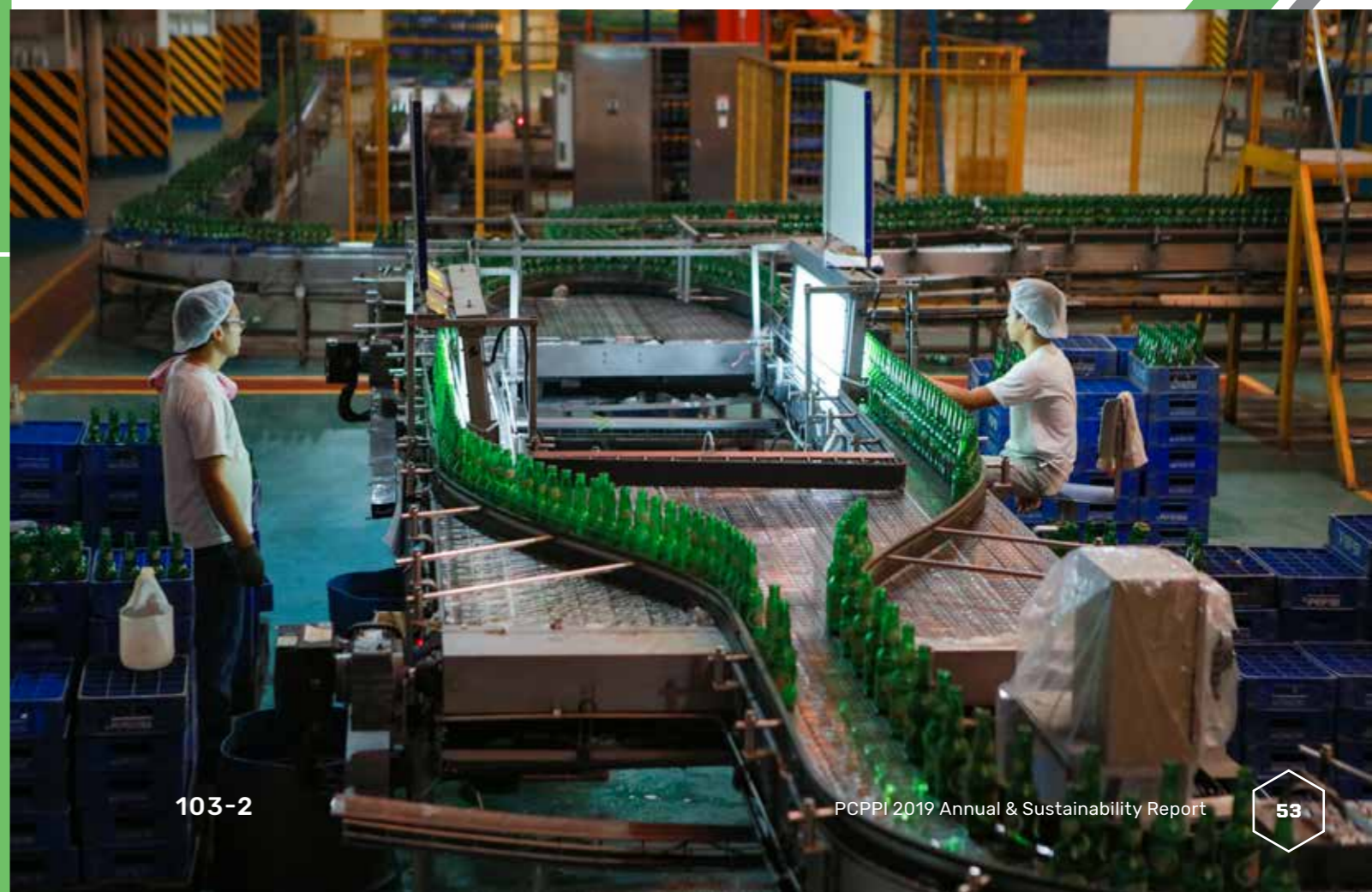
### CHALLENGES FOR ENERGY IN 2019

There has been a 7.6 percent increase in electricity usage for 2019 compared to 2018. Similarly, there has been a 0.8 percent increase in fuel usage for 2019 compared to 2018. The increase in electricity and fuel usage were due to aging equipment in need of maintenance or replacement, and transfer of technical skills.

### APPROACH TO CHALLENGES

There is a need for substantial investments and studies for alternatives to address these challenges. On a plant-level, we have requested a CAPEX amounting to PHP20 million to PHP40 million per plant to develop the facilities for our energy and water initiatives.

This 2019, we highly focused on strategic alignment across all plants and in the whole workforce. All employees are involved in energy (fuel and electricity) management, including energy-saving initiatives. Part of this engagement is identifying inefficiencies and addressing them through maintenance activities and fine-tuning our energy management programs.





## ENERGY MANAGEMENT PROGRAMS

We focus on the following to reduce our energy usage across all plants:



### EFFICIENT OPERATIONS

We reduce our energy consumption by improving our operational procedures and practices in our plants.

### RESOURCE CONSERVATION (RECON) TRAININGS

To improve the employee's technical know-how, ReCon trainings are now being conducted at a plant level. During the third quarter of 2019, five of our plants participated in the initial training.

### DEMAND SIDE ENERGY MANAGEMENT

Demand side energy management was first implemented in our Muntinlupa plant in the third quarter of 2019. We installed meters (fuel, steam, and power) to help identify significant users and establish trending and benchmark usage. This will allow us to effectively implement an power usage reduction program and line efficiency improvements. Once all meters are installed, monitoring will begin by March 2020.

### TASK FORCE LEAK CORRECTION

All our plants exercised task force leak correction in 2019. We now conduct regular plant inspections to identify and correct leaks in water, steam condensate, and electricity. Because of this, there have been notably fewer leaks in 2019 compared to 2018.

### WAREHOUSE AND TRANSPORT OPTIMIZATION

We have continued our warehouse efficiency initiatives, which we started in 2018. We implemented line efficiency improvements, as well as fuel conversions from diesel to cleaner-burning liquid petroleum gas (LPG) for our battery forklifts. Additionally, we also converted our forklifts from two-prong to four-prong models, allowing us to double the number of pallets we can pick up. Truck routes are also optimized, with truck capacities increased in order to deliver more products at a faster rate, as a means of reducing greenhouse gas emissions.

Apart from major plant improvements, we also performed initiatives that will help lower our energy usage, leading to lower operational costs:

- Replacement of light fixtures with light-emitting diodes (LEDs) and high bay lamps
- Plant-based installation of a Variable Frequency Drive for large motors, allowing for control of the motor's ramp-up and ramp-down during start or stop
- Entering the open access electricity spot market by purchasing electricity through a Retail Electricity Supplier.



### EFFICIENT EQUIPMENT

We invest in equipment that would allow us to maintain efficient operations and reduce our energy consumption.

### BOILER CONTROL MAINTENANCE

Upgrading the boiler's burner and controls can restore the boiler's efficiency, or even improve it. Upgrading the boiler controls also accounts for a more efficient combustion, making it easier to manage boiler operations, thereby lowering operational costs.

Boiler control upgrades are done in phases, with seven out of 12 plants having their boiler controls upgraded. The remaining five plants have undergone upgrades, with two out of those five (namely Sto. Tomas and Cagayan de Oro) slated for upgrades in 2021.

### PRE-FORM INJECTION PLANT

The establishment of a pre-form injection plant allows us to supply pre-form requirements in-house than through a third-party supplier. For the first phase of our pre-form injection plant, we aim to produce our single-serve (300mL) packaging, which consists a large portion of our non-returnable product portfolio. Its establishment can also translate into a highly efficient line at around 95 to 98 percent efficiency, resulting to fewer waste in operations, reducing our carbon footprint, as well as eliminating freight cost and delivery cost for pre-form.





### RENEWABLE ENERGIES

We also take part in the country's direction of utilizing renewable energy sources to minimize greenhouse gas emissions. Currently, 14 percent of our energy mix is renewable. We continue to study renewable energy sources and practices that we can adopt and implement.

### STEAM CONDENSATE RECOVERY

Steam condensate recovery is one of the cost-effective energy-saving practices we utilize. The condensate can be reused to regenerate steam; since the water is already hot, it takes no additional water treatment and even less fuel to raise the heat and produce the steam.

We implemented this practice in seven out of our 12 plants in 2019. We issued and invested in sustainable, standard equipment in all our plants (mechanical pump truck versus modification).

### COGENERATION TECHNOLOGY

PCPPI is also utilizing cogeneration technology as an energy-saving method. Cogeneration involves the combined production of two forms of energy, namely heat and electricity, suitable for biomass combustion systems.

We utilize third-party biomass and purchased steam, a byproduct of CO<sub>2</sub>, to provide energy in our plants. Currently, our Muntinlupa and Rosario plants purchase steam from two third-party suppliers.

### R22 SUSTAINABLE ALTERNATIVES

We are also assessing alternatives and solutions for our refrigeration efficiencies and for the imminent phase-out of the R22 refrigerant. Based on our current studies, a centralized refrigeration system may be beneficial to our operations. As for our alternative refrigerant, we are currently assessing the viability and sustainability of the ammonia system. We are considering ammonia as our alternative refrigerant due to its zero ozone depletion (ODP) and global warming potential (GWP). Given that an ammonia-based system requires less electricity, this shift could result in lower operating costs. Currently, we are still assessing which location may be best to construct the centralized refrigeration system for better efficiency and because of the refrigerant's nature.



### FUTURE RENEWABLE ENERGY SOURCES

Currently, we are using roof skylights and solatubes to reduce our energy consumption particularly during the daytime. In addition, we are in the midst of implementing a solar panel installation project for our plants. We are currently negotiating with potential suppliers, and the installation of roof-mounted solar panels in all our plants will be implemented in three phases.

We have been actively seeking partnerships that can help us further develop our renewable energy portfolio. We contracted hydroelectric and natural gas as part of our energy sources for our Muntinlupa, Sto. Tomas, Rosario, Iloilo, and Cebu plants. Our Zamboanga plant is also assessing a third-party supplier that can produce fuel from recycled plastics.

Additionally, we are assessing other operations efficiency practices that we can adopt in the coming years. We are also looking at the viability of smart conveyors. These are bottle conveyors with automatic sensors.



*We continue to study renewable energy sources and practices that the Company can adopt and implement.*

# WATER

## SOURCE AND CONSUMPTION



### 2019 WATER USED

**6.20 million cu.m.**

water consumption nationwide, broken down as:

**5,386,614 cu.m.**

from deepwells,

**813,449 cu.m.**

from water concessionaire.

The 2019 water usage of the Muntinlupa plant alone was **1.29 million cu.m.**

Water saving initiatives lead to a collective **29% reduction** in total water usage from 2014 to 2019.

### 2018 WATER USED

**5.79 million cubic meters (cu.m.)**

water consumption nationwide with **1.11 million cu.m.** water usage from Muntinlupa alone

Water saving initiatives lead to a collective **32.1% reduction** in water consumption from 2014–2018.

### CHALLENGES FOR WATER IN 2019

PCPPI's water usage increased by four percent in 2019 compared to 2018 despite the various water reduction projects and initiatives. This increase can be attributed to aging equipment such as the bottlewashers in the water treatment plants, and personnel attrition.

Another challenge we faced in 2019 was the continuing closure of our deepwells. The National Water Resources Board (NWRB) declared our deepwells non-compliant with the Water Code of the Philippines (PD 1067), as we were unable to secure a permit. To date, our source of water is from our water concessionaire.

### APPROACH TO CHALLENGES

PCPPI has been addressing these challenges by investing in equipment that would result to minimal to zero water usage and wastage. We have also reduced the steps required in our processes through automation. We categorized our initiatives based on how we can reduce, reuse, and recycle the water our plants consume.

### WATER CONSUMPTION MANAGEMENT PROGRAMS

In collaboration with PepsiCo India, we invested PHP125 million for our Muntinlupa plant to be the pilot plant for four projects—all implemented and/or commissioned in 2019—that allow us to be more economical with our water usage. These water recycling and water reuse projects allow for the recovery and treatment of water—thereby minimizing the use of “fresh” raw water—in bottlewashing and maintenance processes.



### AVOID OR REDUCE WATER CONSUMPTION

We reduce our consumption and avoid water wastage in our operations by implementing various practices and utilizing cost-effective equipment.

### RECON TRAININGS CONDUCTED

To address employee performance, ReCon trainings were conducted in the plants. During the third quarter of 2019, five of our plants participated in the training. An advantage to this training program, apart from serving as a refresher course for our personnel, is the familiarization and network-building across the different plants.

### WATER LEAKS REPORTING

With the aid of the task force leak correction, regular inspections were done to identify and reduce water leaks from faucets and urinals. Through this initiative, repairs were done and 0.1 percent was reduced from our water consumption.

### SHIFT TO DRY CONVEYOR LUBRICATION

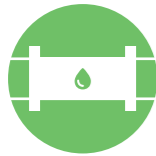
We also shifted to dry conveyor lubrication for our food and beverage packaging lines for several reasons. Dry conveyor lubricants result to fewer personnel injuries and slips because no excess liquid is spilled on the floors. There is also a reduction in water consumption, leading to a reduced energy usage and amount of wastewater to be treated.

Additionally, PCPPI also adopted several practices to further reduce water usage and wastage:

- Use of waterless urinals in the plants that can adopt the technology
- Implementation of additional water-saving initiatives in our Muntinlupa plant
- Drafting of quality validation and protocols, submitted for approval







### REUSE WATER

In 2019, we redoubled our efforts to find more ways to reuse discharged water before its treatment.



### TREAT AND RECYCLE WATER DISCHARGE

We treat the water once we have maximized its usability. Once treated, we recycle the water by using it in other processes before disposal.

#### CIP FINAL RINSE RECOVERY

Our clean-in-place (CIP) final rinse recovery improvement is one of the four projects from our collaboration with PepsiCo. We reduced our CIP method to a three-step process from a five-step process by replacing our bottling equipment with an automated one. We implemented the new three-step automated CIP process in our Muntinlupa and Rosario plants, resulting to longer continuous runs of 24 to 48 hours compared to our previous 16 hours. This means we spend less time, energy, water, and chemicals in the process. Along with this, we also treat and reuse our final rinse CIP water as the pre-rinse water for the next cleaning cycle.

#### WATER TREATMENT TANK RINSE RECOVERY

For 2019, we continue to improve our water treatment tank rinse recovery. Our water treatment system uses water softeners, sand filter, weak acid cation tank, and carbon filter to produce high-quality water for reuse in certain operations. We use fresh water to remove the dirt in our filter tank in reverse flow. We also use regenerant chemicals for ion exchange to soften used water to cleanse the system from harsh minerals collected. Water used to wash away the regenerant chemicals is then collected in a separate recovery tank to be reused in the next cycle instead of fresh water, reducing water usage in the backwash or pre-rinse stage, and the final rinse stage.

#### PET RINSE WATER RECOVERY

PET bottles pass by our PET rinser where fresh treated water is used to wash the bottles and remove any potential contaminants. The water used in rinsing the PET bottles is then recovered and collected in a separate water recovery tank to be used as raw water supply to be used in our utilities such as boilers and water softeners.

#### BOTTLE WASHER WATER RECOVERY

Our bottle washer water recovery is one of the four projects from our collaboration with PepsiCo India. Prior to commissioning, other water reduction initiatives and operational improvements contributed to more water saved in our operations. Upon commissioning, this water recycling project further reduced water usage of four lines by 10,000 to 12,000 cu.m. per month (lower than the 2018 projection of 13,500 cu.m., given the previous reduction). We also upgraded and installed new diffusers for our wastewater treatment plants. Basic wastewater treatment process involves neutralization, aeration, and clarification in order to treat water no longer needed or suitable for use into water that is safe to dispose in the environment. New diffusers will allow for a better aeration process, using oxygen to easily break down the pollutants in the wastewater.

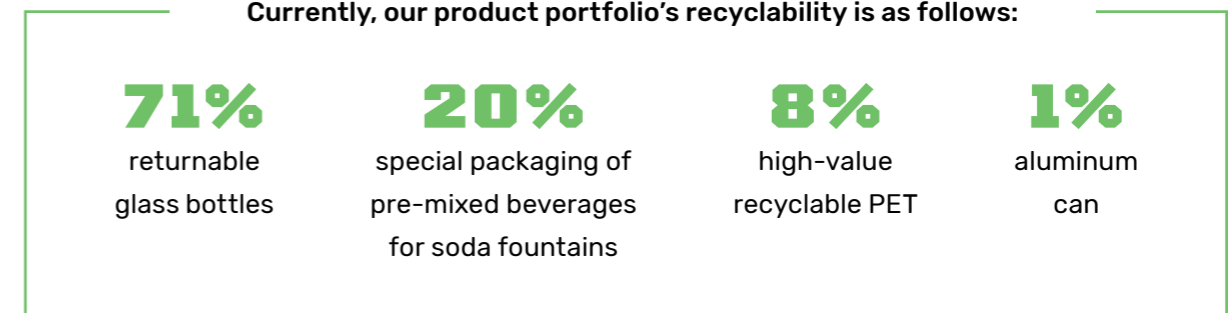


***We redoubled our efforts to find more ways to reuse discharged water before its treatment***

#### MATERIALS LIGHTWEIGHTING

The mindset of using and producing as minimal waste as possible also carries over to our product packaging. We act on this mindset by utilizing technological developments as well as training the workforce in resource conservation.

Currently, our product portfolio's recyclability is as follows:



Our Values Engineering unit plays a significant role on our War on Waste program. The unit works on reducing operations waste as well as designing 'lighter' product packaging for easier recyclability, all without compromising the durability of our packaging and quality of our products.

The materials lightweighting program is implemented across all plants. If a packaging specification changes, the change is readily applied on a national level. It is a collaborative effort to sort out the changes and apply it across the supply chain. Apart from regulatory compliance, the timeline of the rollout is also checked to ensure that changes have been applied by all plants.

**MATERIALS LIGHTWEIGHTING INVOLVES SEVERAL MATERIALS APART FROM PLASTIC**



We reduced glass bottle resin in our glass bottle production, consuming less energy and producing less wastage.



We reduced paper waste in our packaging, particularly in terms of distribution and shipment.



We removed the padding and reduced the thickness of the shrink film to reduce packaging waste.

**OUR MATERIALS LIGHTWEIGHTING EFFORTS HAVE BEEN ABLE TO MAKE CONSIDERABLE STRIDES SINCE 2014**

PACKAGING MATERIAL	2018 USAGE REDUCTION	2019 USAGE REDUCTION	2014-2019 USAGE REDUCTION
Plastic resin used in PET containers	38.3 MT	19.7 MT	863.4 MT
Glass material in glass bottles	1,040.4 MT	24.0 MT	6,467.5 MT
Carton material for packaging	68.95 MT	11.0 MT	921.35 MT

In 2019, PCPPI has successfully recycled 81 percent of in-plant solid waste, putting us right on track in reaching our 85 percent goal by 2020. We aim to achieve 100 percent recyclability in our packaging by 2025, as our commitment to PepsiCo's 2025 goals.

# WAR ON WASTE

Natural resources continue its drastic depletion due to uncontrolled production of non-biodegradable waste and improper waste disposal. To win this War on Waste, there is a need to unite and urge more companies, as well as the national government, to act now in order to preserve the natural resources for future generations. As one of the private corporations supporting the War on Waste initiative, PCPPI, guided by our sustainability framework, implemented initiatives and partnerships that address waste production and disposal.

Efficiency is a focus for PCPPI. All business units share the responsibility and commitment to reduce wastage. The assessment and dissemination of best practices has been easier since the establishment of the Sustainability Task Force. These best practices, along with training programs on resource conservation, are adopted by every plant to achieve operations efficiency. Additionally, the Sustainability Task Force developed a cohesive strategy on waste management and resource management that will be implemented across all plants. This strategy will be further discussed across the whole workforce come the sustainability summit.

In line with our commitments and targets, PCPPI has been progressively reducing our material usage and wastage, as well as placing emphasis on materials lightweighting through our Value Engineering unit since 2014. Our lightweighting initiatives include reducing plastic material used in PET bottles, and reducing glass material in our glass bottles, to improve recyclability as well as to consume less energy and wastage in production. Given our progress, and our new targets, we aim to achieve zero waste by 2030.

PCPPI has also been continuously developing waste management, recycling, and collection initiatives alongside partner organizations with the same goal of achieving zero waste. As a member of the PARMS, we have been addressing post-consumer waste through a joint recycling facility. Additionally, our partnerships with communities like Elsie Gaches upcycle our non-hazardous waste into water storage and irrigation systems for their indoor farming and greenhouses.



**BEYOND COMPLIANCE TO NEW REGULATION, PCPPI WILL ADOPT AND IMPLEMENT SUSTAINABLE PRACTICES THAT WORK FOR OUR OPERATIONS, AS WE CONTINUE TO INNOVATE TOWARD ZERO WASTE.**





## PLANT WASTE RECOVERY



Waste management is an integral function of PCPPI's internal material usage reduction initiatives. As we continue developing lighter packaging materials, there is a need to segregate waste that can be reused, recycled, or upcycled by our partner organizations, as well as waste that needs proper disposal.

### WASTE TRANSPORTATION

At PCPPI, we consciously strive to incorporate reusability and recyclability in operations. If material waste cannot be reused nor recycled, we ensure to follow the proper waste disposal depending on the type of waste.



**NON-HAZARDOUS WASTE** is audited by the vendor, transporter, and landfill manager, to ensure that any residual waste would go to the proper disposal facility. The same thing is done for the material waste assigned to partner communities for upcycling. This is to ensure that the waste is verified as a non-hazardous waste and that PCPPI practiced proper disposal.



**HAZARDOUS WASTE** requires more than audit for its transportation. PCPPI follows the transport, storage, and disposal (TSD) procedure in handling hazardous waste, commissioning a third-party provider accredited by the DENR as our transporter. We ensure that all permits are secured before transportation. Each movement of the hazardous waste requires a manifest form to document its whereabouts until it arrives at the treating facility. The treating facility in turn, issues a certificate of treatment and disposal. The transporter who handled its disposal reports to us of its transport completion. Within the month of the hazardous waste's transport, a report should be produced, with the manifesto, transport report, and certificate of treatment and disposal attached. This self-monitoring report is a regulatory requirement by DENR on a quarterly basis.

### SOLID WASTE

- 8,248,075.33 kg REUSABLE
- 2,0818,921.48 kg RESIDUALS/LANDFILLED
- 9,436,243.47 kg RECYCLABLE

### HAZARDOUS WASTE

- 19,699.60 kg TRANSPORTED
- 770 kg IN STORAGE



### MATERIALS RECOVERY FACILITY

Waste segregation from the source is made possible by our materials recovery facilities. Each plant has its own facility, completed during the first quarter of 2019. Guided by the R.A. 9003 or the Ecological Solid Waste Management Act, the materials recovery facility, apart from conducting proper segregation, allows for further segregation to cover more recyclable waste. From there, recovered solid waste can be sold to suppliers or can be reused either by PCPPI or by partner organizations or communities that can upcycle the recovered waste product.

### COLLABORATIONS AND ALLIANCES

Collaborations with organizations on our waste management efforts benefit both the Company and our partners. To further reduce the waste we dispose, we partnered with the following organizations:

For our non-hazardous waste, communities like Elsie Gaches upcycle our used carboys and drums for rainwater harvesting and planting needs. We also provided non-hazardous waste to the Bureau of Jail Management and Penology for upcycling as an income opportunity for the inmates.

For our hazardous waste, we signed a memorandum of agreement with ABS-CBN *Lingkod Kapamilya* as we turn over our hazardous waste to ABS-CBN's *Bantay Baterya*, *Bantay Langis*, and *Bantay Kalikasan* programs. Funds generated from our used batteries and oils will be used to contribute to *Lingkod Kapamilya's Bantay Kalikasan* projects.





Apart from waste management at the plant-level, PCPPI also has initiatives in waste recovery at a consumer level through our partnership with PARMS. We utilize a joint recycling facility to gather waste material that can be recycled. Once the waste is segregated, recyclable waste is then turned over to other partner organizations that can help upcycle the material into a useable product.

Through our *Bukluran* Councils, we have upcycled our PET bottles and transformed them into an item of value. In 2019, we were able to construct a greenhouse made of PET bottles and turned it over to Echague National High School in Cagayan Valley. We also donated 50 modified water sprinklers in Bacolod and 54 trash bins to the schools adopted by our Metro Operations Services (MOS), Modern Trade Office, Northern Luzon, Central Luzon, and Davao operations.

# SUPPLY CHAIN MANAGEMENT

## CHANGES IN THE SUPPLY CHAIN

As we pursue our commitment to drive efficiency and achieve excellence in operations, the Strategic Supply Chain and Operations (SSCO) function was established to realign the roles and responsibilities for a more strategic and integrated approach.

## SUPPLY CHAIN STRUCTURE

The SSCO department is composed of the following business units: Purchasing; Quality Assurance; Logistic Services; Engineering; Operations Excellence; Environment, Health, Safety, and Security; and Regulatory and Commercialization. The SSCO department also manages the integrated supply chain model adopted by PCPPI.

Supply planning is critical to ensure that the entire supply chain is attuned with our overall business direction, demand outlook, supply risks, and commercial viability.

### SUPPLIER RELATIONS

Our roster of suppliers provides us the raw materials and supplies we need in our products and operations. Our suppliers are constantly evaluated on their performance to ensure efficiency across the supply chain. We implement penalties or contract termination for poor performance and inappropriate conduct of business.

We follow a strict accreditation of potential suppliers to ensure that they are aligned with our Suppliers Code of Conduct and our P.E.P.S.I. values. We review and assess how they operate. The suppliers must demonstrate good business practices, uphold human rights and manage their environmental impact.

### SUPPLY PLANNING

PCPPI has adopted an integrated supply chain model that is managed by the SSCO. It involves Capacity and Production Planning, Sourcing and Resourcing Strategy, Inventory Planning and Management for both raw and packaging materials and finished goods. Supply planning is critical to ensure that the entire supply chain is attuned with our overall business direction, demand outlook, supply risks, and commercial viability. Our goal is to help in optimizing production and operation, reduce wastages and mitigate any impacts to customer service.

### LOGISTICS AND DISTRIBUTION

The integrated supply chain model enabled a clear distinction between the roles of Procurement, Manufacturing, and Logistics. Procurement handles the sourcing of raw materials, including strategic partnerships with the right vendors or suppliers. On the other hand, Logistics is responsible for the execution and movement of these materials, whether they are the raw materials or finished goods for transit to distributors. This distinction allows for a more focused, easier implementation of efficiency programs in transporting either materials or goods to their intended destination.

### PROCUREMENT

Procurement secures the needed manufacturing materials and engineering parts in a timely manner. It also manages the purchase of our concentrates. As concentrates account significantly in the Company's overall import, our Procurement team helps reduce its cost by prioritizing local purchase.

ACCOUNTS	LOCAL	IMPORT	TOTAL
With concentrate	52%	48%	100%
Without concentrate	81%	19%	100%



102-9, 102-10, 103-1, 103-2, 103-3, 204-1, 308-1, 414-1



# 2019 KEY EVENTS IN SUPPLY CHAIN MANAGEMENT

We demonstrated the resilience of our supply chain by effectively addressing the major challenges for the year, resulting in operational gains.



## ON-TIME DELIVERY DESPITE TRUCK BAN LIMITS

PCPPI experienced several challenges for 2019. One is the expanded implementation of the truck ban regulation in most major cities, hindering the movement of our products from plants to trade (such as distributors), as well as affecting our inventory deployment of products from the Manila area heading to our respective Visayas and Mindanao business units. Notably, 50 percent of our deliveries are directly sourced from our manufacturing plants while the remaining 50 percent are from distribution centers.

To address these operational concerns, we realigned our finished goods sourcing strategies while also setting SMART targets for 2019. The targets aim to strengthen our

service levels by improving service reliability and timeliness of completing inventory movements to respective distribution centers and customers across the Philippines. In 2018, we achieved 89 percent out of the 90 percent service level that we set out. To further improve, we initiated a robust strategy plan focusing on supply and inventory deployment.

For 2019, we implemented the M+1 model in our supply planning where we do an inventory forecasting one month in advance, to be able to supplement our inventory vis-à-vis projected business requirements. This is conducted particularly for our Visayas and Mindanao business units, since non-returnable products are sourced from Luzon.



## PROCESS ADJUSTMENTS, PACKAGING INNOVATIONS OFFSET TRAIN IMPACT

On the distribution side, we ensured that Metro Manila plant-based pick-up deliveries are using four-wheeler trucks, which are appropriate during truck ban hours. Meanwhile, we utilize high-capacity trucks allowed and approved by local transport regulations during non-truck ban hours. Deploying high-capacity trucks instead of low-capacity trucks for both short- and long-haul journeys is more economical and fuel-efficient in transporting our products from plants to the respective distribution centers and customers.

We also implemented the load density optimization program for our containerized shipments as part of our inter-island deployment strategy. This strategy allows for a higher load density while deploying fewer trucks on the road as part of our carbon footprint reduction. Through this program, we were able to gain a 15 percent increase in density per containerized shipments from Luzon to our Visayas and Mindanao business units without jeopardizing the safety and quality of our products.

The imposition of higher excise taxes on caloric and non-caloric sweeteners or beverages with high fructose corn syrup (HFCS), under the TRAIN Law, had a considerable impact on the beverage industry, PCPPI included. To adapt to this situation, PCPPI focused on rightsizing costs by optimizing processes, even in other areas of operations, and continuing our innovations to our packaging design by transitioning toward lighter material without jeopardizing product quality. This presented us the opportunity to be more mindful of our operations and processes and how it can affect the environment and consequently, the communities whom we engage.

Learning to adapt to the TRAIN law had a positive impact on PCPPI. We executed substantial cost control programs and initiatives, efficiency programs in our operations, and focused on delivering higher production volume across the supply chain. This is critical for PCPPI to compensate for the losses we may have incurred due to excise taxes. We constantly calibrate and align our initiatives to be at par with both regional and global standards.

## EFFICIENCY PROGRAMS IMPLEMENTED

Several efficiency programs were carried out in order to improve supply chain management. Some programs implemented in 2018 were assessed and revised to meet our SMART targets for 2019.



### RIGHTSIZED SOURCING STRATEGY

We realigned our inventory deployment strategy to reduce the impact in our FTH and manufacturing costs. Coming from 2018, we have established partnerships with 10 to 12 Tolling Operators that can support our business plan, leading to a 70-30 ratio where 70 percent of our non-returnable products is sourced internally, and 30 percent is outsourced. One of our core strategies as we rightsized our number of tolling partners is to optimize our STRO plant, which is our main production center for our 300mL pack size.

Another strategy that we successfully implemented is the increased capacity of our Muntinlupa plant to produce multi-serve pack size products for our carbonated soft drinks. As a result, our in-house vis-à-vis tolling ratio for 2019 is at 60-40 where 60 percent of our non-returnable products are sourced internally and 40 percent outsourced. We began these initiatives in our STRO and Muntinlupa plants. Year-on-year, we continue to improve and utilize the right equipment for all our plants to have the capability of internally producing our non-returnable products.

### DIRECT SHIPMENTS

Given our current distribution model wherein 50 percent is directly sourced from our plants while the remaining 50 percent come from distribution centers or sales offices, we further rationalize and identify partners that we can serve through our high-capacity trucks. Currently, we have 65 distribution centers and 12 plant-based distribution centers. For our customers that are inaccessible by high-capacity trucks, we cater to them through our existing distribution centers and sales offices. We also consider road restrictions, particularly the truck ban policy that affects our total distribution.

Part of PCPPI's three- to five-year roadmap is to develop a more robust distribution network design that will allow us to increase the number of customers that we can directly serve.

### MSME PARTNERSHIPS

We launched the Entrepreneurship Distribution System (EDS) as part of our inclusivity initiative. Partnering with PCPPI is easy. Local participants can easily sign up by tapping nearby distribution centers or plants or by approaching the local sales team. This created income opportunities for small to medium businesses. Our EDS route covers 380,000 outlets, creating 7,227 jobs in the program.



## BRINGING POSITIVE RESULTS



PCPPI's SMART target for 2019 was to achieve 90 percent efficiency in our service. Due to the improvements and programs we have implemented; we achieved a **93 percent efficiency** in our service levels.



Apart from efficiency, we invested **PHP100.3 million worth** in our sustainability efforts.



We were able to reduce the number of container vans deployed by **15 percent** through our efficiency methods and workarounds for the truck restrictions. This has greatly improved the load density of our transport movements, resulting to higher numbers of our products moved with fewer trucks on the road.



This reduction resulted to approximately **450MT decrease** in our carbon footprint across all plants.

103-2



# PCPPI'S FIRST NATIONAL LOGISTICS BOOT CAMP

Following the success of the EHSS Summit, the Logistics and Supply Planning unit conducted the Company's First National Logistics boot camp to set the tone of our five-year roadmap toward excellence. Held from August 27 to 30, 2019, the three-day bootcamp gathered all the frontline leaders of the Logistics and Supply planning from the Head Office and in all business units, to realign Logistics' pillars and to create a unified vision to guide our short- and long-term strategies as a fully integrated Logistics and Supply planning unit.

During the boot camp, the frontline leaders convened to set the five-year roadmap detailing the vision, priorities, roles and responsibilities, and realignment of key deliverables. Through the boot camp, the team identified untapped opportunities, progressions, and improvements that will allow PCPPI to achieve Logistics Excellence. Additionally, Logistics leaders were able to agree that standardization across all plants is a must. Standardized metrics was a key discussion during the event. Whether it be in transportation, distribution, warehousing, inventory, and planning, these metrics and KPIs set should be implemented and monitored for a robust supply chain management.

This set of standards are also passed on to future employees in Logistics. Apart from learning globally recognized best practices, innovations, solutions, and metrics, Logistics places great importance to the P.E.P.S.I. values. Applying the core values brings the right growth mindset not only to Logistics and Supply Planning, but also to PCPPI. Having the right strategy, the right people in the right jobs, and being equipped with enhanced processes and tools, Logistics is geared to support PCPPI's business objectives. Overall, SSCO aims to drive efficiency from production to trade by operating at optimal costs and free from environmental repercussions.



*PCPPI promotes integrated water management and solutions for local water needs*

WATER STEWARDSHIP WATER STEWARDSHIP WATER STEWARDSHIP



We place a high regard on our water resources. PCPPI practices efficient water usage and management in our operations to address the possibility of water scarcity. Our Water Stewardship pillar is composed of sustainability initiatives that focus on the implementation of integrated watershed management and access to safe water, sanitation, and hygiene while also promoting good consumer habits.

## POSITIVE WATER HABITS AT PCPPI

We continuously employ ways for our people to know the importance of water management. Through our *Luntiang Yaman* program, we improve our water withdrawal, usage and recovery practices to minimize our impact on our water resources. Our sustainability initiatives also aim to aid our partner communities have better access to water and improved sanitation and hygiene.

### TAKING ONLY WHAT WE NEED, WITH PERMISSION

PCPPI complies with water usage policies and laws. We work closely with the Department of Environment and Natural Resources - Environment Management Bureau (DENR-EMB) for compliance with policies and monitoring of our water bodies. The DENR-EMB encourages alliances between private companies, the local community, and the local government unit to address the worsening conditions of water bodies. PCPPI ensures that our water extraction from deepwells and water concessionaire are according to the National Water Resources Board's limits. PCPPI also complies with the Effluent Standards of the Philippine Clean Water Act (R.A. 9275), as we treat all plant effluents to meet the parameters for biochemical oxygen demand, oil and grease, total suspended solids, and pH level.

PCPPI also complies with the following: (1) Presidential Decree No. 1586 (PD 1586) or the Environmental Impact System, wherein major establishments are required to secure the Environmental Compliance Certificate from the DENR; (2) the Ecological Solid Waste Management Act (R.A. 9003) through our waste segregation, regular collection and disposal; (3) Preparation and Submission of Self-Monitoring Reports (DENR Administrative Order 2003-27), wherein monthly Self-Monitoring Reports are prepared and submitted to the DENR-EMB; and (4) compliance with the Sanitation Code of the Philippines (PD 856) given the facilities' current conditions.

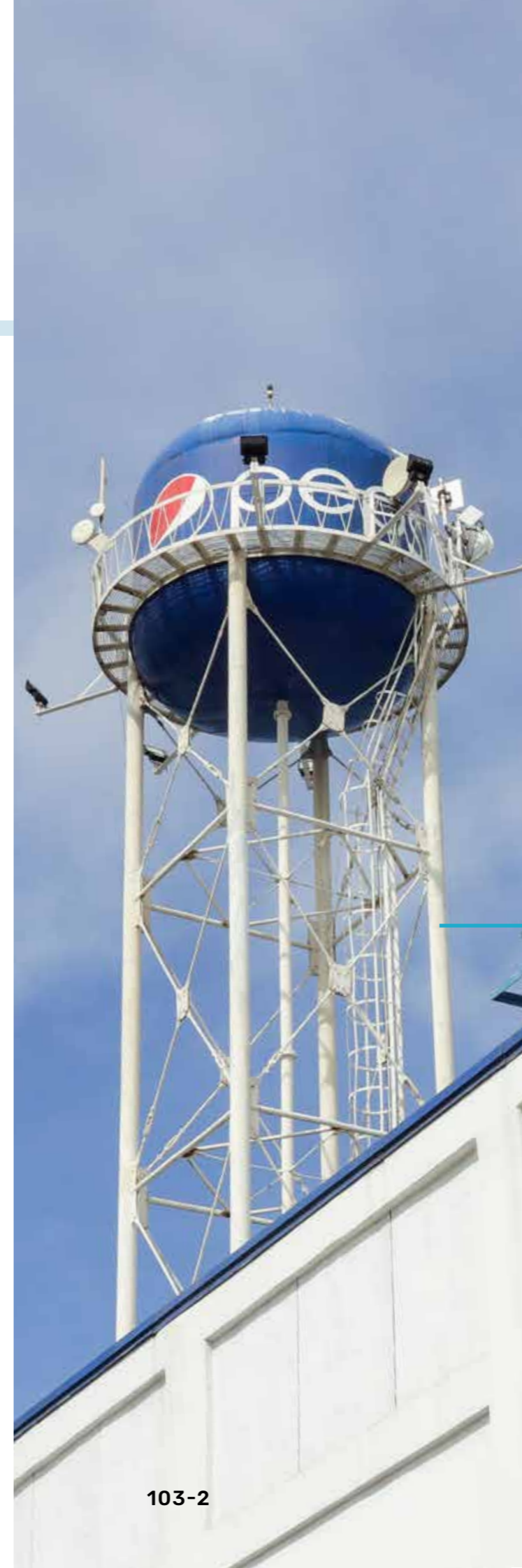
### USING WATER WISELY

We educate our employees on our water management initiatives. When it comes to minimizing our water usage, we do the following:

- Avoid or reduce water usage
- Reuse water
- Recycle used water

We have been continuously developing our recycling process and improving our water-saving initiatives under *Luntiang Yaman*. We rehabilitated our wastewater treatment plant in Zamboanga, and our treatment plant in Muntinlupa is currently undergoing an upgrade. We have also implemented four water recycling and reuse projects in collaboration with PepsiCo India. Other projects implemented in 2019 include the drainage system rehabilitation in all our plants, which entailed the separation of a storm drain to process the wastewater stream. These projects are further discussed in the *Luntiang Yaman* section of the report.

***PCPPI practices efficient water usage and management in our operations to address the possibility of water scarcity.***





# EMPLOYEE INITIATIVES

Employees, with the help of the Sustainability Task Force and the *Bukluran* Councils, have a better understanding of sustainability and how the Company's sustainability framework is applied in their daily operations. In 2019, PCPPI worked on conducting sustainability projects on a nationwide scale. This allowed for expanded coverage, with more employee volunteers participating in our sustainability initiatives. This allowed us to plan and execute projects with long-term benefits to our partner communities and the environment.



## INTERNATIONAL COASTAL CLEANUP

In 2019, we had our first nationwide participation in the International Coastal Cleanup (ICC), an event held country-wide in partnership with the DENR local units every third week of September. Our *Bukluran* Councils from different business units, together with our EHSS and Corporate Affairs, gathered 364 PCPPI bravehearts. These bravehearts were able to clean an estimated distance of five kilometers, picking up a total of 3,102 kilograms of trash that filled 242 trash bags.

## ADOPT - A - WATER BODY/ESTERO

We have been partnering with our host communities in keeping nearby waterways clean. Since 2013, we have been participating in the DENR-EMB's Adopt-an-Estero program. Led by the *Bukluran* Councils, we ensure the cleanliness of the adopted sites near our plants. We help monitor and conduct regular maintenance to ensure that these water bodies are kept clean for better water flow and water quality.

YEAR	PCPPI PLANT	ADOPTED WATER BODY
2013	San Fernando	Quebiawan Creek (500 m)
2014	Iloilo	Iloilo River Segment 4-Calajunan (100 m)
2015	Bacolod	Banago Creek
2017	San Fernando	Maimpis Creek (1 km)
	Davao	Wee Sin Yen Creek
	Batangas	Pantalan Puting Krus
	Cebu	Tulay Creek
2019	Zamboanga	Mercedes River

In 2019, we placed signages with guidelines on how to maintain the cleanliness of each site. With the aid of local government units, we also conducted information campaigns on proper waste disposal and the benefits of having clean waterways.







## WATER FOR PEACE IN MARAWI, A BEGINNING OF HOPE

PCPPI has been aiding Marawi in its recovery. Through the Water for Peace in Marawi program, PCPPI and the Philippine Disaster Resilience Foundation (PDRF) immediately responded and provided the communities with a clean, safe, and usable water source for their daily necessities. On March 22, 2019, in celebration of the United Nations' World Water Day, the Company and PDRF culminated the Water for Peace in Marawi through a groundbreaking event for the 50,000-liter water tank scheduled for turnover.

The project continues to provide displaced communities access to clean, safe, and usable water and water management training. In 2018, the program was able to provide seven 20,000-liter tanks to six transitional centers and 3,200-liter tanks each to 10 underserved schools. Communities and schoolchildren also attended WaSH training and seminar on hygiene and proper handwashing, sanitation, and water usage. This 2019, the promised 50,000-liter water tank was turned over to a recent, larger transitional village in development in Brgy. Rorogagus. The village was expected to house 1,000 families and 40,000 Internally Displaced People (IDPs). We continued our WaSH training programs for the children throughout the year with one held in celebration of World Water Day. WaSH training programs will continue in 2020.

As the project reaches its completion, PCPPI aims to provide the people of Marawi with a sustainable water source.

## PCPPI PARTICIPATES AT THE PBSP WATER ALLIANCE FORUM

Held at the Peninsula Manila, the PBSP Water Alliance Forum, titled "Climate Risks and Water Security: A Call for Action", was attended by almost a hundred stakeholders from businesses, government, academe, and non-governmental organizations. The forum discussed how climate change affects water access and availability. PCPPI, represented by Water and Energy Sustainability Manager Engr. Noel Melarpis, presented PCPPI's strategies in water efficiency, such as rainwater harvesting as well as the reduction and monitoring of water consumption in our buildings.



*The project continues to provide displaced communities access to clean, safe, and usable water and water management training.*

## SUSTAINABLE WATER SOURCES

We constantly look for solutions to potential issues that can affect PCPPI's water sources. One of which is the closure of our production wells. This situation led us to rely on one offsite water source, increasing the possibility of water shortages. The threat of exceeding groundwater extraction and potential aquifer contamination due to waste entering water bodies drives us to study sustainable water sources and how to protect these areas.

### CARING FOR THE WATERSHED

Since the closure of our production wells, PCPPI has been solely relying on Maynilad Water Services Inc. for the Muntinlupa plant's water requirements. Water shortage has been frequent given the demand in Metro Manila. Apart from practicing efficient water usage, we are also studying how watersheds can become a more sustainable water source solution.





# KEEPING SCORE

## CORPORATE GOVERNANCE

Our sustainability practice is underpinned by the P.E.P.S.I. values. PCPPI's approach to governance enables our company to effectively manage risks to the business, while optimizing our operations and addressing our stakeholders' needs and concerns. We commit to the principles of good governance, formalized in our Manual on Corporate Governance. The manual is accessible on our website: [https://pepsiphilippines.com/sites/default/files/Revised\\_Manual\\_on\\_Corporate\\_Governance\\_2017.pdf](https://pepsiphilippines.com/sites/default/files/Revised_Manual_on_Corporate_Governance_2017.pdf).

Our P.E.P.S.I. values influence how we work and how we engage with our stakeholders. By incorporating our values into our programs, we empower our employees and representatives to act with accountability while pursuing their own professional growth and individual goals. We value their feedback and recommendations, and encourage their active participation in the growth trajectory of PCPPI.

Our partners, service providers, suppliers, and contractors are also vital to our operations. Cultivating long-term relationships with them is important to us, hence we develop clear policies and programs to our mutual benefit.

### GENERAL POLICIES AND BEHAVIORAL GUIDELINES

We aim to give our employees an enabling working environment where they can develop as part of team PCPPI. We enjoy our employees to exemplify the P.E.P.S.I. values and orient them on the Company's policies and ethical standards when conducting business. For 2019, 100% of employees have received training conducted by the Human Resources team on new policies, including the policy on anti-graft and corruption, and the annual online refresher that includes statements on anti-graft.

As a general practice, the Company mandates training on the following corporate standards and policies:

- Code of Business Conduct and Ethics
  - Code of Conduct
  - Suppliers' Code of Conduct
- Anti-graft and Corruption Policy/ Gifts Policy
- Company Rules and Regulations

All employees are also familiarized with the conduct of due process for policy violators. In addition, they are made aware of the inclusion of relevant provisions on contracts with third parties as possible basis for the pre-termination of contract when not complied with.

### CODE OF BUSINESS CONDUCT AND ETHICS

PCPPI employees, officers, and directors follow the Company's Code of Business Conduct and Ethics. This includes provisions on conducting business and fair dealings, respecting trade secrets, and compliance with relevant laws and regulations that sustain the conditions for free competition in the market, prohibiting monopolies and restraint of trade. The Code of Business Conduct and Ethics can be viewed on our website: <https://pepsiphilippines.com/corporate-governance/code-business-conduct-and-ethics>

***We aim to give our employees an enabling working environment where they can develop as part of team PCPPI.***



## CODE OF CONDUCT

Our Code of Conduct, which applies to every PCPPI employee and consultant, explicitly states that the Company is “committed to the promotion of free enterprise” and that PCPPI’s management and employees “recognize the importance of laws which prohibit restraints of trade, predatory economic activities, and unfair or unethical business practices.” The Code of Conduct (COC) may be downloaded from our Company website: <https://pepsiphilippines.com/sites/default/files/COCBooklet.pdf>

Plant management committee members, Head Office personnel, and all employees holding positions that can directly influence company business decisions are asked to complete and regularly update a Statement of Outside Employment and Financial Interest.

Employees are mandated to renew their certifications yearly, in compliance with the Code of Conduct.

In 2019, PCPPI had a 100% completion rate for the refresher course on the COC and subsequent compliance certificates and integrity statements.

## SUPPLIERS’ CODE OF CONDUCT

In 2019, we rolled out our Suppliers’ Code of Conduct (COC), which is an enhancement and further development of the previous Compliance Guidelines for Suppliers. Apart from anti-corruption and bribery principles, the Suppliers’ Code of Conduct now includes Business Integrity and Ethical Standards, Human Rights and Labor Standards, Health and Safety, Quality and Food Safety, and Environmental Impact. The full text may be downloaded from our website: <https://bit.ly/2VBPkCB>.

On anti-corruption practices, the Suppliers’ COC explicitly states that third-party suppliers are expected to follow all applicable laws and regulations of the Philippines, including the Anti-Graft and Corrupt Practices Act (R.A. 3019). Additionally, suppliers are mandated to comply with trade sanctions and restrictions issued by recognized authorities across the world. In 2019, 100% of business partners were familiarized with the anti-corruption policies and procedures through the roll-out of the Suppliers’ Code of Conduct.

## ANTI-GRAFT AND CORRUPTION POLICY

PCPPI has a strict zero-tolerance policy on bribery and corruption. Penalties and restrictions are discussed in detail in our Code of Business Conduct and Ethics, Code of Conduct, and Suppliers’ Code of Conduct. Policy orientation and training are provided to all employees and suppliers. Violations to this policy may result to legal sanctions and penalties, as well as face criminal suits. In 2019, the training on anti-graft and corruption policy was incorporated in the COC refresher course. Further, our Sales Office Operations Managers underwent a more thorough anti-corruption training. The full text of the policy may be downloaded from our website: <https://pepsiphilippines.com/sites/default/files/OSH-EADM-HO-G-1110Anti-briberyandAnti-CorruptionPolicy.pdf>



### ZERO INCIDENTS

in which directors were removed or disciplined for corruption



### ZERO INCIDENTS

in which employees were dismissed or disciplined for corruption



### ZERO INCIDENTS

when contracts with business partners were terminated due to incidents of corruption



### ZERO PUBLIC LEGAL CASES

regarding corruption brought against the organization or its employees during the reporting period

## ENTERPRISE RISK MANAGEMENT SYSTEM

PCPPI implements a strong Enterprise Risk Management System to monitor and manage strategic, regulatory, operational, and financial risks. The system helps manage risks by identifying the best practices, controls, and processes to address the needs of the Company, in collaboration with internal departments and external stakeholders.

The Company follows corporate policies that uphold transparency, integrity, confidentiality, and a sense of fair play.

## CONFLICT OF INTEREST POLICY

All directors, officers, and employees must observe the highest degree of integrity and avoid any activity and interest that could influence, or appear to be influenced, by personal or family interests.

## INSIDER TRADING POLICY

Unless authorized or legally mandated, directors, senior management, and employees shall maintain and safeguard the confidentiality of any information entrusted by PCPPI and other parties with whom the Company relates. The prohibition is made in the interest of corporate governance and transparency, and applies to those insiders with direct access to unpublished information relating to PCPPI’s financial and operating results.



## RELATED PARTY TRANSACTIONS

Under this policy, related party transactions, including overlapping interests within PCPPI, and any material transaction involving such interests, shall be disclosed to the Board. Moreover, related party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the Corporation, its stockholders, creditors, policyholders, and claimants.

## MATERIAL RELATED PARTY TRANSACTIONS

To ensure that no shareholder is disadvantaged, we evaluate existing relations with counterparties on an ongoing basis, to ensure that all related parties are identified, and subsequent changes are captured and disclosed. PCPPI follows a Policy on Material Related Party Transactions, which may be read and downloaded in full on the Company website: <https://bit.ly/3a8l4gv>.

As a publicly listed company, we adhere to the Corporate Governance Guidelines for Listed Companies, including maintaining a robust internal audit and control system, and respecting and protecting the rights of stakeholders, particularly those that belong to the minority or non-controlling group.

## WHISTLEBLOWING POLICY

As an added safeguard, we encourage employees and other stakeholders to raise their concerns on any malpractice in the Company, so that appropriate corrective actions will be taken. We protect whistleblowers through our Whistleblowing Policy, ensuring that they voice their concerns through the SpeakUp Line without fear of victimization, subsequent discrimination, disadvantage, or dismissal.

# DATA PRIVACY AWARENESS

## AND COMPLIANCE MANAGEMENT PROGRAM

PCPPI's management and employees conduct business in accordance with relevant Philippine laws and regulations.

Information is currency, and we at PCPPI are ensuring that data security is embedded in our employees' everyday performance so that they know how to safeguard sensitive data, whether about PCPPI or their own personal information.

In 2018, we embarked on our Data Privacy Compliance Project with three aims: (1) to evaluate the data processing systems of the Company, (2) to conduct privacy impact assessment, and (3) to increase the awareness and compliance of the employees with the Data Privacy Act (R.A. 10173).

Since then, we have assessed and incorporated privacy practices in our systems, properties, and various business processes and technologies that collect, process, or store personal data. The Company guarantees that communications systems are secured and protected, and data cannot be extracted without the data owner's consent, in compliance with the Data Privacy Act (DPA).

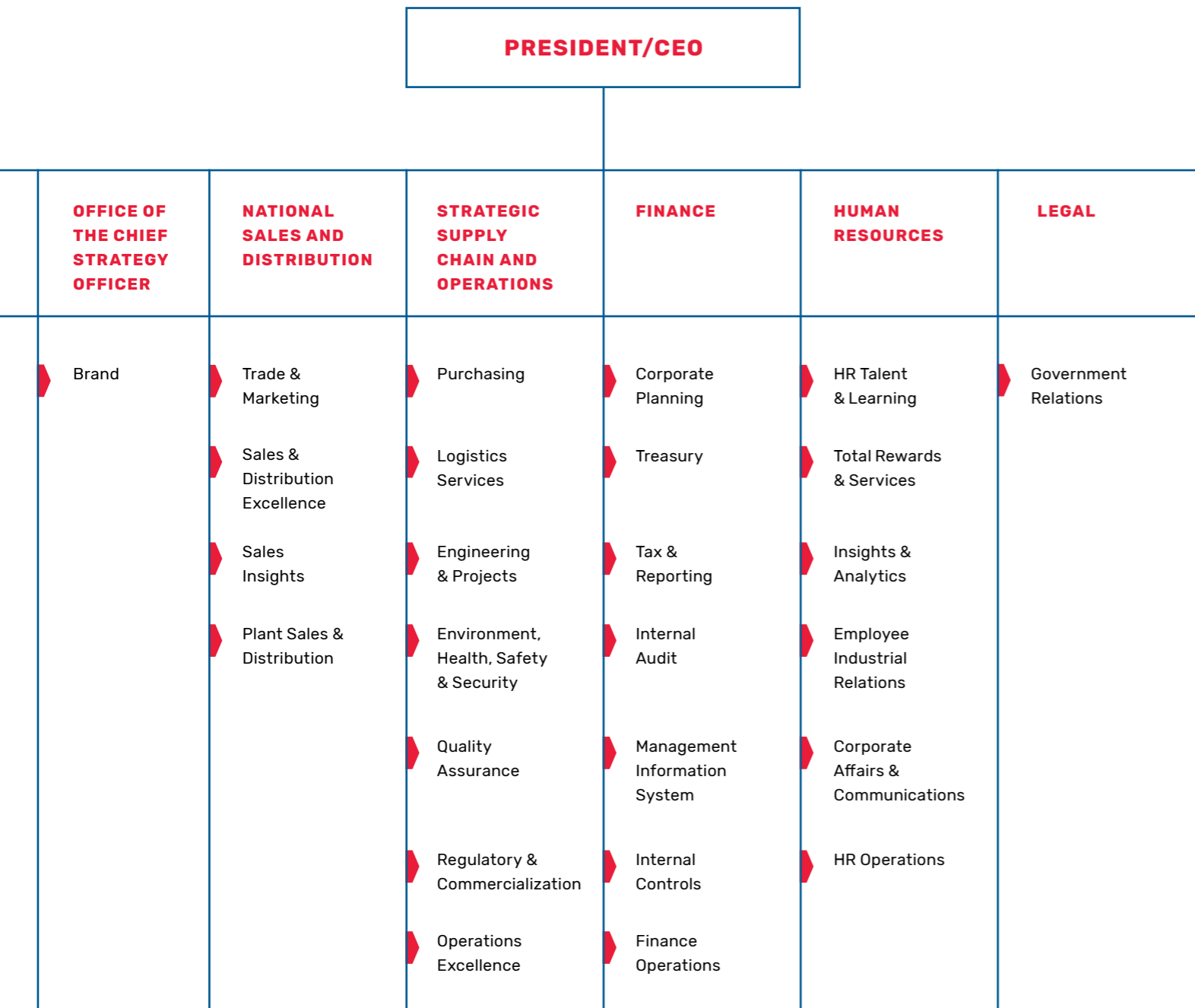
The Company has also established a Data Protection Office and appointed a Data Protection Officer who, with the aid of PricewaterhouseCoopers, did a privacy impact assessment in the Muntinlupa offices and plant. Armed with the data from the assessment, the Data Protection Office and Compliance team started training sessions for the Head Office personnel on October 11, 2019, followed by all manufacturing plant employees from October 15 to 17, 2019.

The training sessions discussed the DPA and PCPPI's privacy management programs and initiatives. They also highlighted the importance of data privacy and how it is a shared responsibility within the Company and when dealing with customers, suppliers, and partners. Consequently, our employees are now familiarized with their rights regarding information dissemination and privacy.



# GOVERNANCE STRUCTURE

# BOARD OF DIRECTORS



The Board of Directors (BOD, or “the Board”) is responsible for the proper and efficient implementation and monitoring of the Company’s operational, financial, and ethical performance.

The Board is tasked with aligning the mission and vision of the Company with strategic business objectives. It is the Board of Directors’ responsibility to foster PCPPI’s long-term success and secure our sustained competitiveness. As such, the Board is responsible for providing guidance on the Company’s major decisions, including expenditures.

The Board also oversees compliance with the Code of Business Conduct and Ethics and internal policies across the Company. Members of the Board and key officers attend corporate governance seminars and enhancement sessions—100% of the Board and key officers have attended seminars on corporate governance organized by the Corporation and administered by a third party.

Apart from corporate governance seminars, the Corporate Secretary and the Compliance Officer have also attended the annual SEC-PSE Corporate Governance Forum. Details are provided in the Company’s Integrated Annual Corporate Governance Report, which is publicly available (PSE Edge).





# BOARD COMPOSITION

The current Board is composed of nine members: five Executive Directors, two Non-Executive Directors, and two Independent Directors. Our Board has established and appointed members for the following committees:



**The Executive Committee** is composed of seven members: The Chief Executive Officer, the Chief Strategy Officer, the Chief Operating Officer, the Chief Financial Officer, and three regular directors. PepsiCo is entitled to nominate at least one member of the committee. Our Executive Committee is responsible for the review of the Company's financial and operating performance against the set targets, formulating prices, sales, and marketing strategies, as well as key decisions on organizational structure and people.



**The Nomination and Governance Committee** should be composed of at least three members, comprising a combination of Independent and Non-Executive Directors, including the Chairman of the said committee. It is tasked with assisting the Board in nominating and electing the Board's members, establishing a formal and transparent procedure in developing a policy for the remuneration of directors and officers, as well as assisting the Board with its corporate governance responsibilities in terms of compliance and proper observance of corporate governance principles, practices, and responsibilities.



**The Compensation and Remuneration Committee** is composed of four members, two of whom are Independent Directors. This Committee is tasked to ensure that the compensation of the BOD remains fair and competitive.



**The Audit Committee** is composed of at least three qualified, Independent and/or Non-Executive Directors, who help enhance the Board's oversight capability on the Corporation's financial reporting, internal controls, audit processes and regulatory compliance, risk management processes, and related party transactions.



PCPPI has appointed a compliance officer to help establish and promote a culture of integrity and transparency within the Company.

## OSCAR S. REYES

Chairman  
*Filipino*

## RAFAEL M. ALUNAN III

Vice-Chairman  
*Filipino*

## FREDERICK D. ONG

Chief Executive Officer  
*Filipino*

## YONGSANG YOU

Managing Director  
*Korean*

## TAE HYEON KIM

Non-Executive Director  
*Korean*

## YOUNGGOO LEE

Non-Executive Director  
*Korean*

## JAY BUCKLEY

Non-Executive Director  
*Australian*

## SAMIR MOUSSA

Non-Executive Director  
*Grenadian*

## PARINYA KITJATANAPAN

Non-Executive Director  
*Thai*

## ATTY. KRISTINE NINOTSCHKA L. EVANGELISTA

Corporate Secretary  
*Filipino*

## ATTY. JULIA PATRICIA C. HERRERA-LIM

Assistant Corporate Secretary  
*Filipino*

# MANAGEMENT COMMITTEE



**VISHAL MALIK**  
Senior Vice-President,  
Chief Financial Officer and  
Chief Audit Executive  
*Indian*

**FREDERICK D. ONG**  
President and Chief Executive Officer  
*Filipino*



**MA. VIVIAN A. CHEONG**  
Senior Vice-President for Human Resources,  
Corporate Affairs and Communications  
*Filipino*



**YONGSANG YOU**  
Managing Director  
*Korean*



**YOUNG DUK KANG**  
Senior Vice-President,  
Chief Strategy Officer, Compliance Officer  
and Data Protection Officer  
*Korean*

**JIN MAN KIM**  
Executive Vice-President for  
Strategic Supply Chain and Operations  
*Korean*



**ARISTEDES H. ALINDOGAN**  
Vice-President and  
Senior General Manager – Luzon 2  
*Filipino*



**DOMINGO F. ALMAZAN**  
Senior Vice-President for  
National Sales and Distribution  
*Filipino*



**LYNDON FERDINAND J. CUADRA**  
Vice-President and  
Senior General Manager – Visayas  
*Filipino*



# GOING FOR THE GOALS

Our commitment to becoming a responsible business is influenced by the Philippine Development Plan, NEDA Ambisyon 2040, and PepsiCo 2025 Sustainability Agenda. Our sustainability initiatives and programs also support the following SDGs:

## INCLUSIVE BUSINESS



8 DECENT WORK AND ECONOMIC GROWTH



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



## CIRCULAR ECONOMY



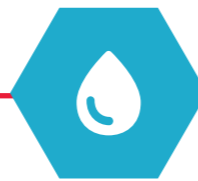
12 RESPONSIBLE CONSUMPTION AND PRODUCTION



17 PARTNERSHIPS FOR THE GOALS



## WATER STEWARDSHIP



6 CLEAN WATER AND SANITATION



3 GOOD HEALTH AND WELL-BEING



17 PARTNERSHIPS FOR THE GOALS



## PEPSICO 2025 SUSTAINABILITY AGENDA

- Improve operational water-use efficiency
- Design 100% of packaging to be recyclable, compostable, or biodegradable by 2025
- Promote a diverse and inclusive workplace

## UN SDGs



## PDP/ AMBISYON 2040

- Increase access to safe water
- Increase access to economic opportunities
- Accelerate human capital development
- Reduce vulnerability of individuals

## PCPPI Sustainability Framework

### SUSTAINABILITY MANIFESTO

Moving forward, we continue our commitment to run the business responsibly, helping the environment and our partner communities to thrive. Through our sustainability framework, we continue our sustainable operations by constantly improving our practices and utilizing new technologies.

With the establishment of our Sustainability Task Force, PCPPI has begun strategizing long-term solutions to obstacles that our type of business can address. Our efforts to improve our efficiency methods in operations are aligned with our year-on-year goals and PepsiCo's 2025 commitments.

**As one team, we now regard sustainability as a mindset we apply in our work.**

We aim to achieve greater impact in our programs and initiatives by empowering our employees nationwide to conduct our sustainability programs. PCPPI as one team does what is right for the business, all while creating a positive impact on society and the environment.

# GRI CONTENT INDEX

STANDARD	DISCLOSURE	PAGE	DIRECT ANSWER	
<b>GRI 101: FOUNDATION 2016</b>				
<b>GRI 102: GENERAL DISCLOSURES 2016</b>				
<b>Organizational Profile</b>	102-1	Name of the organization	2, 4	
	102-2	Activities, brands, products, and services	4	
	102-3	Location of headquarters	3	
	102-4	Location of operations	5	
	102-5	Ownership and legal form	4	
	102-6	Markets served	5	
	102-7	Scale of the organization	5, 25	
	102-8	Information on employees and other workers	5, 34	
	102-9	Supply chain	66-67	
	102-10	Significant changes to the organization and its supply chain	66-67	
	102-11	Precautionary Principle or approach		We abide by all applicable environmental laws and regulations. We will continue to implement programs that improve management of our environmental impact in line with our goal of being a sustainable business.
	102-12	External initiatives	8	
	102-13	Membership of associations	7	
<b>Strategy</b>	102-14	Statement from senior decision-maker	16, 19, 22	

STANDARD	DISCLOSURE	PAGE	DIRECT ANSWER	
<b>GRI 102: GENERAL DISCLOSURES 2016</b>				
<b>Ethics and Integrity</b>	102-16	Values, principles, standards, and norms of behavior	6	
<b>Governance</b>	102-18	Governance structure	86	
<b>Stakeholder Engagement</b>	102-20	Executive-level responsibility for economic, environmental, and social topics	12	
	102-40	List of stakeholder groups	13	
	102-42	Identifying and selecting stakeholders	12-13	
	102-43	Approach to stakeholder engagement	12-13	
102-44	Key topics and concerns raised	13		
<b>Reporting Practice</b>	102-45	Entities included in the consolidated financial statements		Pepsi-Cola Products Philippines, Inc. The Company does not have any parent company, joint venture arrangement, and any subsidiary.
	102-46	Defining report content and topic Boundaries	11, 15	
	102-47	List of material topics	15	
	102-48	Restatements of information		None.
	102-49	Changes in reporting		This is the first time that PCPPI is using GRI Standards.
	102-50	Reporting period	3	
	102-51	Date of most recent report	3	
	102-52	Reporting cycle	3	
	102-53	Contact point for questions regarding the report	3	
	102-54	Claims of reporting in accordance with the GRI Standards	3	
	102-55	GRI content index	94-103	
	102-56	External assurance		This report did not undergo external assurance.



STANDARD	DISCLOSURE		PAGE	DIRECT ANSWER
<b>GRI 200: ECONOMIC STANDARDS SERIES 2016</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	25, 80	
	103-2	The management approach and its components	68-69, 70-72, 80-81	
	103-3	Evaluation of the management approach	84	
<b>GRI 201: Economic Performance 2016</b>	201-1	Direct economic value generated and distributed	24-26	
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1	Infrastructure investments and services supported	55	
	203-2	Significant indirect economic impacts	27, 33, 46-48, 65-66	
<b>GRI 204: Procurement Practices 2016</b>	204-1	Proportion of spending on local suppliers	67	
<b>GRI 205: Anti-corruption 2016</b>	205-2	Communication and training about anti-corruption policies and procedures	81-82	
	205-3	Confirmed incidents of corruption and actions taken	83	
<b>GRI 206: Anti-competitive behavior 2016</b>	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	82	PCPPI adheres to the Philippine Competition Act (R.A. 10667), the Revised Corporation Code of the Philippines, and the Securities Regulation Code (R.A. 8799).

STANDARD	DISCLOSURE		PAGE	DIRECT ANSWER
<b>GRI 300: ENVIRONMENTAL STANDARDS SERIES 2016</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	50-51, 74	
	103-2	The management approach and its components	50-52, 54-55, 57, 59, 61-65, 74-76	
		Evaluation of the management approach	54, 74	
	<b>GRI 301: Materials 2016</b>	301-2	Recycled input materials used	27, 62
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organization	52	
<b>GRI 303: Water 2016</b>	303-3	Water recycled and reused	60-61	
<b>GRI 305: Emissions 2016</b>	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		PCPPI's air emissions include: <ul style="list-style-type: none"> <li>● Nitrogen Oxides (NOx): 31,074.38 kg</li> <li>● Sulfur Oxides (SOx): 175,785.04 kg</li> <li>● Particulate Matter (PM): 18,303.49 kg</li> </ul> Currently, PCPPI is not tracking GHG emissions.
<b>GRI 306: Effluents and Waste 2016</b>	306-2	Waste by type and disposal method	64-65	
	306-4	Transport of hazardous waste	64-65	
<b>GRI 307: Environmental Compliance 2016</b>	307-1	Non-compliance with environmental laws and regulations	58	
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1	New suppliers that were screened using environmental criteria	67, 82	Since 2019, all new suppliers are expected to comply with environmental regulations, to have a clear and publicly available environmental policy statement and education campaign for its employees, and to set targets and implement action plans for reducing their environmental impacts.

STANDARD	DISCLOSURE	PAGE	DIRECT ANSWER
<b>GRI 300: ENVIRONMENTAL STANDARDS SERIES 2018</b>			
<b>GRI 303: Water and Effluents 2018</b>	303-2	Management of water discharge-related impacts	61
	303-4	Water discharge	PCPPI's total volume discharge is at 1,606,664.62 cubic meters
	303-5	Water consumption	58



STANDARD	DISCLOSURE	PAGE	DIRECT ANSWER
<b>GRI 400: SOCIAL STANDARDS SERIES 2016</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	34, 40, 42, 44-45, 48, 78
	103-2	The management approach and its components	37-46, 72, 77-78
	103-3	Evaluation of the management approach	45
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	35
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	36
	401-3	Parental leave	In 2019, 71% of 3,304 employees were entitled to this benefit; 5.9% of them availed. Among the employees who availed of parental leave, majority returned to work as scheduled and remain in the Company. Return to work/retention rates in all but three BUs were 100%, with the other three being 65%, 71%, and 75% respectively.
<b>GRI 402: Labor/Management Relations 2016</b>	402-1	Minimum notice periods regarding operational changes	None.
<b>GRI 404: Training and Education 2016</b>	404-1	Average hours of training per year per employee	37
	404-3	Percentage of employees receiving regular performance and career development reviews	100% of employees receive regular performance and career development reviews. However, this excludes rank-and-file employees who are covered by Collective Bargaining Agreements (CBAs).
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	Diversity of governance bodies and employees	34



STANDARD	DISCLOSURE	PAGE	DIRECT ANSWER
<b>GRI 400: SOCIAL STANDARDS SERIES 2016</b>			
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor		None.
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		None.
<b>GRI 412: Human Rights Assessment 2016</b>	412-2 Employee training on human rights policies or procedures	82	Code of Conduct training
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		Violations against human rights are prohibited in the Suppliers' Code of Conduct. Other prohibitions include forced labor and child labor
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	27, 46-47, 76-77, 79	
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	67, 82	
<b>GRI 416: Customer Health and Safety 2016</b>	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		There were 26 substantiated complaints for the reporting period, four of which were resolved in 2019.
<b>GRI 417: Marketing and Labeling 2016</b>	417-2 Incidents of non-compliance concerning product and service information and labeling		None.
<b>GRI 419: Socioeconomic Compliance 2016</b>	419-1 Non-compliance with laws and regulations in the social and economic area		None.

STANDARD	DISCLOSURE	PAGE	DIRECT ANSWER
<b>GRI 400: SOCIAL STANDARDS SERIES 2018</b>			
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	44	PCPPI has a system for Occupational Safety and Health (OSH), in accordance with national law (R.A. 11058). The system encompasses both employees and workers. Management has the ultimate responsibility for Health and Safety, but OSH personnel are deployed to take charge of the overall management in their respective workplaces.
	403-2 Hazard identification, risk assessment, and incident investigation	44	PCPPI takes Work Environment Measurements of the factors/ parameters that may affect environmental health in the workplace, such as air pollutant, illumination, noise level, ventilation, temperature, humidity, and total nuisance dust. Any non-conformance on the standards may lead to health and safety issues. As such, PCPPI takes action to correct any non-compliance, following the hierarchy of controls: Elimination, Substitution, Engineering Control, Administrative Control, and Personal Protective Equipment (PPE).
	403-3 Occupational health services		Each PCPPI plant maintains a clinic on-site, which is manned by medical professionals, such as Occupational Physicians, Dentists, and Nurses.

STANDARD	DISCLOSURE	PAGE	DIRECT ANSWER	
<b>GRI 400: SOCIAL STANDARDS SERIES 2018</b>				
<b>GRI 403: Occupational Health and Safety 2018</b>	403-4	Worker participation, consultation, and communication on occupational health and safety	44	PCPPI hires EHS personnel safety practitioners, including Pollution Control Officers (PCOs, one at each plant), and various engineers and laboratory technologists that manage the maintenance risks associated with plant/laboratory equipment and functions. A regular review meeting is conducted to discuss any concerns. Each plant could have their review during the EHS Committee meeting or the plant management review meeting. There is also a national review meeting which consolidates the total performance of the plant on Health and Safety, and where it is determined if any action is required to address particular concerns.
	403-5	Worker training on occupational health and safety	44	PCPPI rolled out mandatory training for OSH in all its plants. Additionally, resources were committed to ensure that the Company is able to provide emergency response equipment (such as self-contained breathing apparatus, fireman's suit, lockout/tagout equipment and scaffolding). Corresponding training was also given for the proper use of the equipment. The equipment allows PCPPI plants to implement safety permit systems.

STANDARD	DISCLOSURE	PAGE	DIRECT ANSWER	
<b>GRI 400: SOCIAL STANDARDS SERIES 2018</b>				
<b>GRI 403: Occupational Health and Safety 2018</b>	403-6	Promotion of worker health	45	PCPPI has the following policies and guidelines: <ul style="list-style-type: none"> <li>● PCPPI HIV-AIDS Workplace Policy &amp; Program</li> <li>● PCPPI Alcohol-Free Workplace Policy</li> <li>● PCPPI Drug-Free Workplace Policy</li> <li>● PCPPI Smoke-Free Workplace Policy</li> <li>● PCPPI Workplace Policy on Hepatitis B</li> <li>● PCPPI Tuberculosis (TB) Prevention and Control Policy</li> <li>● PCPPI Guidelines on SARS Prevention and Control at the Workplace</li> <li>● Safety and Health Measures to Prevent and Control Heat Stress at the Workplace</li> <li>● Guidelines on Prolonged Standing and Sitting at the Workplace</li> </ul> All of which may be downloaded in full at the Company website: <a href="https://pepsiphilippines.com/corporate-governance/other-policies">https://pepsiphilippines.com/corporate-governance/other-policies</a> . The on-site clinic is accessible to employees and workers seeking medical attention or advice.
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	44	The Company's OSH policy is not limited within the organization. PCPPI expects its suppliers to proactively manage health and safety risks by establishing a health policy of their own and implementing management systems and controls, as indicated in its Suppliers' Code of Conduct.
	403-8	Workers covered by an occupational health and safety management system		PCPPI rolled out mandatory OSH training in all plants. All employees and workers are covered by the OSH management system.
	403-9	Work-related injuries	44	
	403-10	Work-related ill health	44	



# CORPORATE INFORMATION

## **CORPORATE ADDRESS**

Pepsi-Cola Products Philippines, Inc.  
Km. 29 National Road, Tunasan,  
Muntinlupa City 1773 Metro Manila  
Trunkline: 888-PEPSI (73774)  
Website: [www.pepsiphilippines.com](http://www.pepsiphilippines.com)

## **STOCK TRANSFER AGENT**

Stock Transfer Service, Inc.

## **INVESTOR RELATIONS**

Vishal Malik  
Chief Financial Officer and Chief Audit Executive

Ma. Vivian A. Cheong  
Senior Vice President for Human Resources,  
Corporate Affairs and Communications

Aljon Valdenibro  
Communications Specialist

## **STOCK CODE**

Philippine Stock Exchange - PIP

## **EDITORIAL AND DESIGN**

Drink Sustainability Communications  
[www.drinkph.com](http://www.drinkph.com)

## **PHOTOGRAPHER**

Blessing Photography



Pepsi-Cola Products Philippines, Inc.  
Km. 29 National Road, Tunasan,  
Muntinlupa City 1773 Metro Manila

[www.pepsiphilippines.com](http://www.pepsiphilippines.com)