

**Re: California Transparency in Supply Chains Act (SB 567)**

On January 1, 2012, the California Transparency in Supply Chains Act of 2010 (SB 657) (“Act”) went into effect in the State of California. The Act seeks the elimination of slavery and human trafficking from product supply chains and requires that companies disclose their efforts to ensure that their supply chains are free from slavery and human trafficking.

To this end, Dr Pepper Snapple Group (“DPSG”), on behalf of its operating entities, supports the corporate codes of practice set forth by the Ethical Trading Initiative (“ETI”), implementing human rights, ethical labor practices, and environmental protection standards. These are available at [www.ethicaltrade.org](http://www.ethicaltrade.org). Our Ethical Sourcing Code of Conduct is modeled after the ETI standards, a copy of which can be found under the Ethical Sourcing link at <http://www.drpeppersnapplegroup.com/values/sustainability/>. Both the ETI and our Ethical Sourcing Code of Conduct require that employment is freely chosen and not forced in addition to other similar commitments to help to ensure that our suppliers are not engaging in forced or child labor.

As a responsible corporate citizen, we seek to ensure that quality and safety standards are maintained throughout our direct material supply chain by well-treated, fairly compensated workers in accordance with all applicable laws. We conscientiously integrate the standards and commitments of the ETI into the way we run our businesses to address such concerns and have undertaken the following efforts to help to ensure and verify slavery and human trafficking are not occurring in our supply chain:

**Verification/Acknowledgment of Standards:** We are committed to fair labor practices within our direct material supply chain and expect the same of our suppliers.

During the risk assessment process, the first step in this process was the segmentation and identification of our direct material suppliers into low-, medium- and high-risk categories based on our knowledge of their industries and country of origin. Every two years, DPSG updates the UL-RS Country Risk Index to assess country-level risk of suppliers in order to re-evaluate the risk level of supplier and to determine if additional actions are needed in order to ensure commitment to our Ethical Sourcing program.

Verification of commitment to our Code of Conduct for existing or new suppliers is done by executing any of the following processes:

- Suppliers must execute and return a copy of the Code of Conduct; or
- Suppliers must executed and return the Terms of Business; or

- If a supplier is utilizing the Sedex (Supplier Ethical Data Exchange) system, the supplier must complete the ethical sourcing self-assessment questionnaire (SAQ). The SAQ overall completion should be 100%. If the Risk Assessment Score is High, we would require a third party audit to determine compliance; or
- If the supplier engages in any practice that is inconsistent with the DPSG Code of Conduct and/or with our Terms of Business, the supplier must submit to DPSG a request to acknowledge the inconsistency. Such request is not an indication of DPSG's consent. Any inconsistency with the Code of Conduct must be approved by the Procurement Director and the Legal Department.
- DPSG may conduct random audits of suppliers who have acknowledged commitment to our Code of Conduct and are considered high risk suppliers.

**Supplier Audits:** In addition, we review our direct material supplier base and assess all potential suppliers to determine the level of risk associated with each one with respect to compliance with our Ethical Code of Conduct.

As stated in our Corporate Sustainability report, we will conduct annual third-party risk assessments of all suppliers and audit any high-risk suppliers to ensure full compliance with our Ethical Sourcing Code of Conduct. Our progress is updated annually and can be reviewed in our Corporate Sustainability Report located on our corporate website, [www.drpeppersnapple.com](http://www.drpeppersnapple.com).

With respect to audits, our process includes the audit of our high-risk suppliers. While high-risk suppliers make up a low percentage of our total direct supplier base, it is these suppliers that we intend to focus on in order to ensure compliance with our standards. Whether it is through supplier acceptance of our Ethical Sourcing Code of Conduct, participation in the Supplier Ethical Data Exchange, and/or on-site audits, we are holding our high-risk suppliers accountable.

Audits will be undertaken internally, by DPSG personnel, as well as externally by third party auditors and through Sedex membership audit submissions. In most cases the audits will be announced.

If we believe that a supplier is not in compliance with our standards with respect to our Ethical Sourcing Code of Conduct, which includes the elimination of slavery and human trafficking, we will provide such supplier with the opportunity to remedy any potential non-compliance through the implementation of a corrective action plan and we will conduct a subsequent audit. Should the supplier continue to fail to meet our standards, we will seek to eliminate such supplier from our supply chain.

**Certification:** In order to ensure awareness amongst our direct material suppliers with respect to the requirements in our Ethical Sourcing Code of Conduct, including those prohibiting slavery and human trafficking, we include a clause in the commercial agreements governing our contractual relationship with suppliers of direct materials, which stipulates that our suppliers must abide by our Ethical Code of Conduct. The commercial agreement clause reads:

“We support the corporate codes of practice set forth by the Ethical Trading Initiative (“ETI”), implementing human rights, ethical labor practices, and environmental protection standards.

These are available at <http://www.drpeppersnapplegroup.com/values/sustainability/ethical-sourcing/> and are incorporated herein by reference. We conscientiously integrate these standards and commitments into the way we run our businesses globally to address such concerns. We require that suppliers represent and warrant that they will review and adhere to these Ethical Trading Initiative policies in order to achieve the highest ethical and environmental standards and social responsibility in their business practices and production supplies. Additionally, we require that suppliers undertake an audit of their facilities through an auditor approved by us and report all audit conclusions and recommendations to us within ten (10) days following any audit.”

**Internal Accountability:** Every year all employees are required to acknowledge and adhere to our Business Code of Conduct & Ethics. The Code includes the requirement to comply with all laws in all places where DPSG does business and a violation of the Code may result in penalties including termination.

**Training:** DPSG partners with third party providers to develop and maintain a robust process to allow us to identify and help reduce or eliminate risk of non-compliance with our Ethical Sourcing Code of Conduct.

We train employees from Supply Chain Procurement and those of Broadband 6 and higher in supply chain management, to identify and respond to supply chain risk issues such as forced or child labor as part of our procurement process. Training is provided on-line through DPS Campus and tracking is included. Team leaders were initially trained in 2011 and training is updated regularly.

DPSG believes that the elements of this approach will help prevent human trafficking and slavery within our direct material supply chain.