



## ACTION REQUIRED with Confidential Attachment

### Soft-Drink Sponsorship Agreement

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| <b>Date:</b>                               | December 5, 2014   |
| <b>To:</b>                                 | Executive Committee  |
| <b>From:</b>                               | Dianne Young, Chief Executive Officer, Exhibition Place  |
| <b>Wards:</b>                              | NA   |
| <b>Reason for Confidential Information</b> | This report involves the security of the property belonging to the City or one of its agencies, boards and commissions |

### SUMMARY

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This report recommends a five-year agreement between the Board of Governors of Exhibition Place and Pepsico Beverages Canada Ltd. (Pepsico) to be the official and exclusive soft drink provider to Exhibition Place (including the Direct Energy Centre).

### RECOMMENDATIONS

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It is recommended that City Council authorize the Board:

- 1) To enter into an agreement with Pepsico for a period of five years, commencing on the date of approval of City Council, to be the official and exclusive soft drink provider to Exhibition Place, including Direct Energy Centre, on the terms and conditions set out in this report and such other terms and conditions as may be satisfactory to the Chief Executive Officer and the City Solicitor; and
- 2) Direct that the confidential information contained in Attachment 1 to this report not be released publicly given involves the security of the property belonging to the City or one of its agencies, boards and commissions.

### Financial Impact

Financial implications of this sponsorship agreement will be a positive cash contribution as set out in the Confidential Attachment reflecting a sponsorship fee, commissions and contributions' for marketing and promotions.

## **DECISION HISTORY**

At its meeting of September 10, 2014, the Board approved an extension to the existing Coca-Cola Sponsorship Agreement for a nine month period from April 1, 2014 to December 31, 2014.

At its meeting of December 1, 2014, the Board approved, subject to the approval of City Council, authorized staff to enter into an agreement with Pepsico for a five-year period.

## **ISSUE BACKGROUND**

The existing sponsorship agreement with Coca-Cola Bottling Ltd. is set to expire on December 31, 2014.

## **COMMENTS**

Exhibition Place has had for decades a sponsorship arrangement with a soft drink supplier. Given the imminent expiry of the current soft drink sponsorship, an RFP was issued to major suppliers in the soft drink category in November (Pepsico Beverages Canada Ltd., Coca-Cola Bottling Ltd., Dr. Pepper Snapple Group and Cott Beverages) with a closing date of November 28, 2014. Both Dr. Pepper Snapple Group and Cott Beverages chose not to submit a proposal and submissions were received from Pepsico and Coca-Cola Bottling Ltd. The RFP that was issued also contained a draft agreement that took into account the requirements of Exhibition Place and Direct Energy Centre and is the basis for the substantial terms and conditions set out below.

After reviewing both bids, this report recommends Pepsico as the exclusive soft drink provider being the best financial return to the Board. At its meeting, the Board raised questions on the environmental program of Pepsico and its fit with the Exhibition Place Environmental Plan. The Sustainability Platform for Pepsico's is outlined in Appendix A this report and as a company Pepsico has set and been recognized for its sustainable endeavors / practices.

The proposed sponsorship agreement provides Pepsico with the right to be the sole distributor of certain soft drink products on the Exhibition Place grounds in return for payment of a sponsorship fee as provided in the Confidential Appendix. The substantive terms of the proposed agreement are listed below and in the Confidential Attachment. These terms are very similar to ones in previous soft drink sponsorship agreements.

- a. Term: 5 years term commencing on the date City Council approves in early 2015.
- b. Exclusive Rights: Pepsico shall have the exclusive right to be the soft drink provider to Exhibition Place, including Direct Energy Centre, but excluding the periods of the Toronto 2015 PanAm/Parapan Am Games, 2016 NBA AllStar Jam Session (and both their associated events), Honda Indy, Royal Agricultural Winter Fair, CNEA and CHIN Picnic events and excluding Ricoh Coliseum and BMO Field.
- c. Locations of FSV Machines: The parties shall agree to allow Pepsico to place 12 FSV Machines across the grounds on a permanent basis, subject to relocation in the case of event requirements or development of the grounds, at the request of the Board, acting reasonably, to such location as may be agreed. Additional FSV

locations may be considered, the number and location of which will be mutually agreed upon and subject to Board approval. Pepsico will be fully responsible for all costs associated with the installation, maintenance, repair, replacement, and removal of all existing and new FSV Machines.

- d. Pricing: Overall product pricing levels for the year 2015 and beyond will be based on 3% annual increases.
- e. Audited Year-End Reports: Pepsico shall provide the Board with an annual audited statement, in form and content satisfactory to the Chief Executive Officer, of all revenues earned and commissions owing under the agreement to be submitted with the payment of the percentage commission.
- f. Right of Audit: The Board, at its discretion, shall be entitled to audit the sales records to be kept in Toronto, of Pepsico operations at Exhibition Place at any time during the term of the agreement and up to three (3) years thereafter.
- g. Union Agreements: Pepsico shall comply with all agreements in force between the Board and any union or association with respect to Exhibition Place.
- h. Assignment: The agreement between the Board and Pepsico shall not be assigned by either party without the consent of the other party, not to be unreasonably withheld.
- i. Taxes: Pepsico shall be responsible for the payment of any and all rates, taxes, or assessments with respect to the location and operation of the machines, which are imposed upon the Board or Pepsico by any taxing authority having jurisdiction.
- j. Insurance/Indemnity: Pepsico shall provide proof of insurance in a form and amount satisfactory to the Board and containing provisions including the Board of Governors of Exhibition Place and the City of Toronto, as additional insured with a cross liability/severability of interest clause of standard wording. Insurance shall be primary before any insurance held by the additional insured and the Board shall be entitled to thirty days' notice of any intention to cancel or not to renew the policy. Pepsico shall indemnify the Board of Governors of Exhibition Place and the City of Toronto, and their respective elected and appointed officials, directors, officers, employees and agents, with respect to any and all liability arising from any damage or injury as a result of the acts or omissions of Pepsico, or its employees or any other person for whom it is in law responsible, in the exercise of its rights under the agreement.

## **CONTACT**

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Dianne Young  
Chief Executive Officer

## **ATTACHMENTS**

Appendix A – Pepsico Sustainability Program  
Confidential Attachment 1 – Soft-Drink Sponsorship Agreement

## Appendix A – Pepsico Sustainability Platform

PepsiCo was listed as one of the top 50 most socially-responsible corporations in Canada by Maclean's magazine. Their corporate vision is "to continually improve all aspects of the world in which (they) operate – environmental, social, economic – creating a better tomorrow for future generations."

They have identified three key areas of focus for their sustainability platform: reduction in water use; reduction of electricity use; and energy conservation through reduction of fuel use. They have been successful in making significant reductions each year in each area, and have made aggressive targets for the coming year where they will strive for a 20% reduction in both water and electricity use, and a 25% reduction in fuel consumption.

All equipment that will be supplied to Exhibition Place is Energy Star rated, and is 54% more efficient than other models and 100% more efficient than what is currently in place. PepsiCo uses recycled PET containers, which compared to glass containers, generate 60% less greenhouse gases, and 25% less waste water. Bottles are now manufactured on-site in their plants (including their Toronto plant), offering significantly less environmental impact than having them produced elsewhere and shipped to their plants. By doing this, PepsiCo has saved 10 million litres of fuel and 6 million litres of water and significantly reduced their carbon footprint. The weight of new bottles is 29% less than previous bottles used, resulting in reductions in fuel costs. Their containers are made from 41% recycled content. PepsiCo is the only company with a biodegradable bottle.

The Ethisphere Institute recently named PepsiCo to its 2013 World's Most Ethical (WME) Companies ranking. The designation recognizes companies that go beyond making statements about doing business ethically and translate those words into action. Since the list's inception in 2007, PepsiCo is the only company in the food and beverage sector -- and one of 15 companies overall -- that has made the list all seven years.



During the last two years PepsiCo has doubled their use of renewable energy in North American beverage manufacturing sites and now have the 4th largest solar thermal energy generating facility for industrial purposes in the world and the largest roof top solar photovoltaic (PV) system in the US.

Locally in Toronto PepsiCo has five hybrid tractors and three hydrogen tractors. Results with the new equipment have been very positive, and PepsiCo is continuing to invest in more efficient vehicles. PepsiCo's goal is to reduce packaging weight by 350 million pounds and avoid one billion pounds of landfill waste over the five-year term of this goal.

In 2010 PepsiCo developed the world's first 100% plant-based PET bottle made from fully renewable sources. The significant difference between this and other competitive bottles is that PepsiCo's bottle can be introduced into existing municipal recycling streams. The Aquafina Bottle has gone from 24 grams in 2001 to a 10.9 gram bottle which has resulted in a reduction of 30 Million pounds of PET since 2008.