



# PEPSICO PERFORMANCE WITH PURPOSE

Sustainability Report 2011/2012

OPEN ME!



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# = PERFORMANCE WITH PURPOSE =

**Performance with Purpose is our goal to deliver sustained value by providing a wide range of foods and beverages, from treats to healthy eats; finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation as well as reduce use of packaging material; providing a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities in which we operate.**

As we look out across the world, we see megatrends that make Performance with Purpose more important now than ever. These megatrends include the increasing focus of consumers and governments on health and wellness, growing concern over food safety and traceability, scarcity of critical global resources, and the growing importance of talent development within our business and communities. Each of these megatrends presents an opportunity for PepsiCo to *add value* by delivering innovative solutions to societal challenges and, in doing so, *create value* for our stakeholders.

These megatrends also affirm that the work of modern business must encompass partnerships with the public, private and nonprofit sectors, which is a central tenet of Performance with Purpose. PepsiCo was one of the first contemporary corporations to recognize the important interdependence between corporations and society when we articulated Performance with Purpose back in 2007. We recognize that partnerships with stakeholders across the globe in the public, private and nonprofit sectors are vital to our business and long-term success.





## Our Sustainability Reporting

PepsiCo is pleased to share this report on the progress we are making on our Performance with Purpose journey. The report presents our sustainability goals and provides data as well as examples of our efforts to achieve those goals.

Our companion Global Reporting Initiative (GRI) report offers greater detail on PepsiCo activities during 2011/2012. An index providing a comprehensive list of topics covered by the GRI report can be found at the end of this report on pages 40–41.

Additionally, we regularly update the Performance with Purpose section of PepsiCo.com with news and data regarding our sustainability efforts.

### Sustainability Governance

PepsiCo has formed a Sustainability Task Force that is chaired by the President of PepsiCo. The Sustainability Task Force guides PepsiCo's sustainability efforts in partnership with leadership teams overseeing the three focus areas of Performance with Purpose: Human, Environmental and Talent Sustainability, and with the operational leads of our businesses. These leadership teams include PepsiCo senior executives within our global and governance functions, including Global Operations, Human Resources, Legal, Public Policy and Government Affairs, Research and Development, Finance, Procurement and Communications.

### Stakeholder Engagement

We are committed to continued engagement with our stakeholders, whose insights have helped shape our thinking and actions. In particular, we would like to thank Ceres for its input regarding our sustainability goals and reporting. We also have benefited from stakeholder feedback in various markets provided to us through surveys conducted by GlobeScan and others on PepsiCo's behalf. Of course, we are deeply appreciative of our many stakeholder partners, across sectors and around the world, who are helping PepsiCo to advance our sustainability goals.

### Comments

To submit comments about this report to PepsiCo, please email [performancewithpurpose@pepsico.com](mailto:performancewithpurpose@pepsico.com)





# = CEO LETTER =

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## Dear Fellow Stakeholders,

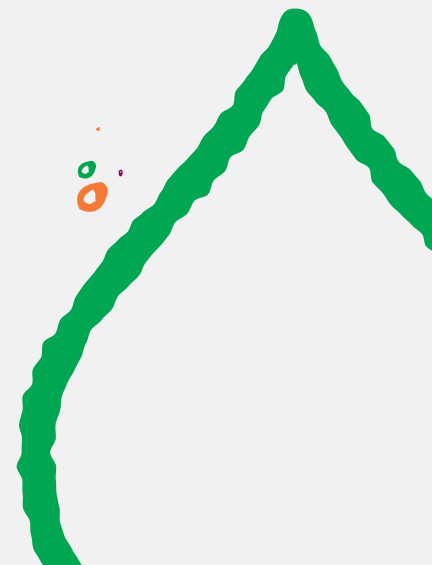
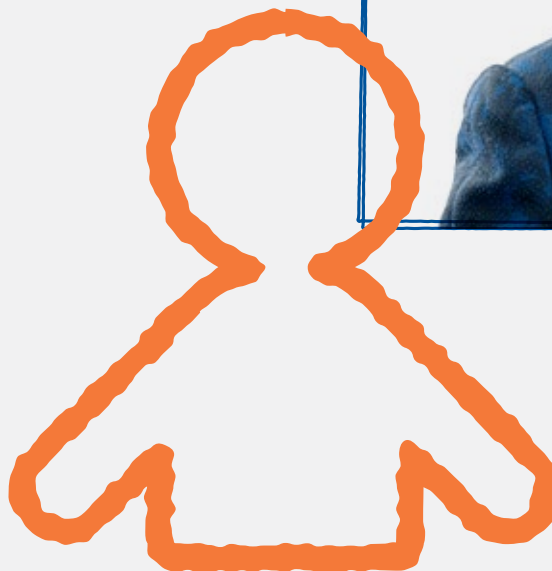
The test of a great company is whether it has the ability to constantly manage for both the level of returns and the duration over which those returns will be realized.

It's a challenge that we at PepsiCo embrace, because we recognize that there's always a bigger picture, a longer time horizon and a broader world in which we operate.

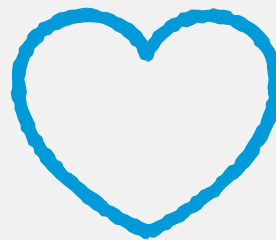
Our heritage as a food and beverage powerhouse runs deep. What began with Pepsi-Cola more than a century ago and became PepsiCo with the addition of the Frito-Lay snack business nearly 50 years ago, has transformed into a global, diversified company with more than \$65 billion in annual revenue. We are the largest food and beverage business in the United States and one of the largest in the world.

**If our history and trajectory have taught us one thing, it's that we have to think in terms of both quarters and generations.**

Business does not operate in a vacuum—it operates under a license from society. We recognized early that when we transform our business to deliver for our consumers, protect our environment, and invest in our employees—we achieve sustained value. In fact, these actions *fuel* our financial returns.







In 2007, we articulated this powerful idea through Performance with Purpose, our goal to deliver sustained, top-tier financial results through:

- Transforming our portfolio to provide a wide range of foods and beverages, from treats to healthy eats, to sustain topline growth;
- Finding innovative ways to reduce our impact on the environment, which enables us to lower our costs at the same time; and
- Providing a safe and inclusive workplace for our employees around the globe to attract and retain the best talent, and investing in the communities in which we do business to retain our license to operate.

From our operations on farms and the plant floor, to delivery of our products to store shelves, to strategic decision making—we are guided by Performance with Purpose. It's more than a vision statement. It's the soul of PepsiCo. Over the past seven years, we have woven Performance with Purpose into every aspect of our business—and in doing so, changed the very fabric of our company.

We have achieved some impressive results.

We are transforming our portfolio to offer consumers more choice, successfully launching nutritious products like Quaker Real Medleys, Trop50, Gatorade Energy Chews, Muller Quaker Dairy yogurt, baked snacks, and lower-calorie products like Pepsi Next. In 2012, 49 percent of our U.S. beverage volume was in juices, low- or zero-calorie drinks, and active hydration beverages. We'll continue to innovate in the growing tasty nutrition space and across our portfolio to meet changing consumer needs.

We're proud to be a leader in water stewardship and continuously work to minimize our environmental impact. We have reduced our water usage by more than 20 percent per unit of production since 2006. And by teaming up with partners around the globe, we have provided access to safe, clean drinking water for 3 million people. Our achievements were recognized with the Stockholm Industry Water Award and the U.S. Water Prize in 2012. We have also reduced the packaging weight of our products (primarily in our beverage bottles) by more than 350 million pounds over the last five years, exceeding our goal by more than 20 percent. We remain committed to environmental stewardship at every level of our company.

PepsiCo's talented people are vital to our continued success, and we continuously invest in our associates, giving them the tools and training to succeed. I recently saw firsthand the expertise and passion of PepsiCo's diverse team in the Asia, Middle East and Africa Sector, where we're employing more women in Saudi Arabia than ever before. And our Asia Pacific team has increased the female executive promotion rate to nearly 50 percent. In the United States, women, people of color and people from diverse backgrounds comprised more than 60 percent of the new hires from our college campus recruiting in 2012. We have also established a Human Rights Operating Council to better coordinate, implement and monitor our human rights strategy across our global operations.

... Performance with Purpose fuels our growth and allows us to stay ahead of trends...

In all of these areas, Performance with Purpose fuels our growth and allows us to stay ahead of trends shaping our industry and the world in which we operate. It galvanizes our global associates, positions our business to deliver today and well into the future, and protects resources for the next generation.

We're proud of what we have achieved so far but recognize that there is much work to do to meet the aggressive goals we've set for ourselves. PepsiCo has the capacity, and the will, to lead. We will continue to work with governments, NGOs, local community partners and other industry leaders toward common goals and fight for those things that make the world a better place.

At the heart of PepsiCo and our Performance with Purpose vision is the powerful idea that every footstep matters, but so too does the horizon to which you're headed. We're proud of the individual steps we're taking, and the larger journey on which we've embarked.

We remain steadfastly dedicated to building a profitable and sustainable 21st century corporation—one that is a good investment for our shareholders, a good environment for our employees, a good citizen in our communities and a good steward of our planet's resources. That's Performance with Purpose. It is important now more than ever.

**Indra K. Nooyi**

Chairman and  
Chief Executive Officer

In 2012,

49%

of our U.S.  
beverage volume  
was in juices, low-  
or zero-calorie  
drinks, and  
active hydration  
beverages.



# ABOUT PEPSICO

**PepsiCo is a global food and beverage leader with 2012 net revenue of more than \$65 billion and a product portfolio that includes 22 brands that generate more than \$1 billion each in estimated annual retail sales.**

Of course, most people know us for our iconic beverages and snacks, such as Pepsi-Cola, Mountain Dew, 7UP (outside the U.S.) and Sierra Mist, as well as Lay's, Doritos, Cheetos, Tostitos, Ruffles and Fritos.

But what many people don't know is that PepsiCo's strong and diversified portfolio also includes nutrition brands such as Quaker, Tropicana, Gatorade and Naked Juice; leading ready-to-drink Lipton iced teas (through our joint venture with Unilever) and Starbucks ready-to-drink-coffee beverages (through our joint venture with Starbucks); innovative snacks such as Stacy's chips and Sabra hummus (through our joint venture with Strauss Group); and Muller Quaker Dairy (through our joint venture with Theo Muller Group), our new dairy platform in the U.S.

In 2012, the strength of our portfolio made us the #1 food and beverage business in the U.S., Russia, India and the Middle East, #2 in Mexico and in the top 5 in Brazil, Turkey and many smaller emerging markets, such as Vietnam, the Philippines and Thailand. In fact, we operate in more than 200 countries and territories.

We employ approximately 278,000 people around the world. In 2012, we were ranked among the Top 25 "World's Best Multinational Workplaces" by the Great Place to Work Institute.

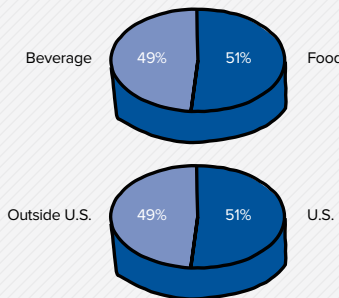
Our powerhouse portfolio and our talented PepsiCo team have delivered very strong, consistent shareholder returns<sup>1</sup>, with PepsiCo outpacing the S&P 500 on an annualized basis by 170 basis points over the past five years and 140 basis points over the last 10 years.

Most of all, what we hope our stakeholders know and take to heart is that PepsiCo is guided by Performance with Purpose, our goal to deliver sustained value by providing a wide range of foods and beverages from treats to healthy eats; finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation, as well as reduced use of packaging material; providing a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities in which we operate.

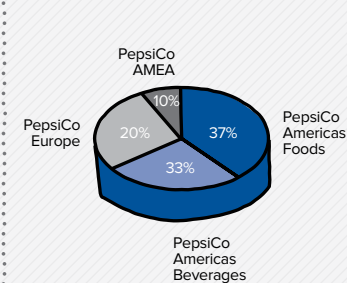
## It all starts with Performance

### 2012 PepsiCo Financial Highlights

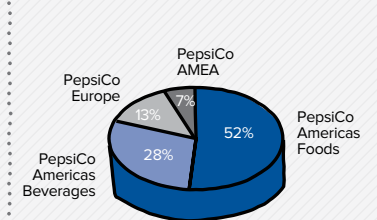
#### Mix of Net Revenue



#### Net Revenues

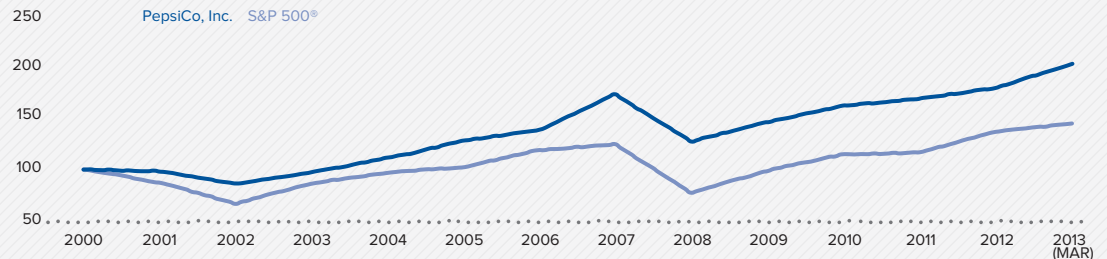


#### Division Operating Profit<sup>2</sup>



### Cumulative Total Shareholder Return<sup>1</sup>

Return on PepsiCo stock investment (including dividends) and the S&P 500<sup>®3</sup>



	12/00	12/01	12/02	12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	3/13 <sup>3</sup>
PepsiCo, Inc.	\$100	\$99	\$87	\$98	\$111	\$128	\$139	\$172	\$127	\$146	\$161	\$169	\$180	\$201
S&P 500 <sup>®</sup>	\$100	\$88	\$69	\$88	\$98	\$103	\$119	\$126	\$79	\$100	\$115	\$118	\$136	\$146

<sup>1</sup> The total shareholder returns for PepsiCo and the S&P 500 Indices include dividends and are calculated as of April 30, 2013.

<sup>2</sup> Division operating profit is a Non-GAAP financial measure as it excludes corporate unallocated expenses. See page 39 "Reconciliation of GAAP and Non-GAAP Information" for a reconciliation of the most directly comparable financial measure in accordance with GAAP.

<sup>3</sup> As of March 1, 2013.



INDULGE!

REPLENISH

ENJOY!



NURTURE

ENERGIZE!

HYDRATE!

# OUR PERFORMANCE WITH PURPOSE GOALS

**When PepsiCo began its Performance with Purpose journey, we developed a broad set of goals to help guide the company's strategy and operations.**

This goal-setting process focuses our efforts as we strive to deliver great performance by doing the right things for people and communities around the world.

In 2012, we clarified and consolidated our Performance with Purpose goals after consultation with a diverse group of stakeholders in order to focus on the issues that are of importance to our stakeholders, communities and business. Because we believe in the power of continuous improvement,

our goals may further evolve as we learn from our day-to-day operations, pursue and adopt new technologies and other innovations, and adjust to changes in the external environment in which we operate.

We believe these goals help position PepsiCo for long-term, sustainable success by aligning what is good for our business with what is good for society and the planet.

PERFORMANCE

ENVIRONMENTAL

TALENT

HUMAN



## Performance

Strive to deliver superior long-term financial performance and sustained shareholder value.

## Human

Continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fat, and developing a broader portfolio of product choices.

Continue to provide clear nutrition information on our products, and sell and market them appropriately to our consumers, including children, in line with our global policies and accepted global standards.

## Environmental

Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water.

Innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment.

Work to eliminate solid waste to landfills from our production facilities.

Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses.

Continue to support sustainable agriculture by expanding best practices with our growers and suppliers.

## Talent

Create a safe, healthy, diverse and inclusive workplace that reflects the global communities in which we operate.

Respect human rights in the workplace and across the supply chain.



# HUMAN SUSTAINABILITY





## Overview

**Human Sustainability means providing a wide range of foods and beverages, from treats to healthy eats.**



As one of the world's leading food and beverage companies, PepsiCo plays an important role in helping people lead healthier lives. We are focused on providing new offerings that meet consumer needs for both nutrition as well as convenience, and are responsive to the concerns of governments and nongovernmental organizations, as they broaden their focus on health and wellness.

In fact, we anticipated the increasing focus on health and wellness more than 15 years ago, beginning with the acquisition of Tropicana, followed by the acquisitions of Quaker Oats and Gatorade. We have worked steadily since to expand our nutrition business globally. In 2012, our nutrition business represented approximately 20 percent of PepsiCo's net revenue.

We are expanding our Good-for-You portfolio, and are increasing Better-for-You choices by reducing sugar, salt and saturated fat in our offerings without sacrificing taste. Better-for-You products include

baked versions of beloved treats such as Lay's, Doritos and Cheetos, mid-calorie Pepsi Next, and Starbucks Refreshers.

Our efforts go beyond our business. We are proud that PepsiCo's Chairman and CEO, Indra K. Nooyi, co-chairs the Healthy Weight Commitment Foundation (HWCF), which has brought together 230 retailers, food and beverage manufacturers, restaurants, sporting goods and insurance companies and trade associations to reduce obesity, especially childhood obesity, by 2015. The HWCF promotes ways to help people achieve a healthy weight through energy balance. It focuses its efforts on two critical areas: families and schools. In May 2013, the HWCF announced that America's top food and beverage companies exceeded their goal of reducing 1.5 trillion calories in the marketplace in the United States.

WE ANTICIPATED THE INCREASING FOCUS  
ON HEALTH AND WELLNESS MORE THAN  
**15 YEARS AGO**  
WITH THE ACQUISITIONS OF TROPICANA,  
THEN QUAKER OATS AND GATORADE.



## Product Choice

**GOAL:** Continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fat, and developing a broader portfolio of product choices.

Today, more than ever, consumers are seeking new options for their snacking and beverage occasions. And now, more than ever, PepsiCo is strongly committed to providing a wide range of foods and beverages, from treats to healthy eats.

We have greatly expanded our portfolio of healthier, great-tasting and convenient food and beverages. In the U.S., for example, low- or zero-calorie beverages, active hydration offerings and juices collectively accounted for 49 percent of our 2012 beverage volume.

We have made significant progress against our saturated fat and sodium reduction goals, while still delivering the great taste consumers expect from our snacks. On reducing added sugars in our beverages, we have achieved reductions in the majority of our key markets, with notable success in North America. Meeting these goals is not easy, but important work never is. Our journey continues and we are more committed than ever to providing consumers with the choices they want.

### PepsiCo offers three distinct product portfolios

#### Good-for-You

Our growing Good-for-You portfolio is comprised of nutritious foods and beverages that include fruits, vegetables, whole grains, low-fat dairy, nuts, seeds and key nutrients, with levels of sodium, sugar and saturated fat that are in line with global dietary recommendations. Also included are offerings that provide a functional benefit, such as addressing the performance needs of athletes.

#### Better-for-You

We have improved the nutritional profile of many of our social snacks and beverages. In snacks, we have reduced saturated fat levels and sodium content, and we are dialing up baked offerings and whole grains. In beverages, we are increasing the number of low- and zero-calorie choices and reducing added sugar.

#### Fun-for-You

Our Fun-for-You portfolio includes treats that are enjoyed all over the world as well as regional favorites.



Since 2006,  
we have removed:

3,386



metric tons of  
sodium from  
our total foods  
portfolio





of which

1,076

metric tons of sodium  
comes from our key  
global food brands.

## Sodium

We have removed 3,386 metric tons of sodium from our total food portfolio since 2006 (of which 1,076 metric tons comes from our key global food brands), and continue to invest in new technologies and recipes that allow us to reduce sodium levels while maintaining great taste and enjoyment for consumers.



We've made considerable headway in reducing sodium on flavored chips. For example, in the U.S., Frito-Lay has reduced sodium levels in its flavored potato chips by an average of about 25 percent. This progress builds on earlier sodium-reduction efforts of "Lightly Salted" versions of Fritos Original corn chips and Lay's Classic potato chips, each with 50 percent less sodium than their original versions.

In Brazil, we reduced sodium in Fandangos by more than 30 percent, and we achieved a 30 percent sodium reduction in Doritos Nacho seasoning, even while delivering volume growth for Doritos in Brazil in 2012 compared to 2011.

At the end of 2012, PepsiCo's Australian snacks division, the Smith's Snackfood Company, achieved its goal of reducing the sodium content, on average, across its product range by 25 percent over five years. We improved more than 50 products from all of our major brands (Smith's Chips, Doritos, Twisties, Red Rock Deli and Grain Waves) by lowering sodium rates, reformulating seasoning flavors and using a new seasoning approach.

It is important to note that we continue to find it challenging to reduce sodium on plain, salted varieties of our snacks. We have made progress but still have work to do against our target to reduce by 25 percent the amount of sodium per serving in key global food brands by 2015. Since 2006, we have achieved a reduction of 7.5 percent from key global food brands, but we now anticipate it will take us longer than expected to reach our ambitious 25 percent goal. We continue to work toward this goal and to make investments in technology and innovation to provide products with lower sodium levels and great taste.



25%



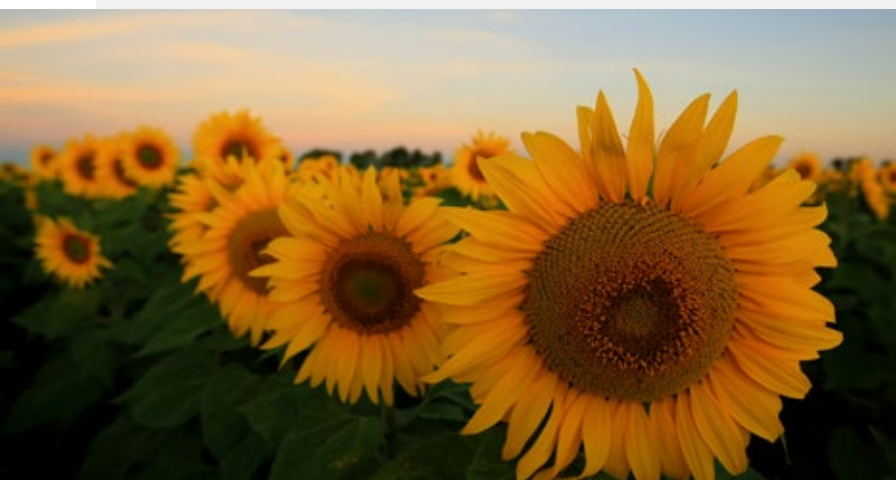
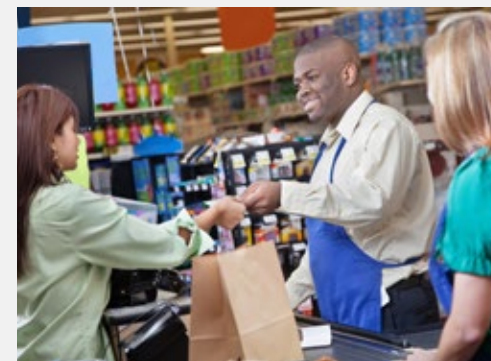
reduced sodium in  
flavored Frito-Lay  
potato chips.

## Saturated Fat

We are achieving significant reductions in saturated fat by switching in certain instances to oils that contain lower saturated fat, and by providing more snacks that are baked. Since 2006, we have reduced saturated fat per serving by 6.6 percent, which means we are on track to achieve our target of a 15 percent reduction by 2020. With this reduction, we have removed approximately 22,000 metric tons of saturated fat from our key global food brands between 2006 and 2012.

Worldwide, PepsiCo has significantly expanded its range of baked snacks, launching Baked Lay's and Baked Ruffles potato chips in a variety of flavors, as well as an assortment of other baked chips and crackers. We have also significantly reduced saturated fat in local markets by delivering locally relevant solutions.

For example, since 2006, PepsiCo U.K. and Ireland have launched Walkers Lights, which contains 30 percent less fat, and Walkers Baked, which contains 70 percent less fat than our core brand. In Australia, the entire Smith's potato chip range is cooked in high oleic sunflower and/or canola oil, which reduces their saturated fat content by 75 percent compared to chips cooked in 100 percent palm olein oil. In China, increased sales of our Quaker products have helped drive a 10 percent decrease in saturated fat per serving across our foods portfolio. In Russia saturated fat levels in our legacy business have been reduced by almost 13 percent since 2006 through the introduction of lower saturated fat versions of Cheetos snacks and the more than 300 percent growth of low saturated-fat Hrusteam products. In Saudi Arabia, Lay's Forno contains 60 percent less fat (and 20 percent less sodium) than regular potato chips.



We've removed  
approximately  
**22,000**  
metric tons of saturated  
fats from our key global  
food brands between 2006  
and 2012.

## Sugar

We have made great strides in bringing balance to our beverage portfolio. We offer low- or zero-calorie beverage options in all our key global markets. We also help our consumers around the world manage calories and make educated choices by offering smaller portion sizes and providing clear calorie labeling.

In particular, we're proud of the results in the United States, where low- or zero-calorie beverages, healthy juices, and active hydration drinks such as Pepsi Max, Pepsi Next, Mountain Dew Kickstart, SoBe lifewater, Trop50, and unsweetened Lipton<sup>1</sup> Pure Leaf Ice Tea accounted for nearly half of our sales volume in 2012. We have expanded options in our Good-for-You beverage portfolio, which includes healthy juices as well as sports nutrition drinks. We removed approximately 370,000 metric tons of added sugar from our total beverage portfolio in North America since 2006.

We remain focused on achieving reductions in added sugar in our global beverage portfolio. To address this, we have offered more Good-for-You and Better-for-You beverage choices and have stepped up the innovations we are bringing to market. In Europe, for example, the majority of our beverage portfolio consists of low- or zero-calorie options. However, in the United States and many other markets, consumers are moving away from diet soft drinks, a market condition that creates a challenge for us. As a result, we have accelerated our research and technology investments in the development of naturally sourced sweeteners and flavorings, which are the best paths to a meaningful reduction in added sugars.

<sup>1</sup> Lipton teas are marketed and sold through a joint venture with Unilever.

We've removed approximately

370,000

metric tons of added sugar from our total beverage portfolio in North America since 2006.

**Trop50 is made with the same Tropicana juices consumers love, but has 50 percent less sugar and fewer calories than the regular version. Pepsi Next, which we introduced in the U.S. in 2011, is made with 60 percent less sugar than the regular version.**





In 2012, our  
nutrition business  
represented

20%  
of net revenue.



## Broadening Our Portfolio

Muller Quaker Dairy entered the U.S. dairy market in 2012 with several exciting yogurt offerings that bring U.S. consumers a hearty European-style yogurt designed especially for American tastes. Our Quaker business in China provides our Chinese consumers with new healthy choices, including Quaker Congee. Sabra Dipping Company opened the doors to a new Center of Excellence research and development facility in Chesterfield County, Virginia in 2013. The Center, located on the site of Sabra's hummus manufacturing facility, will further research capabilities in order to improve all aspects of Sabra's food manufacturing and distribution processes, from agriculture, nutrition and food science to engineering, packaging and product delivery.

Trop50 was one of the most successful U.S. product launches in the past five years. As a result of its success in the U.S., we launched Trop50 in the U.K. and Ireland in January 2013. We made Pepsi Next for U.S. consumers who want the rich taste of full-calorie cola but are looking to reduce the sugar in their diet.



## Responsible Marketing

**GOAL:** Continue to provide clear nutrition information on our products, and sell and market them appropriately to our consumers, including children, in line with our global policies and accepted global standards.

## Nutrition Labeling

We follow nutrition labeling requirements in the countries where our products are sold. In many geographic markets, our nutrition labeling practices are more stringent than local requirements.

We have reached 91 percent compliance in key global markets, including the U.S., on our goal to display calorie count and key nutrients on our packaging for all of our products. We continue to work toward 100 percent compliance in all markets.





## Advertising

We are implementing front-of-pack labeling in many countries, including:

**Argentina, Australia, Brazil, Chile, Malaysia, Mexico, New Zealand, Paraguay, Thailand, Uruguay and the United States.**

PepsiCo has taken several important steps to ensure we are employing responsible advertising practices. We helped found the International Food & Beverage Alliance (IFBA), a Swiss-based NGO comprising multinational food and beverage manufacturers, to adopt a worldwide voluntary commitment to advertise to children under the age of 12 only those products that meet specific nutrition criteria. PepsiCo also adopted a global company policy that is consistent with IFBA's policy. In 2010, we announced strict science-based criteria that state that only our most nutritious products, such as Quaker Oats, meet the standard for advertising to children under the age of 12. We achieved 99 percent compliance with this policy by the end of 2012 in globally representative markets such as Russia, China, Saudi Arabia and six countries in the EU, and have increased the stringency of our policy by lowering the audience threshold from 50 percent to 35 percent. Additionally, we achieved 100 percent compliance in the U.S. and Canada, as verified by the Children's Food & Beverage Advertising Initiative and Advertising Standards Canada, respectively.

Many PepsiCo-owned bottling operations have helped to remove full calorie soft drinks from primary and secondary schools. We are working with local communities and schools to focus on providing water, juices, milk and low-calorie beverages in support of healthy nutrition habits.

**We achieved 100 percent compliance with our U.S. and Canada pledges restricting advertising to children under age 12.**



# ENVIRONMENTAL SUSTAINABILITY







## Overview

**Environmental Sustainability means finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation as well as reduced use of packaging material.**

*PepsiCo introduced, for the first time in India, a special tractor with a direct seeding machine adjustable for seed variety, planting depth and plant-to-plant spacing.*




PEPSICO'S LEADERSHIP IN  
**ENVIRONMENTAL  
SUSTAINABILITY**  
HAS BEEN WIDELY RECOGNIZED,  
BUT OUR WORK IS FAR FROM OVER.



We anticipated the need to take environmental stewardship to a whole new level at the start of the new millennium, recognizing that environmental sustainability was becoming a core component of sustainable success. We began to put in place the systems, processes and metrics needed to drive continuous improvement in energy and water conservation as well as packaging and waste reduction.

Since the introduction of Performance with Purpose in 2007, our sustainability agenda has become even more integrated into our business. As discussed in this report, we have made significant progress toward reaching our environmental sustainability goals, and we have succeeded in delivering major water and packaging goals ahead of schedule, achievements in which we take great pride.

**We've met some of our environmental goals early and are staying on track to reach the others by the 2015 target date.**



Along with our environmental sustainability goals, our engagement in the greater global policy arena reflects our determination to take PepsiCo's environmental stewardship to new heights. PepsiCo is a signatory to the United Nations Global Compact (UNGC), the UNGC CEO Water Mandate, the UNGC Caring for Climate Initiative, The Business Leadership Platform, the Center for Strategic & International Studies U.S. International Policy Declaration on Water and the Rio+20 Communique on Water.

PepsiCo's leadership in environmental sustainability has been widely recognized, but our work is far from over. As a company with a growth agenda, we know we must continue to learn and improve, collaborating with partners across all sectors to deliver innovative solutions that address the interrelated challenges of climate change, water scarcity and food security while positioning our company to deliver long-term financial performance.

# Water



**GOAL:** Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water.

We achieved our goal, four years ahead of schedule, to improve global operational water-use efficiency by 20 percent per unit of production by 2015, compared to a 2006 baseline. The improvements we have made in efficiency enabled PepsiCo to save nearly 14 billion liters of water in our direct operations in 2012 which, in turn, enabled the company to save more than \$15 million in water costs.

# 20%



We have improved our global water-use efficiency by more than 20 percent per unit of production in our operations since 2006.

We have reached two major targets early:

Our foods facility in Funza, Colombia provides a strong example of how PepsiCo is implementing innovative solutions to conserve water. This manufacturing plant is able to reuse 75 percent of the water entering the plant while conserving nearly 90 million liters through a high-efficiency water reclamation system using a specialized membrane bioreactor. Membrane bioreactors are also in use at other PepsiCo facilities around the world. The membrane bioreactor technology, combined with low-pressure reverse osmosis, produces recycled water that meets U.S. Environmental Protection Agency (EPA) drinking water standards.

The Stockholm International Water Institute awarded PepsiCo the 2012 Stockholm Industry Water Award in recognition of its leadership in water stewardship.



Water reclamation system at Frito-Lay plant.

**We reached our target to partner to provide access to safe water to**

**3M PEOPLE**

**by 2015, and have a new goal of providing access to 3 million more.**

In 2012, PepsiCo met its target to partner to provide access to safe water to 3 million people in developing countries by the end of 2015—three years ahead of our goal—through the efforts of the PepsiCo Foundation. Key to this success was the PepsiCo Foundation's partnership with the Columbia University Earth Institute. The Earth Institute and the PepsiCo Foundation have had a successful working relationship on water-related projects since a grant by the PepsiCo Foundation in 2008 helped found the Columbia Water Center.

Building on our success to date, in March 2013, we announced a new goal to provide access to safe water to an additional 3 million people over the next 3 years through continued partnerships with water organizations, doubling the company's original goal. As one of the first major consumer product companies to endorse the United Nations Human Right to Water, PepsiCo's initiatives include water conservation, distribution, purification and hygiene for underserved communities in China, India, Mali, Brazil, Colombia and other Latin American countries. In addition to the Earth Institute, our partners include the China Women's Development Foundation, Inter-American Development Bank, Safe Water Network and Water.org.



**The U.S. Water Alliance presented PepsiCo with its 2012 U.S. Water Prize, recognizing our Frito-Lay business as a “model toward water sustainability.”**



*In 2011, the PepsiCo Foundation provided a \$5 million grant to help fund the efforts of ACWF's China Women's Development Foundation (CWDF) to provide safe water access to 500,000 people in the central and western regions of China by 2015.*



## Packaging, Recycling and Waste



**GOAL:** Innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment.

Over the last five years, we have reduced the packaging weight of our products by more than 350 million pounds in all manufacturing for which we procure packaging, including acquisitions — exceeding our goal by more than 20 percent. The packaging weight reductions we have achieved are equivalent to removing more than 95 tons of packaging material each day during that five-year period.



In the U.S., initiatives led by our Aquafina team have enabled PepsiCo to avoid using more than 135 million pounds of plastic. The current 16.9 ounce Aquafina bottle uses half the amount of plastic as the 2002 bottle of the same size. For Gatorade, the amount of resin used in 32-ounce bottles has been reduced from 45 grams to 39 grams, resulting in approximately 595,000 pounds of PET reduction in the U.S. in 2012. In Europe, package light-weighting initiatives across our line of carbonated soft-drink bottles, as well as Tropicana and Punica bottles, have reduced bottle waste by nearly 9 million pounds in 2012.

We have reduced the packaging weight of our products by more than

350M   
POUNDS,

↓  
exceeding  
our target by  
more than

20%.

**GOAL:** Work to eliminate solid waste to landfills from our production facilities.

In 2012, 91.2 percent of solid waste generated by more than 260 company-owned manufacturing facilities was put to beneficial use, such as recycling; only 8.8 percent was disposed of through more traditional methods, such as landfills. Moreover, around the world, we have 61 plants that send less than 1 percent of their waste to landfills.

**We have incorporated on average up to**

**10%**   
**post-consumer rPET in U.S. primary soft drink bottles.**

Additionally, we are facilitating recycling by our consumers and retail customers. For example, in the U.S., we have created and deployed a convenient recycling solution to capture plastic that is recycled for use in manufacturing our bottles.

Since 2010, we have added more than 5,000 recycling systems across North America through recycling programs in more than 42 states. These systems have diverted more than 196 million beverage containers to recycling since 2010.

**We have diverted more than**

**196M** 

**beverage containers to recycling since 2010 in the U.S.**

Our success in increasing recycling rates and the amount of recycled polyethylene terephthalate (rPET) available for use has enabled us to incorporate, on average, up to 10 percent of post-consumer rPET in our U.S. primary soft drink bottles, leading the industry.

**Less than**

**10%**   
**solid waste**

**from PepsiCo facilities goes to landfills.**



## GHG Emissions

**GOAL:** Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses.

In 2012, our GHG emissions were comparable to 2008, having remained essentially flat after the 2008 baseline year. This goal, and our current progress, applies to legacy operations as they existed in 2008, excluding major mergers and acquisitions and adjusting for divestitures. The encouraging news is that we essentially kept our GHG emissions level constant from 2008 to 2012, even as we grew production volume in foods by 7 percent and beverages by 12 percent during that time period.

PepsiCo was named to the Global and S&P 500 Carbon Disclosure Leadership Index in 2011 and 2012.

In 2012, U.S. Environmental Protection Agency awarded PepsiCo its ENERGY STAR "Partner of the Year Award for Sustained Excellence."

PepsiCo was recognized by the Carbon Disclosure Project in 2012 for a

94%

carbon disclosure score.

We are working to improve our energy use efficiency in order to reduce our GHG emissions, conserve fuel and reduce our costs. Our target is a 20 percent per unit of production improvement in energy efficiency in our manufacturing facilities and fleet globally by 2015, compared to 2006. This applies to legacy operations as they existed in 2006, excluding major mergers and acquisitions since the baseline year and adjusting for divestitures.

We have made solid progress toward achieving our target. Our energy efficiency has improved by 14 percent when compared to our 2006 baseline. This improvement is ahead of our plan and it represents an estimated energy cost savings of more than \$70 million in 2012. Progress toward the reduction target is driven by our resource conservation initiatives aimed at improving the energy efficiency of our operations, as well as conversion to renewable forms of energy.

Our snack plants in Pune and Kolkata, India demonstrate how we are reducing our use of fossil fuels; both plants are powered in part by biomass boilers. On the other side of the globe, our Gatorade manufacturing facility in Tolleson, Arizona is in the process of expanding its existing solar thermal system. In the first phase of its solar thermal energy journey, we offset approximately 7,500 MMBtu of natural gas consumption at the facility. The second phase of improvements, scheduled to be completed in 2013, will utilize three different innovative collector technologies: flat panel, parabolic and trough. Field evaluation of each technology will aid with future reapplication decisions.

We have also increased energy efficiency in our fleet, incorporating sustainable approaches into everyday practices and long-term business plans. In the U.S., PepsiCo uses EPA's SmartWay-certified carriers for 100 percent of our transportation needs, setting a standard for the industry. In fact, Frito-Lay North America has the largest company-owned electric fleet in the United States. Since their introduction in 2010, Frito-Lay's electric vehicles have traveled nearly 3 million miles, reducing carbon emissions by 5,000 metric tons. Additionally, in 2012 we launched a program to add to our fleet vehicles that run on converted natural gas to further increase fuel efficiency and reduce GHG emissions.

Our proprietary Resource Conservation System (ReCon), which we built, enables us to identify and implement new ways to advance our Environmental Sustainability goals. ReCon provides assessment and knowledge management tools that help us identify and share best practices for water conservation, GHG measurement and management, and solid waste reduction. Incremental improvements enabled by ReCon have added up to significant cost savings for our company.

To amplify this success, PepsiCo has made ReCon available to our franchise bottlers, co-packer partners and direct suppliers to enable them to reduce their impact on the environment while saving costs.



# Agriculture



**GOAL:** Continue to support sustainable agriculture by expanding best practices with our growers and suppliers.

As a leading food and beverage company, agriculture is central to our business. Because of the critical importance of growing crops to PepsiCo, we are working to incorporate into our operations the best thinking, practices and technology to support sustainable agriculture. In addition to increasing the resiliency of our supply chain, we are pursuing opportunities—often through stakeholder partnerships across the public, private, NGO, nonprofit and academic sectors—to reduce on-farm water use and GHG emissions as well as to improve farmer livelihoods.

In 2012, we launched our Sustainable Farming Initiative (SFI). The SFI is a comprehensive program with application to potato, citrus, oats, rice and corn crops and to growers of all sizes in developed, developing and emerging markets. It enables PepsiCo to measure the environmental and local economic impacts associated with our agricultural supply chain.

By the end of 2012, we completed 36 SFI pilot programs in 14 countries. In January 2013, we launched SFI in the North American market for Frito-Lay North America potato growers. We plan to continue to expand SFI, throughout 2013 and beyond, across global markets for crops key to our business in order to drive continued improvement in our agricultural operations.

Our agriculture team in our foods business in Turkey has pioneered a way to reduce CO<sub>2</sub> emissions by producing fertilizer from what would otherwise be discarded as manufacturing waste. This fertilizer is now being used by PepsiCo potato growers, which is helping to reduce CO<sub>2</sub> emissions by up to 19 percent.



## Respecting the Communities from Which We Source

Our commitment to responsible sourcing includes respecting human rights and the environment. PepsiCo's SFI is a comprehensive on-farm verification program that focuses on the three pillars of sustainability—environment, social and economic. Environmental indicators support protection of natural resources and environmental improvement; social indicators center on respect for human rights, the well-being of local communities and basic health and nutrition; and economic indicators promote sound management practices, resource efficiency, and commercial relationships to ensure greater productivity and continuity of operation. With a focus on these issues, together with our farmer suppliers, we plan to increase supply chain productivity, build greater resilience to uncertainty and reduce risk to farmers and to PepsiCo. SFI was developed with consultation and review from key external stakeholders. For instance, Business for Social Responsibility (BSR) assisted in developing the social and economic indicators, which were piloted in China.



# TALENT SUSTAINABILITY








# Overview

**Talent Sustainability means providing a safe and inclusive workplace globally and respecting, supporting and investing in the local communities where we operate.**



**In 2012, the Great Place to Work Institute ranked PepsiCo among the top 25 World's Best Multinational Workplaces.**

PepsiCo strives to be a home for the world's best and brightest talent. In the last six years, we have built a "talent management architecture" designed to ensure our associates have the leadership skills and functional capabilities needed to deliver sustainable performance and growth. This talent management architecture creates transparency within our workforce, offers robust opportunities for talent and leadership development, systematically provides us with employee feedback to improve manager quality, and facilitates recruiting both internally and externally.

To strengthen a workplace culture that enables all associates to thrive and succeed, we have put in place governance, systems, processes and programs that protect employee safety and well-being. We also are building on a leadership legacy in diversity and inclusion,

strengthening a workplace in which associates can "bring their whole selves to work" while benefiting the company with diverse perspectives and skills.

Core to Talent Sustainability are our efforts to respect the fundamental human rights of our employees, people working for our suppliers and those in communities in which we operate. Our values are clearly stated in our Global Code of Conduct, on which we train employees annually, and our Human Rights Workplace Policy, for which we have launched a pilot program to audit compliance.

More broadly, in our communities, we are active partners with stakeholders engaged in creating and improving education, training and employment opportunities. Our stakeholder partnerships foster a virtuous cycle that produces high-quality talent we can bring into our business.



## Our People



**GOAL:** Create a safe, healthy, diverse and inclusive workplace that reflects the global communities in which we operate.

### Safety


We aim to achieve world-class Health & Safety performance. The total Lost Time Injury Rate (LTIR) across PepsiCo for employees and contractors was 1.17 per 200,000 hours worked in 2012, which represents a decrease of 35 percent compared to 2011. Our 2012 data has been verified by Bureau Veritas.

To support and sustain a culture of safety within PepsiCo, with the aspiration of an incident-free workplace, we established the PepsiCo Global Environmental Health and Safety Management System (GEHSMS), which conforms to ISO 14001 and sets global standards for risk areas across our business. Third-party audits of GEHSMS implementation will begin in 2014; all manufacturing sites will be audited by the end of 2016.



*PepsiCo executives tour the Wuhan, China plant that opened in 2012.*

We have decreased  
lost-time injury  
rates (LTIR) by

35%  from  
2011-2012.

### Health & Wellness

Our global wellness strategy is designed to engage associates in developing and sustaining healthy behaviors to improve their overall quality of life. To support associate wellness, we offer on-site health and wellness services in many countries around the world. To date, 72 percent of our major markets (those with more than 50 employees) offer wellness programs to employees, and we are working to expand that to 85 percent of major markets by 2015. PepsiCo's wellness initiatives, which vary by location, include on-site medical centers (offered in 49 U.S. and 68 international locations); education programs on health, nutrition and exercise; programs on smoking cessation; on-site fitness centers; and organized programs to encourage exercise.

## Building on a Leadership Legacy in Diversity and Inclusion

In the 1940s, PepsiCo became the first company to grant a franchise in the U.S. to people of color and to engage in multi-cultural marketing. In the 1950s, we were the first major company to have a woman on its Board of Directors. Then in 1962, PepsiCo once again made history when Harvey C. Russell became a vice president at PepsiCo, the first African-American vice president of any major company in the United States.

To build on this record of leadership, we are active partners with stakeholders such as the National Urban League, NAACP, National Council of La Raza, National Society of Hispanic MBAs, United States Hispanic Chamber of Commerce and others. We also partner with minority-owned and women-owned businesses, which help us build the world-class supplier base we need, while creating opportunities in the communities where we live and work. In 2012, we spent \$1.4 billion with minority and women-owned suppliers in the U.S. alone.

In our U.S. college campus recruiting, women, people of color and people from diverse backgrounds comprised more than 60% of our new hires in 2012.

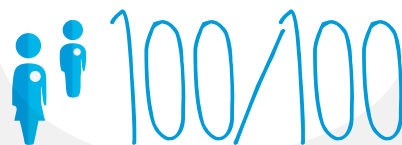
Our Harvey C. Russell Global Inclusion Awards annually honor PepsiCo associates for advancing diversity and inclusion within our company. In 2012, the eighth year of this program, we honored 74 associates from our businesses across the world.

## Taking a Stand for Equality

As a global company, PepsiCo works in countries with a broad array of laws and regulations. Regardless of where we operate, PepsiCo takes great care to respect the diversity, talents and abilities of all.

At PepsiCo, we define diversity as all the unique characteristics that make up each of us: personality, lifestyle, work experience, ethnicity, race, color, religion, gender, gender identity, sexual orientation, marital status, age, national origin, disability, veteran status, or other differences.

In 2012, the Human Rights Campaign awarded PepsiCo a perfect score



on its Corporate Equality Index for our Lesbian, Gay, Bisexual and Transgender (LGBT) efforts.



## Growing the Number of Women Leaders

We are an endorser of the U.N. Women's Empowerment Principles, which offer guidance on how to empower women in the workplace, marketplace and community. We strive to increase the number of women leaders within PepsiCo through recruiting and development initiatives around the world. In 2012, women accounted for 31 percent of our U.S.-based executives. Also in 2012, in our Asia-Pacific region, we increased the percentage of women executives to more than 40 percent.

Tailored programs enable progress. For example, in Saudi Arabia, we have constructed workplaces that respect local customs while enabling women to work and advance. Our Saudi team includes 25 women hired in 2011 and 2012 in both management and frontline roles.



of our U.S.-based executives are women.

In 2012, PepsiCo was acknowledged by *Working Mother* as one of the Best Companies for Multicultural Women.



PepsiCo was ranked among the

TOP  
100



**Military Friendly Employers.**

Our outstanding record for hiring U.S. military veterans earned us a place on the 2013 G.I. Jobs ranking of Top 100 Military Friendly Employers. Only the top 2 percent of thousands of eligible companies make the Top 100 ranking. On the 2013 list, PepsiCo is the only food and beverage company in the top 50.



Additionally, PepsiCo's recycling program provides financial support to the Entrepreneurship Boot Camp for Veterans with Disabilities (EBV), a U.S. program offering free, experiential training in entrepreneurship and small business management to post 9/11 U.S. veterans with disabilities. Over the past three years, the program has donated \$1.5 million to EBV.

## Human Rights



**GOAL:** Respect human rights in the workplace and across the supply chain.

PepsiCo's Code of Conduct and Human Rights Workplace Policy embody our company's policy of dealing fairly and honestly with our associates regarding wages, benefits and other conditions of employment; providing equal opportunities for all associates, with no tolerance for discrimination; complying with all applicable laws, regulations and other employment standards; and requiring our partners, suppliers, contractors and vendors to support these policies through adherence to our Supplier Code of Conduct. We maintain a "Speak Up" phone line, open 24 hours a day, as well as an Internet portal to enable reporting of any suspected or alleged human rights abuses.

**We maintain a "Speak Up" phone line**

24 HOURS

**a day as well as an Internet portal to enable reporting of any suspected or alleged human rights abuses.**





In 2012, PepsiCo heightened its attention to issues related to human rights when we formed a Human Rights Operating Council, with the goal of ensuring that our company's policies, practices, assessments, training and disclosures meet the high expectations of the Ruggie framework, the new set of principles on Business and Human Rights endorsed by the United Nations in 2011. Additionally, in April 2013 PepsiCo retained a third-party reviewer to conduct a pilot human rights audit. Using what we learned from the pilot audit, we intend to develop and roll out a plan for human rights audits of our operations globally.

## Code of Conduct Training

PepsiCo's Global Code of Conduct governs the actions of all employees, reinforces our company values and further promotes our human rights efforts. PepsiCo annually conducts online Code of Conduct training. In 2012, more than 64,000 salaried employees completed this online training and approximately 150,000 hourly employees worldwide received in-person Code of Conduct training.

**In 2012, more than**  
**64,000**   
**salaried employees completed**  
**Code of Conduct training.**

## Supplier Code of Conduct

PepsiCo has a Supplier Code of Conduct to clarify our global expectations in the areas of labor practices, associate health and safety, environmental management, and business integrity. Our Supplier Code is based on standards promulgated by the International Labour Organization as well as the United Nations Global Compact and aligns with other internationally recognized standards.

We have translated our Supplier Code of Conduct into more than 25 languages, have proactively communicated it, and it appears in procurement contracts globally. PepsiCo is in the process of rolling out rigorous new requirements aimed at ensuring our suppliers fully understand and comply with our Supplier Code of Conduct.

**We have translated**  
**our Supplier Code of**  
**Conduct into more**  
**than 25 languages.**

# GLOBAL CITIZENSHIP



## Overview

**Our global citizenship efforts create new possibilities for the communities around the world in which we do business. Our activities are focused on advancing our Performance with Purpose goals in Human, Environmental and Talent Sustainability. We also provide disaster relief and humanitarian support to communities in need.**



*PepsiCo employees helped to rebuild houses with Habitat for Humanity after the Joplin, Mo. tornado in 2011.*

*In partnership with the Los Angeles Plaza de la Cultura y Arts, a \$1 million grant from the PepsiCo Foundation has supported the development of an "Edible Teaching Garden" and Culinary Arts Program in the heart of Los Angeles.*

**In 2012, PepsiCo Citizenship contributions totaled \$99 million.<sup>1</sup>**

**\$99 MILLION**

<sup>1</sup>This figure includes contributions from the PepsiCo Foundation, corporate and division contributions and division estimated in-kind donations.





## Supporting Volunteerism



Whether individually or in teams, helping out in simple ways or working to solve complex problems, PepsiCo associates are making a meaningful difference in the communities in which they live and work.

PepsiCorps, a program created by a group of associates with the sponsorship of our Chairman and CEO, Indra Nooyi, is an example of how PepsiCo supports the passion of our employees to make a positive impact. PepsiCorps is a skill-based volunteer program in which associates from around the world form teams that are deployed to help local communities address societal challenges.

In 2011, a team of associates from Canada, Saudi Arabia, Spain, the U.S. and Vietnam worked in Ghana for one month to help a local community improve access to safe water and promote eco-tourism. In 2012, associates from Lebanon, Pakistan, Spain, Turkey, the U.A.E. and the U.S. participated in PepsiCorps, with one team working with a local community in India to improve and promote rainwater harvesting, and the other team working with a Native American community in Albuquerque, New Mexico to plan and build a community garden to encourage healthy eating habits.



## Food for Good



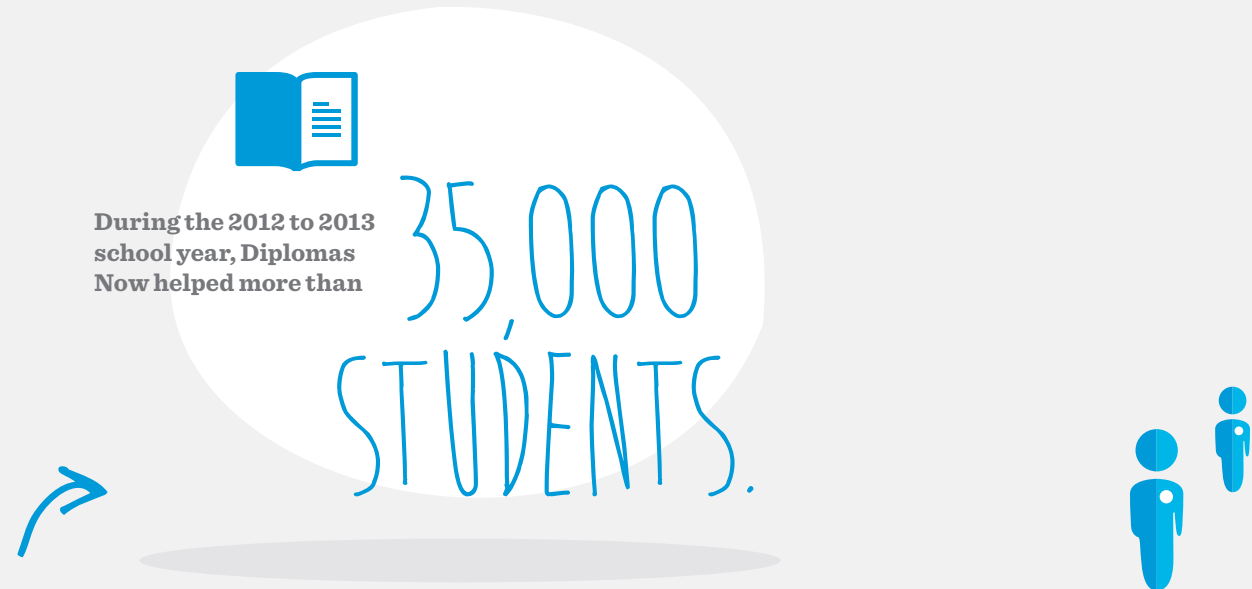
Food for Good was created in 2009 by PepsiCo employees who were inspired by the company's Performance with Purpose vision. The mission of Food for Good is to make nutritious foods more accessible in inner city communities.

Through collaborations with community and government partners, the program provides free, nutritious meals and fun physical activities to kids during the summer months, when they are out of school and therefore do not have access to government subsidized meals. Together with our valued partners, Food for Good served 700,000 meals during the summer of 2012. Since the program started in 2009, we have served 1.6 million meals to inner city children.



Food for Good served

700,000  
MEALS  
in 2012.



## Diplomas Now

The PepsiCo Foundation is the founding private-sector investor in Diplomas Now, an initiative that unites three proven players in U.S. high school dropout prevention — City Year, Communities In Schools and Johns Hopkins Talent Development. Grants from the PepsiCo Foundation enabled these leading organizations to combine their expertise and resources to help turn around America's most challenged middle and high schools — those that produce a majority of the country's dropouts.

The PepsiCo Foundation has helped Diplomas Now expand to 12 cities: New York City, Los Angeles, Chicago, Miami, Philadelphia, Seattle, Boston, Columbus, San Antonio, Detroit, Washington, D.C., and East Baton Rouge.



## Disaster Relief and Humanitarian Support

The PepsiCo Foundation provides funds for disaster relief to communities in need, working with best-in-class partners, including the American Red Cross, Feeding America, Save the Children, International Rescue, Give2Asia and Habitat for Humanity. Additionally, our local PepsiCo businesses respond with donations of foods and beverages.

In response to the devastating April 2013 earthquake in China's Sichuan Province, for example, the PepsiCo Foundation provided \$1 million to Give2Asia to support relief efforts. Give2Asia, a social enterprise founded by The Asia Foundation, works with the China Women's Development Foundation to determine the most efficient and effective use of disaster relief funds.



**The PepsiCo Foundation provided more than \$1.4 million for Hurricane Sandy relief efforts.**

PepsiCo and the PepsiCo Foundation provided more than \$1.4 million for Hurricane Sandy relief efforts. The PepsiCo Foundation committed funding to the American Red Cross and Feeding America to help them prepare for and respond to damage caused by the storm. Following the hurricane, the PepsiCo Foundation provided additional financial support, and local PepsiCo teams donated more than 30 truckloads of

food and beverages to storm victims and relief workers.

In response to severe flash and river flooding in Pakistan in 2010, the PepsiCo Foundation contributed \$950,000 in disaster relief support, directing a portion of the relief funds to the United Nations World Food Programme (WFP) for emergency and special operations, and a portion in 2011 to the American Pakistan Foundation for rebuilding and recovery efforts. The much-needed funds helped provide supplies and food to some of the estimated 6 million Pakistanis whose homes and livelihoods were impacted by the heavy monsoon rains.





Farmers working with  
PepsiCo have enjoyed yield  
improvements up to

3 TIMES  
CHINA'S NATIONAL AVERAGE.



## Rural Development

PepsiCo sources its raw materials across a diverse range of geographies and cultures, working to improve the working and living conditions of people who grow the crops we need. In Mexico, for example, the PepsiCo Mexico Foundation and Save the Children established an alliance to improve the quality of life for potato field laborers' children in Los Mochis, Sinaloa. This alliance also is supported by the Mexican government, local municipalities and NGOs. The program has served hundreds of laborers and their children. Additionally, we are working with some 180 farmers to create a sustainable source of sunflowers needed for high-oleic acid sunflower oil (HOSO) for our products.

In Colombia, we are working with local partners to create a sustainable source of plantains, with the number of farms that are global Good Agricultural Practice

(G.A.P.) certified reaching 20 in 2012. We have established a direct purchasing model with small farmers, eliminating interim channels to increase farmer profits, while keeping the same cost structure for PepsiCo. Likewise, in India, PepsiCo contracts directly with 24,000 potato farmers, the majority of whom have small holdings farms with fewer than three acres of land.

In China, we continue to practice contract farming, working with both small- and large-scale contract farms. PepsiCo works with local government agencies to improve the yield and quality of contract farms, providing a network of highly trained agronomists to visit contract farmers throughout the crop cycle. Farmers working with PepsiCo have enjoyed yield improvements of up to three times China's national average. PepsiCo extends seed, fertilizer and equipment

loans to farmers ahead of the crop, reducing the farmers' financial risks.

PepsiCo also fosters rural development through agricultural training, formal and informal, with growers, suppliers and communities. In Peru, for example, PepsiCo established the Certificate in Ecological Agriculture, a nine-month distance-learning course in partnership with the Liberoamericano Science Institute, to teach new sustainable farming techniques to growers as well as employees. In the U.K., PepsiCo conducts training and workshops for growers focused on topics related to sustainability, including energy, water, agrochemicals and biodiversity. PepsiCo also provides growers with free access to a technical website that provides help on subjects ranging from crop disease to storage management.



# AWARDS & RECOGNITION

.....

**As we work to deliver Performance with Purpose, we are proud that numerous organizations have recognized our progress and achievements. Below is a partial list of the awards and honors we received in 2012.**

Included on the Dow Jones Sustainability Index North America for the seventh consecutive year and on the Dow Jones World Index for the sixth consecutive year

Recognized by the Carbon Disclosure Project (CDP) for a 94 percent carbon disclosure score

Honored with the U.S. Environmental Protection Agency's ENERGY STAR "Partner of the Year Award for Sustained Excellence"

Recipient of the Stockholm Industry Water Award

Recipient of the U.S. Water Prize from the U.S. Water Alliance

Scored 100 percent on the Corporate Equality Index for the Human Rights Campaign for our LGBT efforts

Included in *Newsweek* Green Rankings; ranked third in our industry in the U.S.

Acknowledged by *Black Enterprise* as one of the Best 40 Companies for Diversity

Ranked 22nd in *CR Magazine's* 100 Best Corporate Citizens

Included in *Financial Times* Bowen Craggs Index of corporate online effectiveness

Ranked 26th in Best Global Green Brands by Interbrand

Ranked 22nd in Best Global Brands by Interbrand

Included in *Barron's* World's Most Respected Companies

Acknowledged by *Working Mother* as one of the Best Companies for Multicultural Women

Ranked 18th in *Hispanic Business'* "Best Companies for Diversity"

Ranked 11th by the Great Place to Work Institute for "25 Best Global Companies to Work For"

Ranked 7th among *Chief Executive* magazine's "Best Companies for Leaders"

Named among World's Most Ethical Companies for sixth consecutive year by The Ethisphere Institute

Named among the top 10 Most Reputable Companies in the U.S. by *Forbes*

Acknowledged by *LATINA Style* magazine as one of its Top 50 Companies for Latinas

## Reconciliation of GAAP and Non-GAAP Information

Division Operating Profit Reconciliation (in millions)

Year Ended	12/29/12
FLNA	\$3,646
QFNA	695
LAF	1,059
PAB	2,937
Europe	1,330
AMEA	747
Division Operating Profit	10,414
Corporate Unallocated	(1,302)
Reported Operating Profit	\$9,112





Profile Disclosures	Description	Section
1.1	Statement from the most senior decision-maker of the organization	CEO Letter
1.2	Description of key impacts, risks, and opportunities	Key Impacts, Risks & Opportunities
2.1	Name of the organization	About PepsiCo
2.2	Primary brands, products, and/or services	About PepsiCo
2.3	Operational structure of the organization	About PepsiCo
2.4	Location of organization's headquarters	About PepsiCo
2.5	Number of countries where the organization operates	About PepsiCo
2.6	Nature of ownership and legal information	About PepsiCo
2.7	Markets served	About PepsiCo
2.8	Scale of the reporting organization	About PepsiCo
2.9	Significant changes during the reporting period regarding size, structure, or ownership	About PepsiCo
2.10	Awards received in the reporting period	About PepsiCo
3.1	Reporting period	About this Report
3.2	Date of most recent previous report	About this Report
3.3	Reporting cycle	About this Report
3.4	Sustainability contact point	About this Report
3.5	Process for defining report content	About this Report
3.6	Boundary of the report	About this Report
3.7	State any specific limitations on the scope or boundary of the report	About this Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	About this Report
3.9	Data measurement techniques and the bases of calculations	About this Report
3.10	Explanation of the effect of any restatements of information provided in earlier reports	About this Report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	About this Report
3.12	Table identifying the location of the Standard Disclosures in the report	About this Report
3.13	Policy and current practice with regard to seeking external assurance for the report	About this Report
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Governance, Commitments and Engagement
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Governance, Commitments and Engagement
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Governance, Commitments and Engagement

Profile Disclosures	Description	Section
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Governance, Commitments and Engagement
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	Governance, Commitments and Engagement
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Governance, Commitments and Engagement
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body	Governance, Commitments and Engagement
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Governance, Commitments and Engagement
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Governance, Commitments and Engagement
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Governance, Commitments and Engagement
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Governance, Commitments and Engagement
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Governance, Commitments and Engagement
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	Governance, Commitments and Engagement
4.14	List of stakeholder groups engaged by the organization	Governance, Commitments and Engagement
4.15	Basis for identification and selection of stakeholders with whom to engage	Governance, Commitments and Engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Governance, Commitments and Engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Governance, Commitments and Engagement

Performance Indicators	Description	Section
<b>ECONOMIC</b>		
DMA EC	Disclosure on Management Approach Economic	About PepsiCo; Governance, Commitments and Engagement; Talent Sustainability Management Approach
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy (partial)	Responsible Sourcing
EC1	Direct economic value generated and distributed (partial)	About PepsiCo
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Climate Change
EC3	Coverage of the organization's defined benefit plan obligations	Employment Benefits
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Water
<b>ENVIRONMENTAL</b>		
DMA EN	Disclosure on Management Approach Environmental	Environmental Sustainability Management Approach
EN1	Materials used by weight or volume (partial)	Packaging
EN2	Percentage of materials used that are recycled	Packaging
EN3	Direct energy consumption by primary source (partial)	Climate Change
EN4	Indirect energy consumption by primary source (partial)	Climate Change
EN5	Energy saved due to conservation and efficiency improvements	Climate Change
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Climate Change
EN8	Total water withdrawal by source (partial)	Water
EN10	Percentage and total volume of water recycled and reused (partial)	Water
EN14	Strategies, current actions and plans for managing impacts on biodiversity	Biodiversity
EN16	Total direct and indirect greenhouse gas emissions by weight (partial)	Climate Change
EN17	Other relevant indirect greenhouse gas emissions by weight	Climate Change
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Climate Change
EN19	Emissions of ozone-depleting substances by weight (partial)	Climate Change

Performance		
Indicators	Description	Section
EN21	Total water discharge by quality and destination (partial)	Water
EN22	Total weight of waste by type and disposal method (partial)	Minimizing Solid Waste
EN26	Initiatives to mitigate environmental impacts and extent of impact mitigation	Agriculture
EN27	Percentage of products sold and packaging materials reclaimed (partial)	Packaging
EN28	Monetary value of significant fines and number of sanctions (partial)	Compliance
EN29	Significant environmental impacts of transporting products	Climate Change

#### **SOCIAL: Labor Practices and Decent Work**

DMA LA	Disclosure on Management Approach Labor	Talent Sustainability Management Approach
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment Benefits
LA7	Rates of injury, occupational disease, lost days and work related fatalities (partial)	Occupational Health and Safety
LA8	Education, training, counseling, prevention and risk control programs to assist workforce members, their families, or community members regarding serious diseases	Occupational Health and Safety
LA11	Programs for skills management and lifelong training	Employment Benefits
LA12	Percentage of employees receiving regular performance and career development reviews	Employment Benefits
LA13	Composition of governance bodies and breakdown of employees (partial)	Employment Benefits

#### **SOCIAL: Human Rights**

DMA HR	Disclosure on Management Approach Human Rights	Human Rights Management Approach
HR3	Total hours of employee training on policies and procedures concerning human rights, including percentage employees trained	Human Rights
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments (partial)	Human Rights

#### **SOCIAL: Society**

DMA SO	Disclosure on Management Approach Social	Human Sustainability Management Approach
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Performance		
Indicators	Description	Section
FP4	Nature, scope and effectiveness of any programs and practices that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	Healthier Options
SO3	Percentage of employees trained for organization's anti-corruption policies and procedures (partial)	Anti-bribery and Anti-corruption
SO5	Public policy positions and participation in public policy development and lobbying	Public Policy and Political Engagement
SO6	Total value of financial and in-kind contributions to political parties	Public Policy and Political Engagement

#### **SOCIAL: Product Responsibility**

DMA PR	Disclosure on Management Approach Product Responsibility	Human Sustainability Management Approach
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement; percentage of significant products, service categories subject to procedures (partial)	Healthier Options
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	Human Sustainability Management Approach
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fats, trans fats, sodium and sugars	Healthier Options
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives (partial)	Our Nutrition Portfolio
FP8	Policies and practices on communication to consumers about ingredients and nutritional information	Responsible Marketing and Advertising
PR3	Type of product and service information required by procedures. Percentage of significant products and services subject to information requirements	Responsible Marketing and Advertising
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Responsible Marketing and Advertising
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing and communications	Responsible Marketing and Advertising

To see our GRI Report visit [pepsico.com/Purpose/Performance-with-Purpose/Sustainability-Reporting](http://pepsico.com/Purpose/Performance-with-Purpose/Sustainability-Reporting)

For more information on the Global Reporting Initiative, please visit [globalreporting.org](http://globalreporting.org)



### **PepsiCo Values**

#### **Our commitment:**

To deliver SUSTAINED GROWTH through  
EMPOWERED PEOPLE acting with  
RESPONSIBILITY and building TRUST.

### **Guiding Principles**

#### **We must always strive to:**

Care for customers, consumers and the world  
we live in.  
Sell only products we can be proud of.  
Speak with truth and candor.  
Balance short term and long term.  
Win with diversity and inclusion.  
Respect others and succeed together.

### **Corporate Headquarters**

#### **PepsiCo, Inc.**

700 Anderson Hill Road  
Purchase, NY 10577

### **PepsiCo Website**

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