

# PERFORMANCE WITH PURPOSE



 **PEPSICO**

**Sustainability  
Report 2017**



**PepsiCo** makes great-tasting, feel-good food and beverages — from treats to nutritious eats. We're committed to an approach to business that not only delivers top-tier financial returns, but one that is responsive to the needs of the more than 200 countries and territories we serve around the world. That commitment — reflected in a philosophy we call Performance with Purpose — is about expanding our portfolio of more nutritious products, shrinking our environmental footprint as a good global citizen and working to lift up people and families, from widening the circle of opportunity to providing relief in times of need. We're striving to advance sustainability and profitability hand-in-hand — and we believe that in the 21st century, that's more important than ever before.

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## ABOUT OUR REPORTING

This is our second year of reporting progress against our Performance with Purpose (PwP) 2025 Agenda.

Our sustainability reporting suite comprises:

- This 2017 Sustainability Report summarizing key aspects of the year's performance
- 2017 [PwP Performance Metrics sheet](#) containing detailed performance data against our 2025 goals for the past three years
- Online '[A-Z Topics](#)' covering detailed information on progress, programs, governance and management

## COVER IMAGE

1 Tea leaves sourced for Pepsi Lipton Tea Partnership (Jakarta, Indonesia)

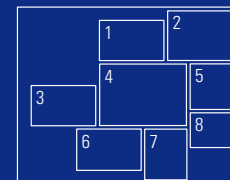
2 Tomatoes sourced for Alvalle Gazpacho (Murcia, Spain)

3 Blueberries sourced for Naked Juice (Pasco, Washington, U.S.)

4 Potatoes sourced for Lay's products (Camden, North Carolina, U.S.)

5 Coconuts sourced for Kero Coco (São Mateus, Brazil)

6 Oranges sourced for Tropicana Juice (Bradenton, Florida, U.S.)



7 Potatoes sourced for Lay's products (Mae Sot, Thailand)

8 Oats sourced for Quaker products (Saskatchewan, Canada)



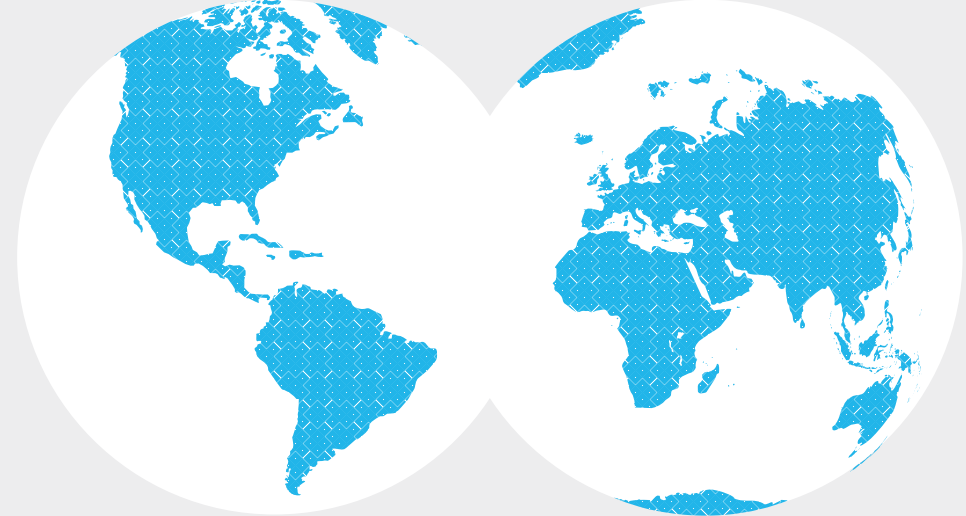
## ABOUT PEPSICO

PEPSICO HAS A PORTFOLIO OF

**22** BILLION DOLLAR BRANDS



that generated more than \$1 billion each in estimated annual retail sales in 2017, spanning Beverages, Snacks and Nutrition.



### PERFORMANCE WITH PURPOSE



is PepsiCo's vision to deliver top-tier financial performance by improving the products we sell, operating responsibly to protect our planet and empowering people around the world.

PEPSICO PRODUCTS ARE ENJOYED BY CONSUMERS MORE THAN

**1** BILLION



times a day.

OUR PRODUCTS ARE SOLD IN

**200+**



countries and territories around the world.

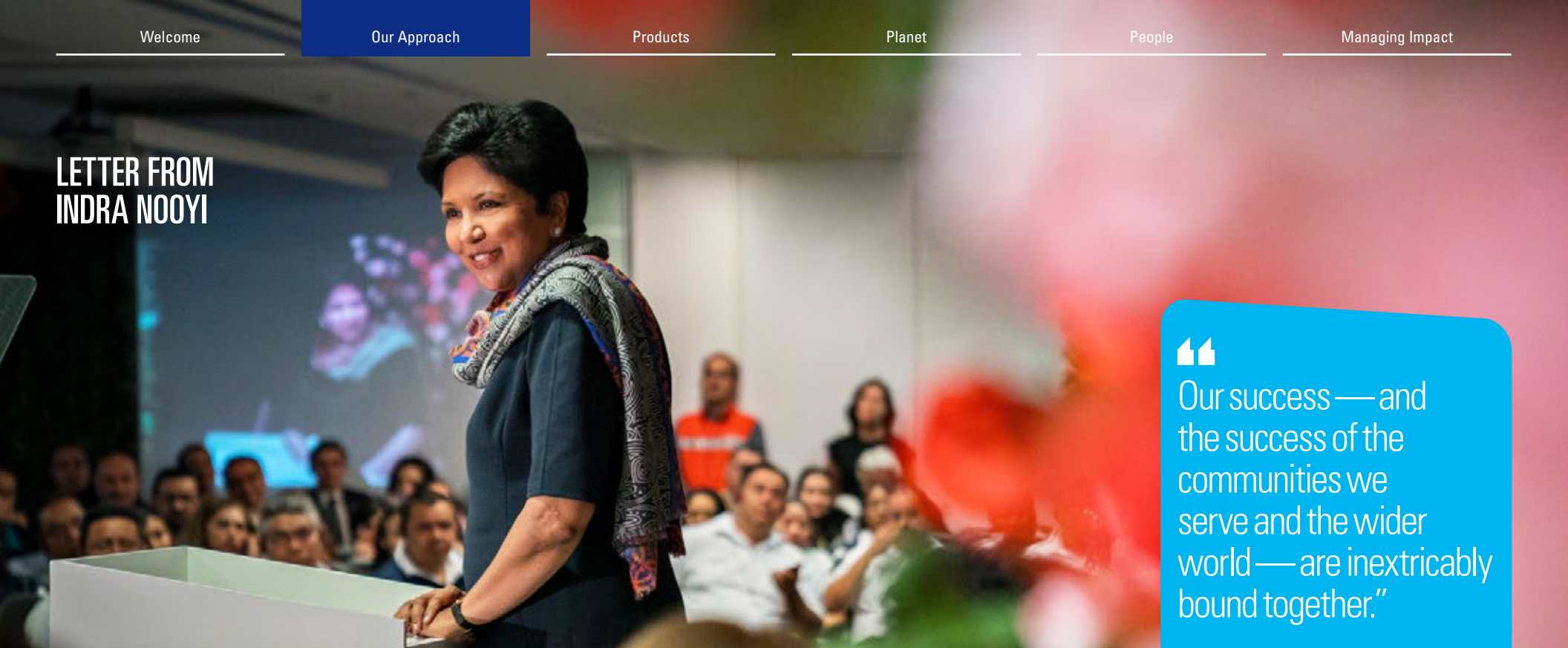
THERE ARE MORE THAN



**260,000**

PepsiCo employees worldwide.

## LETTER FROM INDRA NOOYI



Twelve years ago, we embarked on a journey at PepsiCo that we call Performance with Purpose. Since then, much has changed — at PepsiCo and around the world — but the underlying principles behind Performance with Purpose remain the same.

We know we need to deliver the kind of top-tier financial results our investors, associates and all our stakeholders expect. And we also know something else. We know we need to do it with a sense of purpose, a moral compass, guiding our way.

For me, and all of us at PepsiCo, Performance with Purpose is — and always has been — about the way we make money, not the way we spend it. About who we are, the character of our company.

We've tried to adhere to the idea of a social contract once defined by British statesman Edmund Burke as a partnership between the living, those who've come before and those yet to be born.

And that means managing PepsiCo with an eye toward not only short-term priorities, but long-term priorities, not only the level of returns, but the level and duration of returns, recognizing that our success — and the success of the communities we serve and the wider world — are inextricably bound together.

Much of our early work on Performance with Purpose required us to think differently about our business and make the kinds of long-term investments — from researching and developing new, more nutritious products, to finding ways to reduce water and energy use across plants and farms — that could help us deliver on the vision of making our growth, our operations and our impact more sustainable.



Our success — and the success of the communities we serve and the wider world — are inextricably bound together.”



Our aspiration of creating a good company — good ethically and good commercially — is now coming to fruition, yielding a broader, more lasting impact than we ever imagined.”



## LETTER FROM INDRA NOOYI CONTINUED

Sustainability has been defined as **“meeting the needs of the present without compromising the ability of future generations to meet their own needs.”** Over the last dozen years, we’ve tried to meet the needs of the present while strengthening the ability of future generations to meet theirs, integrating that aspiration into our goals for what we originally called Human Sustainability, Environmental Sustainability and Talent Sustainability — today known as **Products, Planet and People**:

### PRODUCTS ♥

We’ve built on our legacy as the first company to voluntarily remove trans fat from our snacks by reducing added sugars, sodium and saturated fat in our products, launching a revolutionary nutrition-focused vending option, Hello Goodness, and growing our portfolio of Good for You and Better for You options from about 38 percent of revenue in 2006 to roughly 50 percent last year.\* We also teamed up with others in our industry to form the Healthy Weight Commitment Foundation, removing 6.4 trillion Calories from our food and beverage products, surpassing our collective pledge by more than 400 percent. And through Food for Good, we’ve provided 80 million nutritious servings to low-income U.S. families since 2009 to date.

\*As we evolve our portfolio and expand our offerings, we are continually updating our definitions of our Good for You, Better for You and Fun for You categories, and what products fit within each category. Below are 2017 definitions:

GOOD FOR YOU options help consumers meet recommended daily intakes of whole grains, vegetables, fruits, dairy, nuts and seeds with low to no amounts of particular nutrients, such as added sugars, sodium or saturated fat.

BETTER FOR YOU options can help consumers limit particular nutrients, such as added sugars, sodium or saturated fat, when incorporated into a well-balanced diet. These options include beverages with fewer or no calories. In this category, we also include products specifically formulated to provide a functional benefit, such as addressing the performance needs of athletes.

FUN FOR YOU options are treats for consumers to enjoy responsibly.

### PLANET 🌱

We’ve raised the bar for what it means to be a responsible corporate water steward, earning the prestigious Stockholm Industry Water Award. In fact, we achieved a 25 percent water-use efficiency improvement between 2006 and 2015 in our legacy operations. And we’ve invested more than \$40 million since 2006 to provide safe water access around the world, benefiting nearly 16 million people in some of the planet’s most water-stressed regions.

We’ve also made our delivery fleet more energy efficient, eliminating the need for over 1 million gallons of diesel fuel since our electric vehicle initiative began in 2010 — the equivalent of keeping more than 2,000 passenger cars off the road for a year — while also making our beverage coolers and vending machines 60 percent more energy efficient. And we are one of the largest users of food-grade recycled PET in the U.S. In fact, if more recycled PET were available, we’d buy it. We’ve also launched the first 100 percent compostable chip bag in test markets, while diverting more and more of our waste from landfill — approximately 95 percent as of the end of 2017.

### PEOPLE 🤝

We’ve reimagined what it means to support our associates, from ushering in on-site and near-site childcare at campuses around the world, to expanding PepsiCo University’s online course offerings to help associates upgrade their skills to navigate a rapidly changing world. And we’ve also helped lift up the communities we serve, playing a critical role in disaster relief efforts from Texas to Florida and Puerto Rico, Mexico to Ecuador, China to the Philippines.

So, while we still have work to do in certain areas, we’re incredibly proud of the progress we’ve made. Our aspiration of being a good company — good ethically and good commercially — is now coming to fruition, yielding a broader, more lasting impact than we ever imagined, and setting a standard that companies across our industry and beyond aspire to meet.

Looking ahead, we’ll continue viewing our work through both a microscope and a telescope, focusing on the most granular details — grams of saturated fat, parts per billion of greenhouse gas, the number of women in management roles — as well as the larger ambition of building a business that acts in accordance with our values, each of us striving to do what’s right for the company and what’s right for our communities. Because at the end of the day, there’s no separating the two.

**Leading this company remains a source of incredible pride. In my first sustainability report letter in 2007, I opened with a story:**

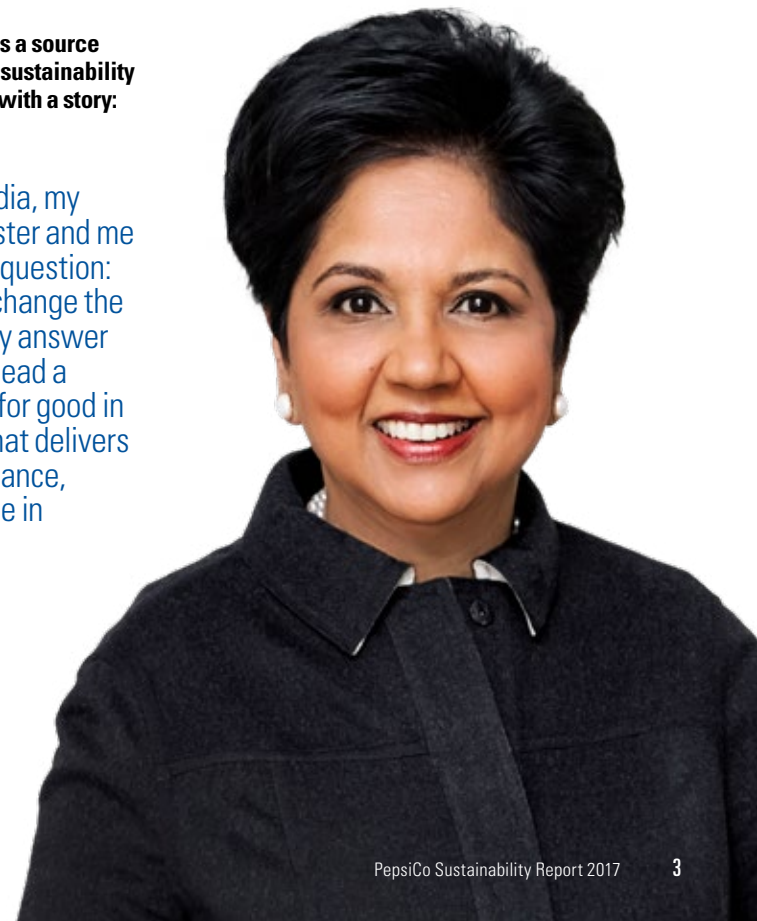


When I was a child in India, my mother would ask my sister and me a simple but compelling question: ‘What would you do to change the world?’ Today, I know my answer would be that I want to lead a company that is a force for good in the world. A company that delivers strong financial performance, while embracing purpose in everything it does.”

That is still my answer. And I know that if we stay focused on our mission, if we engage the head, heart and hands of our more than 260,000 associates, and adhere to the idea that how we make money is as important as how we spend it, we’ll continue doing more than advancing the heritage of a great and iconic company. We’ll keep changing the world.

Sincerely,

**Indra K. Nooyi**  
PepsiCo Chairman and CEO



## Q&A WITH DR. MEHMOOD KHAN

Interview by Mindy Lubber, Chief  
Executive Officer and President, Ceres

### **Q** How would you describe PepsiCo's progress against the Performance with Purpose 2025 Agenda goals so far?

**A** I'm proud of our progress. We're continuing to transform many of the products we make, and how we make them. We have reformulated certain classic products, like 7UP and Mirinda, which now have at least 30 to 50 percent less added sugars in dozens of markets around the world. And we've launched some great new products, such as Tropicana Kids, LIFEWTR and Quaker Overnight Oats, which marry the convenience and great taste that consumers want with the nutrition and hydration they need.

Nearly 80 percent of our directly sourced crops are now grown by farmers engaged through our Sustainable Farming Program.

We're helping them adopt more sustainable practices, increase yields and improve their livelihoods.

Yet we need to do more to lower added sugars, sodium and saturated fat across our portfolio, especially outside of our biggest markets. And plastic waste remains a challenge.

### **Q** What are the barriers to moving faster and at greater scale?

**A** The goals that take the most work may not show the fastest results, and much of the change we want to see is outside of our direct control. Take water consumption or greenhouse gas emissions. Most of our footprints are in our supply chain. To have an impact there, we have to build coalitions and help spread best practices. That takes time.

### **Q** How have you integrated your goals into your governance and strategic planning?

**A** We created a Board subcommittee focused on sustainability. Our executive team is accountable for our progress in meeting our goals — and our bonus program directly links bonus awards to our success in achieving sustainability goals. Sustainability is also a key factor in decision-making.

### **Q** How are you using transparency and disclosure as tools for getting results?

**A** Reports like this are about allowing stakeholders to scrutinize what we are doing and being open to outside advice. We're always looking for ways to extend our transparency — this year, we have published a separate PwP Performance Metrics sheet to make

it easier to understand our progress at a glance. For more detail, our online A–Z Topics is an extensive and regularly updated resource.

### **Q** What gives you hope that the food and beverage industry will achieve greater sustainability?

**A** We believe we have no choice. Our license to operate depends on it. Consumers and other stakeholders increasingly demand it of the entire food and beverage industry.

When we launched Performance with Purpose in 2006, we were leading our industry. Within a few years, others had caught up. We set ambitious new goals in 2016 and we're now near the top of the pack again, but it will be difficult to maintain that because so many of our peers are also taking action. Our industry is changing fast and that's great to see.



Our license to operate depends on achieving sustainability"

#### **Dr. Mehmood Khan**

PepsiCo's Vice Chairman and Chief Scientific Officer, Global Research and Development

**79%**

of our directly sourced crops are grown by farmers engaged through our Sustainable Farming Program

**30–50%**

less added sugars in reformulated 7UP and Mirinda



For the full interview, visit [pepsico.com/live](https://pepsico.com/live)



## 2017 FINANCIAL PERFORMANCE

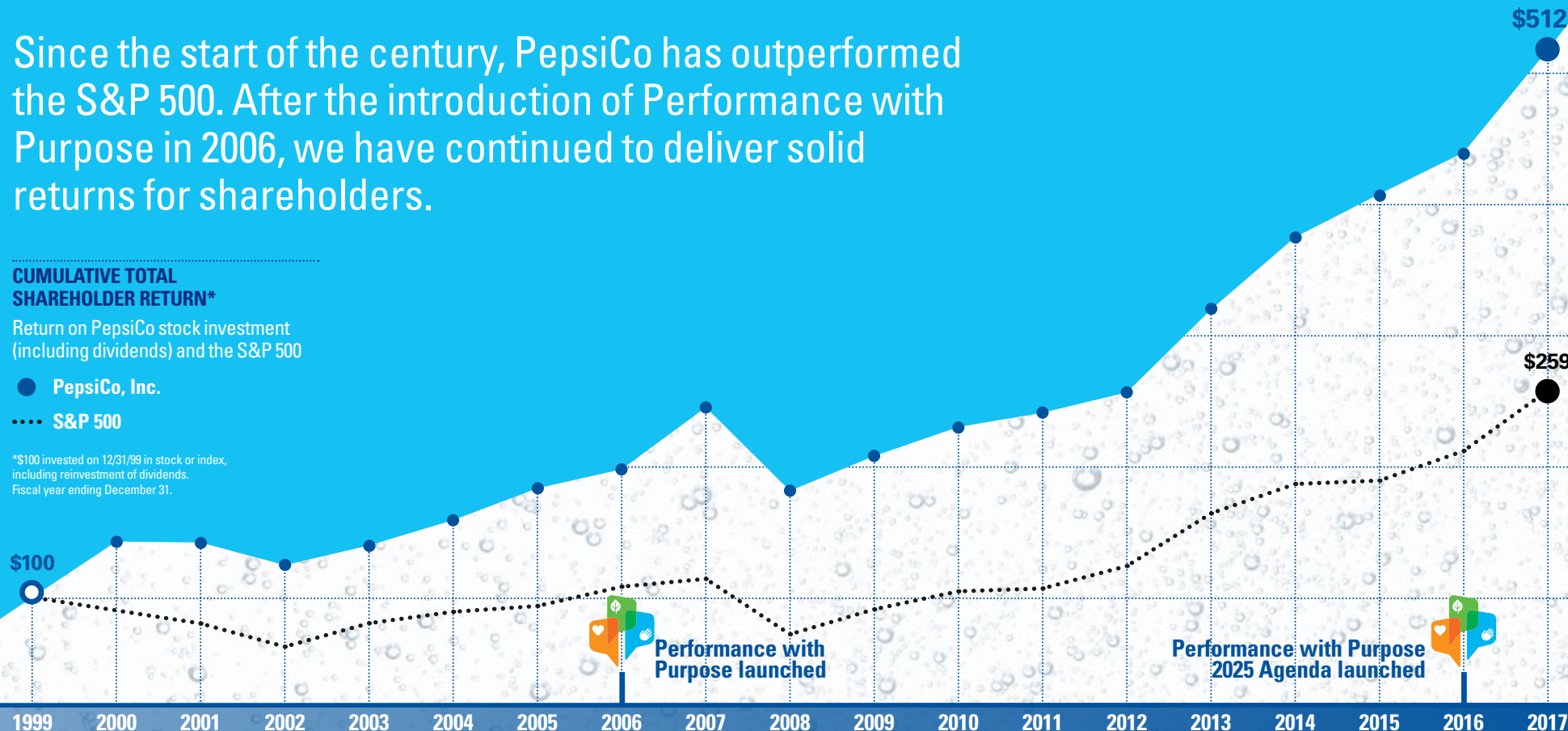
Since the start of the century, PepsiCo has outperformed the S&P 500. After the introduction of Performance with Purpose in 2006, we have continued to deliver solid returns for shareholders.

### CUMULATIVE TOTAL SHAREHOLDER RETURN\*

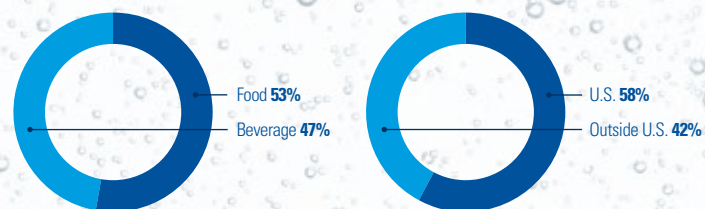
Return on PepsiCo stock investment (including dividends) and the S&P 500

● PepsiCo, Inc.  
 ..... S&P 500

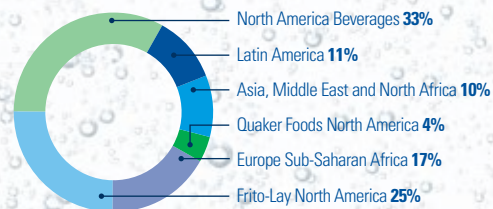
\*\$100 invested on 12/31/99 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.



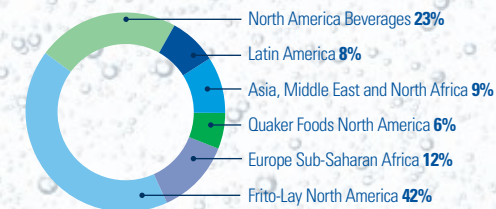
### MIX OF NET REVENUE



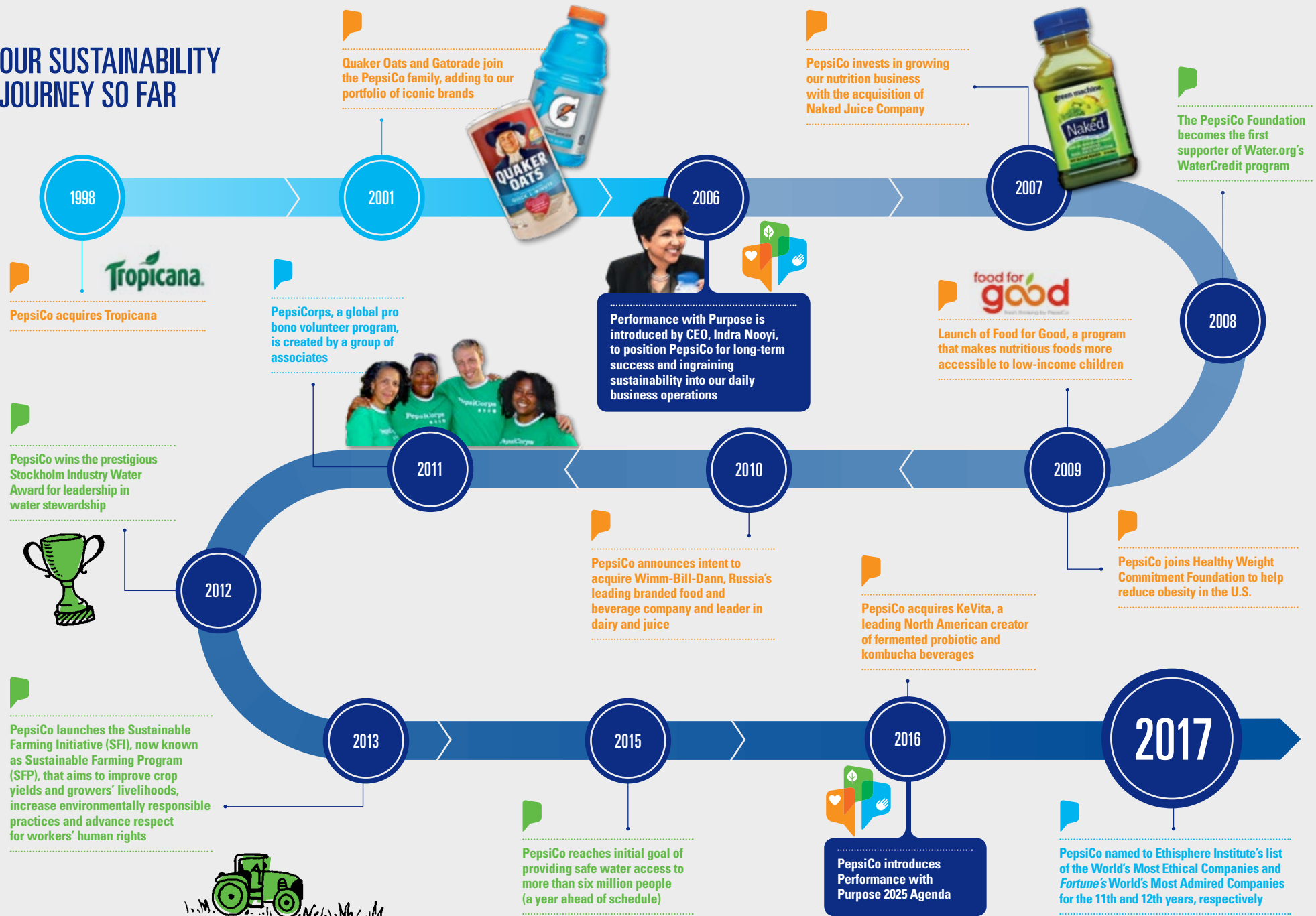
### NET REVENUES



### DIVISION OPERATING PROFIT



## OUR SUSTAINABILITY JOURNEY SO FAR



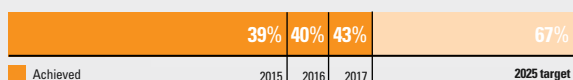


## PROGRESS AGAINST OUR GOALS

### ♥ PRODUCTS

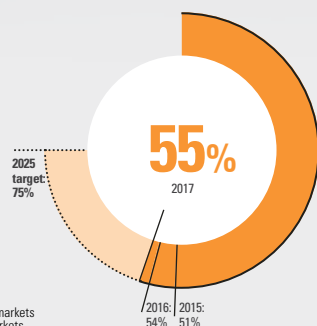
**43%**

OF BEVERAGE PORTFOLIO  
VOLUME WITH ≤100  
CALORIES FROM ADDED  
SUGARS PER 12-OUNCE SERVING\*



### SODIUM

% of foods portfolio volume with <1.3 milligrams of sodium per Calorie\*\*

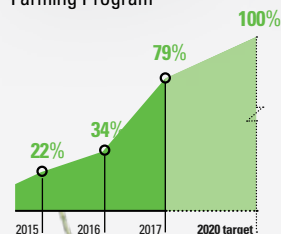


\*In Top 10 Beverage markets  
\*\*In Top 10 Foods markets

### 🌱 PLANET

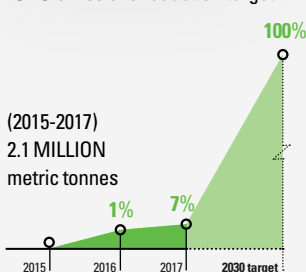
#### SUSTAINABLE FARMING

% of directly sourced crops grown by farmers engaged through our Sustainable Farming Program



#### CLIMATE (SCOPE 3)

Progress toward absolute GHG emissions reduction target



**16 MILLION**

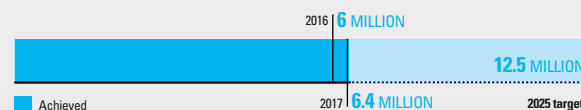
PEOPLE PROVIDED WITH  
ACCESS TO SAFE WATER



### 👥 PEOPLE

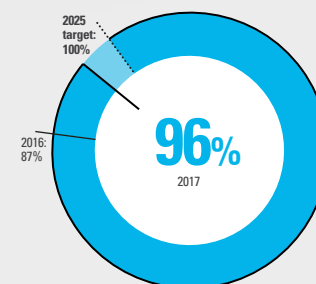
**6.4 MILLION**

WOMEN AND GIRLS  
BENEFITED IN COMMUNITIES  
NEAR WHERE WE WORK  
SINCE 2015



### HUMAN RIGHTS

% of business-critical direct third-party suppliers who completed on-site audits as part of our Sustainable Sourcing Program



Complete information on other PwP goals and progress is in our PwP Performance Metrics sheet

## PWP THROUGH OUR VALUE CHAIN

### 1. SOURCING & AGRICULTURAL RAW MATERIALS

**Examples: sustainable farming, water, Scope 3 GHG emissions, human rights, deforestation**

Our Sustainable Farming Program (SFP) aims to optimize economic, social and environmental on-farm practices and outcomes, including helping decrease Scope 3 GHG emissions during the sourcing of raw materials, optimizing water use and advancing respect for workers' human rights.

**97%**  
of our potato farmers in North America have achieved our sustainable sourcing standards

\*Graphic only shows examples, not an exhaustive list of all impacts

### 2. MANUFACTURING & PACKAGING

**Examples: food safety, human rights, operational efficiency (including waste, water efficiency and Scope 1 & 2 GHG emissions)**

We are working toward zero waste to landfill across all our manufacturing through programs like ReCon (Resource Conservation), which is a comprehensive, global platform of resources, tools and programs designed to improve energy and water and waste efficiencies in our manufacturing processes.

**95%**  
of waste diverted from landfill in our direct operations in 2017

From the farm to the home, our PwP goals touch every part of our value chain, with an aim to enable us to maximize resource-efficiency and improve the nutritional profile of our products. Examples of this in our global supply chain are illustrated below.\*

### 3. DISTRIBUTION

**Examples: fleet efficiency, workplace safety**

Our fleet is reducing emissions by diversifying the sources of energy we use for our freight trucks. We are also making improvements in fleet efficiency through driver training, safety technology and more efficient routing.

**63 MILLION**  
miles driven by Frito-Lay North America Compressed Natural Gas fleet in 2017 and over 211 million miles to date

### 4. MARKETING & SALES

**Examples: more nutritious options, responsible marketing**

We're responding to changing consumer preferences by transforming our portfolio, reformulating many of our beverages to reduce added sugars.

**30–50%**  
less added sugars in 7UP and Mirinda in more than 60 markets around the world

### 5. CUSTOMER, CONSUMER USE & END OF PRODUCT LIFE

**Examples: packaging, waste**

We're helping consumers reduce environmental impact through innovations in packaging (such as plant-based bioplastic bags being piloted in three locations across the globe) and initiatives to promote recycling.

**~90%**  
estimated PepsiCo beverage packaging worldwide that is fully recyclable based on 2017 data



# SUSTAINABLE DEVELOPMENT GOALS

## MAPPING AGAINST THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) provide an important inspiration for our Performance with Purpose vision. The shared challenges and opportunities that the world faces, from hunger and disease to climate change and clean water access, require common action from all organizations with the power to contribute to global progress. PepsiCo is committed to being part of this process.

The SDGs provide an invaluable roadmap with which global actors can align their own sustainability efforts. Our Performance with Purpose 2025 Agenda set goals informed by some of the world's leading experts and institutions, and we mapped our plans against the United Nations SDGs. This allows us to meaningfully contribute to the shared objectives of the global community. We're focused on the SDGs where our strategy is aligned so that we can have the greatest impact.



### SDG

#### Zero Hunger



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

#### Good Health and Well-Being



Ensure healthy lives and promote well-being for all at all ages

#### Gender Equality



Achieve gender equality and empower all women and girls

#### Clean Water and Sanitation



Ensure availability and sustainable management of water and sanitation for all

#### Decent Work and Economic Growth



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

#### Responsible Consumption and Production



Ensure sustainable consumption and production patterns

#### Climate Action



Take urgent action to combat climate change and its impacts

### EXAMPLES OF ACTION

- Since 2016, we have provided access to 475 million servings of affordable nutritious foods and beverages to underserved consumers and communities, through products like Quaker *3 Minutos* in Latin America.
- Sustainable agricultural practices will be important to meeting the increasing demand for food as the global population grows. As of the end of 2017, 24 percent of our direct crops were sustainably sourced.
- The rate of sales growth of Everyday Nutrition products outpaced the rate of sales growth in the balance of our product portfolio in 2017.
- 43 percent of our beverage portfolio volume in our Top 10 Beverage markets contains 100 Calories or fewer from added sugars per 12-ounce serving.
- As of the end of 2017, women and men were paid within one percent of each other in the 21 countries we have analyzed, based on base compensation and after controlling for legitimate drivers of pay.
- In 2016 and 2017, PepsiCo and the PepsiCo Foundation invested \$14.3 million to support initiatives that benefit women and girls in communities near where we work.
- 95 percent of wastewater from our operations met PepsiCo's high standards for protection of the environment in 2017.
- With the PepsiCo Foundation and its partners, we have provided access to safe water to nearly 16 million people since 2006 in the world's most at-water-risk areas.
- Through our Sustainable Farming Program (SFP), we work with participating growers to promote the well-being of agricultural workers and surrounding communities, with 79 percent of our directly sourced crops grown by farmers engaged through SFP.
- In 2016 and 2017, we enabled 6.4 million women and girls to progress through school and be successful in the workforce.
- An estimated 85 percent of our packaging worldwide was recyclable, compostable or biodegradable in 2017.
- 95 percent of waste was diverted away from landfill through reuse, recycling or waste-to-energy in 2017.
- In 2017, we reduced Scope 3 GHG emissions by approximately 2.1 million metric tonnes versus our 2015 baseline. This represents approximately seven percent of our 2030 target reduction amount.
- Our goal to reduce absolute GHG emissions across our value chain by at least 20 percent by 2030 has been validated by the Science Based Targets Initiative.



# ♥ PRODUCTS

Every day around the world, millions of people enjoy our food and beverages — and we welcome the responsibility that brings. At PepsiCo, our global scale means even small changes can make a big difference. So we're innovating to reduce added sugars, sodium and saturated fat in many of our products and make them more nutritious in response to changing consumer preferences — and we're doing it while maintaining great taste. The goals for our products are informed by and aligned to the UN's "Good Health and Well-being" and "Zero Hunger" Sustainable Development Goals.

## 27.5%

↑0.4 pps\* vs 2016\*\*

of our net revenue comes from products containing one or more ingredients delivering positive nutrition, like grains, fruits and vegetables, or protein, plus those that are naturally nutritious like water and unsweetened tea

## 43%

↑3 pps\* vs 2016

of our global beverage portfolio volume contains 100 Calories or fewer from added sugars per 12-ounce serving (Top 10 Beverage markets)

## 55%

↑1 pp\* vs 2016\*\*

of our global foods portfolio volume contains less than 1.3 milligrams of sodium per Calorie (Top 10 Foods markets)

## 66%

↔ vs 2016

of our global foods portfolio volume contains less than 1.1 grams of saturated fat per 100 Calories (Top 10 Foods markets)

### SUSTAINABLE DEVELOPMENT GOALS



See page 9 for more information

More information on other PwP goals and progress is in our [PwP Performance Metrics sheet](#)

\*pp(s) = percentage point(s)

\*\*Prior period results for this metric have been adjusted to reflect currently available information



## PERSPECTIVES

# SEEKING TO POSITIVELY IMPACT THE FUTURE OF FOOD AROUND THE WORLD

Global health continues to be affected by noncommunicable diseases like heart disease and diabetes. Because of the role overall diet can play in these diseases, we seek to positively impact the future of food around the world while responding to local tastes and preferences.

Improving the nutritional quality of our products will help provide consumers with more choices to fit into their overall diet. And we believe it will also help us to adapt to consumer preferences over the long term, positioning us to continue to deliver strong business results.



**with Anne Ferree**  
Chief Strategy & Partnership Officer,  
Alliance for a Healthier Generation

**and Clémence Ross**  
President, Choices International  
Foundation

**Q What role do you think the food and beverage sector can play in responding to concerns about dietary health?**

**A Anne:** By partnering proactively with community-supporting public health organizations like Healthier Generation, ingrained barriers to dietary health such as availability, access and affordability can be tackled. This is especially important to better serve those families facing health inequities.

**A Clémence:** The food and beverage sector can make a substantial contribution by giving priority to nutritious food in reformulation and innovation and by using its power and expertise in consumer communication to guide consumers to healthier choices.

**Q What progress have you seen PepsiCo make on this agenda in the last few years?**

**A Anne:** In addition to pioneering a partnership with Healthier Generation to transform the way in which schools offer drinks and snacks, PepsiCo's aggressive approach to bring nutritious products

to the marketplace and promote them is a bold step. This serious commitment to global health and well-being demonstrates the importance of leadership across the industry.

**A Clémence:** The progress in reformulating to reduce saturated fat, sodium and added sugars in products, as driven by PepsiCo's goals, is highly appreciated. I also welcome PepsiCo's partnership with the Choices International Foundation. The Foundation is engaged in a dialogue with national healthy food initiatives in many countries. By working with PepsiCo, we can add more substance to these dialogues.

**Q What do you think is needed to help more consumers embrace more nutritious options?**

**A Anne:** Consumers represent a wide range of views about the definition of "more nutritious." It's paramount for all sectors to join together and help declutter the landscape where consumers make their purchasing decisions. We need more product shifts, more effective placement and pricing, and more targeted marketing to both support and steer families toward greater nutrient density.

**A Clémence:** Consumers want healthy products for themselves and their families. The problem is determining which products are healthier. So the first requirement is reliable and equivocal information that can be understood at a glance, even by people with low literacy.



## OUR STRATEGY

# CREATING A POSITIVE RELATIONSHIP BETWEEN PEOPLE AND FOOD IS INTEGRAL TO OUR BUSINESS

While we are continuing to transform the nutritional profile of many of our products by reducing added sugars, sodium and saturated fat, we are also growing our portfolio of nutritious products.

By embedding a focus on nutrition into our business strategy, we can use our scale to build a portfolio of new products. So we're applying nutrition science and product development expertise to create products that support specific health and wellness goals while delivering great taste and convenience — critical attributes in achieving progress.

To meet our 2025 goals and further accelerate PepsiCo's product transformation, we use a set of science-based nutrition guidelines called the PepsiCo Nutrition Criteria

(PNC). These criteria are based on dietary and nutrient recommendations from leading global and national nutrition authorities, including the World Health Organization (WHO), the U.S. Department of Agriculture (USDA), the National Academy of Medicine and dietary guidelines from numerous countries. The PNC establishes standards for nutrients to limit, and nutrients and food groups to encourage that are based on the latest science and country-specific dietary guidelines.



### RECIPE FOR SUCCESS

As part of the transformation of our portfolio of foods and beverages, we're reviewing our recipes and reformulating many of our products to improve their nutritional profiles by incorporating new seasonings and ingredients and leveraging technological advances.



More information on PepsiCo's work in these areas can be found in [A-Z Topics](#) on [pepsico.com](https://www.pepsico.com)



### EVERYDAY NUTRITION

Another important part of our portfolio transformation is growing the proportion of nutritious choices we offer consumers while proving that nutrition and hydration don't need to be boring. Our innovative Everyday Nutrition products taste great and are good for you. We believe that continuing to grow our Everyday Nutrition portfolio is vital to the strength of our business — today and tomorrow.



### PHA SAYS A-OK

In 2017, Partnership for a Healthier America (PHA) independently verified for the first time PepsiCo's U.S. 2016 reported progress against our goals to reduce added sugars, sodium and saturated fat in our Top 10 markets. We will continue to have our progress verified annually.



## PORTFOLIO TRANSFORMATION IN ACTION

# REDUCING ADDED SUGARS, SODIUM & SATURATED FAT



### REDUCING ADDED SUGARS

#### 2025 Goal for Added Sugars:

At least 2/3 of our global beverage portfolio volume will have 100 Calories or fewer from added sugars per 12-ounce serving.

From 2016 to 2017, we increased by three percentage points our beverage portfolio volume with 100 Calories or fewer from added sugars per 12-ounce serving in our Top 10 Beverage markets.

As consumer demand for more nutritious beverage choices grows, we're responding with a number of transformed or new products with lower or no calories. We continued to roll out reduced- and no-calorie versions of our iconic brands into global markets: Pepsi Black, Mirinda and 7UP. (Read more on page 16). In addition, we recently introduced or expanded:

- Tropicana Kids, an all-new line of premium organic fruit juice drinks, and Tropicana Coco Blends, with a splash of coconut water, in the U.S., both with no added sweeteners and no artificial flavors

- Bubly, our new sparkling water in the U.S. with no artificial flavors, no sweeteners and no calories
- KeVita, our probiotic-based products in the U.S., with new Master Brew Kombucha flavors
- LIFEWTR, our premium bottled water brand in the U.S. and Canada (where it's known as ARTO LIFEWTR) that generated approximately \$200 million in estimated annual retail sales in 2017
- Drinkfinity, now in Brazil, the U.S. and certain European countries, lets consumers create their own delicious beverages — without any artificial flavors or artificial sweeteners and less packaging



### REDUCING SODIUM & SATURATED FAT

#### 2025 Goal for Sodium:

At least 3/4 of our global foods portfolio volume will not exceed 1.3 milligrams of sodium per Calorie.

#### 2025 Goal for Saturated Fat:

At least 3/4 of our global foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 Calories.

Our snack transformations continued around the world. In 2017, in our Top 10 Foods markets, 55 percent of our snacks portfolio did not exceed 1.3 milligrams of sodium per Calorie, and 66 percent did not exceed 1.1 grams of saturated fat per 100 Calories.

Recent reformulations include:

- Cheetos in Mexico, most of which complies with our sodium target, and 100 percent of which complies with our saturated fat target
- Lay's Max Mexican Chili in Saudi Arabia, which currently complies with our sodium target

Recent launches include:

- Multigrain Kurkure in India, with 21.5 percent less sodium than Kurkure Masala Munch
- Off the Eaten Path, vegetable- and legume-based products like Veggie Crisps, Hummus Crisps and Sweet Potato Crisps in the U.S.
- Lightly Salted Lay's in the U.S., which contain 50 percent less sodium than Lay's Classic potato chips: Lay's Lightly Salted Barbecue and Lay's Kettle Cooked Lightly Salted Olive Oil and Herbs
- Simply branded products in the U.S., which contain no artificial flavors, colors or preservatives: Simply Organic Doritos White Cheddar and Simply Lay's Barbecue



## INNOVATION

CREATING TOMORROW'S  
PORTFOLIO TODAY

Tomorrow's food begins as today's innovations. From new R&D centers to our nutrition company incubator, we're continually exploring new ways to make great tasting nutritious food and beverages.



## EXPANDING GOODNESS

We continue to innovate on our nutrition journey to meet consumer demand. In 2017, we partnered with operators who understand the growing demand for healthier choices. During the year, we significantly expanded the presence of Hello Goodness vending machines, coolers and racks, offering more nutritious on-the-go snacks and beverages across the U.S., with nearly 40,000 units sold into the market.

# 40,000

units sold into the market



The R&D Fruit and Vegetable Centre is an important strategic hub for PepsiCo, offering great potential for cross-platform synergies and talent development".

**Jan Weststrate**  
Senior Vice President, R&D Nutrition

INNOVATING NUTRITIOUS  
PRODUCTS

Last year, we introduced our new R&D Nutrition Fruit and Vegetable Centre in Cork, Ireland, expanding on an existing hub of R&D expertise in Cork. The center is driving innovation for global and local brands such as Tropicana, Naked Juice and Alvalle.

BUILDING A NUTRITION  
GREENHOUSE

In 2017, we launched a nutrition incubator program called Nutrition Greenhouse, designed to support European nutrition food and beverage entrepreneurs. We provide opportunities for the entrepreneurs behind these brands to collaborate with experts within PepsiCo — and we award cash prizes to the most promising companies. Erbology London, named the 2017 Nutrition Greenhouse winner, offers nutrient-rich, plant-based products and achieved more than 400 percent growth during the six-month initiative. The incubator program will expand this year as it looks for more ways to collaboratively deliver innovations to the market with retailers.

# 400%

growth during the six-month  
initiative for Erbology London



## GLOBAL ACTION

EXPANDING  
GLOBAL NUTRITION

We continue to grow our portfolio of nutritious products to meet rising consumer demand for products that are at once nutritious, convenient and great tasting. Developing and delivering products with these attributes is a priority for PepsiCo.

Given the increasing preferences for more nutritious options by consumers around the world, we believe growing our Everyday Nutrition portfolio contributes to the strength of our business. Everyday Nutrition includes products containing nutrients like grains, fruits and vegetables, or protein, plus those that are naturally nutritious like water and unsweetened tea. As part of our Everyday Nutrition portfolio, in markets all over the world, we work to create products that are suited to local needs in terms of both taste and nutrition, with brands that consumers trust. This approach appears to be working: In 2017, 27.5 percent of our net revenue came from Everyday Nutrition.

As we continue to expand our range of nutritious offerings, we expect the rate of sales growth of our Everyday Nutrition products to outpace the rate of sales growth in the balance of our product portfolio.

# 27.5%

of total revenue from Everyday  
Nutrition in 2017

QUAKER NUTRITION AROUND  
THE WORLD

In 2017, we continued to introduce new Quaker products across the globe. And by tailoring Quaker products to local preferences and routines, we're making oats relevant to local needs while providing consumers with the nutrition they want.

Recent Quaker introductions around the world:

- ① Quaker Good Start Oatmeal Pots in Saudi Arabia
- ② Quaker Cups Flavored Instant Oatmeal in the Philippines
- ③ Quaker Overnight Oats in the U.S.
- ④ Quaker Breakfast Flats in Mexico
- ⑤ Quaker Porridge to Go in the U.K.
- ⑥ Quaker Oats+Milk in India
- ⑦ Quaker Crispy Fruit Oats in China



## R&amp;D INVESTMENT

Our long-term investment in R&D — from product reformulation to sweetener and ingredient discovery — has enabled a shift in our portfolio by producing many foods and beverages with fewer calories, less sodium and reduced saturated fat, all without sacrificing great taste.



## NAKED

We recently introduced Naked Fruit, Nut & Veggie Bars, extending the brand beyond juices and smoothies for the first time.



## J7

In early 2017, we launched an innovative new apple pomace juice product in Russia under our J7 brand that gives consumers the same amount of fiber per serving as a whole apple.



# A WORLD OF BETTER CHOICES

# 73 MARKETS

Pepsi Black, with maximum cola taste and zero sugar, expanded to 73 markets by the end of 2017



Partners like PepsiCo will help ensure there are healthier options at the grocery store. We know PepsiCo's plans have the potential to reduce an enormous number of calories from the market."

Partnership for a Healthier America



As we look across our beverage portfolio, there are a number of ways we intend to make progress on our goal of reducing added sugars — including reformulating many of our existing beverages and creating new products — while keeping the taste consumers love.

We have continued to strengthen and scale our distinctive Pepsi Black, with maximum cola taste and zero sugar, from 28 markets in 2015 to 73 by the end of 2017. In 2017, Pepsi Black delivered Retail Sales Value growth of 26.5 percent compared to the prior year.\*

We have also rolled out 7UP and Mirinda with at least 30–50 percent less added sugars in more than 60 markets around the world, replacing the full-sugar versions. In key markets like Poland and Romania, Mirinda Orange has continued double-digit volume growth annually and gained market share since its reformulation in 2016.

And we recently introduced Mountain Dew Ice in the U.S., which has 100 Calories per 12-ounce serving.

Whether we're reformulating our most iconic brands to better fit with consumers' lifestyles or creating exciting new products to delight and nourish them, we intend to continue to expand our nutritious and delicious options into more and more global markets.

\*ex-North America





# PLANET

As resources become scarcer and the global population grows, it's increasingly important to make our agriculture practices more sustainable. That's especially true since our work in agriculture touches other big environmental issues, such as climate and water. We are in a position to contribute to solutions that we believe will sustain our planet for future generations, and we align our approach with the UN's "Clean Water and Sanitation," "Responsible Consumption and Production" and "Climate Action" Sustainable Development Goals.

## SUSTAINABLE DEVELOPMENT GOALS



See page 9 for more information

\*pps = percentage points

More information on other PwP goals and progress is in our [PwP Performance Metrics sheet](#)

## ~16 MILLION

↑~5 MILLION vs 2016

people provided access to safe water since 2006

## 7%

↑6 pps\* vs 2016

progress against goal to reduce absolute Scope 3 greenhouse gas emissions

## 95%

↑2 pps\* vs 2016

of waste across all our direct operations was diverted away from landfill through reuse, recycling or waste-to-energy

## 79%

↑45 pps\* vs 2016

of crops sourced directly were grown by farmers engaged through our Sustainable Farming Program



## PERSPECTIVES

# ENVIRONMENTAL ISSUES ARE A PRIORITY FOR OUR BUSINESS

Environmental issues have a direct impact on our business, and we must adapt to resource scarcity and improve productivity.

For example, water scarcity can negatively affect our crops, the communities where we operate, our employees and our operations. Because our business depends on water, we have a vested interest in conserving and protecting it. We also believe climate change will affect crop availability. Because of this, along with our desire to be good environmental stewards in the communities where we operate, it's vital that we find solutions to water scarcity, greenhouse gas emissions, waste and sustainable sourcing by collaborating within and beyond our sector.



with Mark Tercek

CEO,  
The Nature Conservancy (TNC)

**Q What is the imperative to act to improve water security?**

**A** More than 30 percent of the earth's water sources are over-tapped, but water security is achievable. Investments in natural infrastructure are among the most cost-effective, sustainable solutions to restoring water resources. Now is the time to mobilize capital toward those investments.

**Q What role can food and beverage companies play in creating solutions?**

**A** They're natural partners in mobilizing society to invest in nature-based solutions. TNC has worked with the sector to establish water funds — payment schemes in which downstream water users and cities invest in nature upstream to protect water at its source.

**Q How important are cross-sector partnerships to achieving progress?**

**A** They are critical to addressing water issues. We need corporations to help underwrite complex nature-based solutions, we need brands to raise awareness among consumers, and we need companies' operational expertise to help us scale solutions. Our partnership with PepsiCo checks all those boxes.

**Q How optimistic are you that the world can continue to meet demand for fresh water?**

**A** We are cautiously optimistic. Our water security challenges are daunting, to be sure. But science tells us that we can have a future with both economic development and environmental sustainability — if we act now. Investing in

nature for water security can help us get there. It helps communities become more resilient and, by offering cost-effective solutions, it creates value for companies and investors.

“Investing in nature for water security is simply good for everyone.”





## OUR STRATEGY

# HOW WE'RE HELPING BUILD A SUSTAINABLE PLANET



We have a tremendous opportunity to use our global scale, expertise and resources to influence positive change across our entire value chain — from the way ingredients are grown and sourced, to when a product is purchased and consumed, to when its packaging is discarded. Through our Planet goals, we aim to minimize our environmental impact while growing our business and helping meet the food, beverage and natural resource needs of both our business and our changing world.

We're focused on the areas where we can make the greatest impact: agriculture, climate, waste and water.



### AGRICULTURE

#### Spreading sustainable sourcing

Agriculture is one of the world's most important industries, feeding the planet and employing a quarter of its workers.<sup>1</sup> Food availability will need to increase by 70 percent by 2050 to feed a growing and more prosperous global population.<sup>2</sup> And we must achieve this in a way that is resource-efficient and respects local agricultural communities. That's why PepsiCo has put developing and implementing sustainable agricultural practices at the heart of our sourcing approach. We're using our scale and expertise to work with farmers around the world to help rethink how agriculture works.

We aim to use our scale to make a global impact. Sustainable agriculture practices are important to the continued growth of our business, food safety and crop resilience for continued and localized supply. Through our Sustainable Farming Program (SFP), PepsiCo helps farmers and farming communities improve livelihoods, preserve the environment and support the sustainable growth of PepsiCo's brands.



### CLIMATE

#### Taking a collaborative approach to seeking and developing solutions

To achieve our goals, we're working with our suppliers, business partners and customers to reduce emissions associated with agriculture, packaging and transportation; adopting lower-carbon solutions in our product development; and reducing fossil fuel consumption through energy efficiency. So as our business grows, our aim is that our carbon footprint will shrink.

Our GHG emissions reduction goal covers our entire value chain and includes reductions in emissions from our current corporate carbon footprint as well as additional emissions that we expect to result from anticipated business growth between now and 2030. Our goal has been approved by the Science Based Targets Initiative, which means that PepsiCo is doing its part to limit global temperature increase to 2° Celsius.



### WASTE

#### Working to minimize our impact in everything we do

Packaging plays an essential role in safely delivering our products to consumers and customers, and we have a responsibility to contribute to the quality of life in communities and to protect the health of our oceans and environment through sustainable packaging. We aim to achieve this by continually improving our packaging design and supporting increased recycling, composting and other environmentally friendly approaches.

In every community where we operate, we are working to minimize the amount of waste that we send to landfill. This is a journey that we have been on as a company since the very beginning of Performance with Purpose.



### WATER

#### Working to enable long-term, sustainable water security

We use water for our products and operations, and we take an integrated approach to watershed management. We have set a number of interconnected goals that aim to contribute to our Positive Water Impact — meaning our efforts and partnerships will be designed to enable long-term, sustainable water security for our business and others who depend on water availability.

PepsiCo achieved a 25 percent efficiency improvement between 2006 and 2015 in our legacy operations and we aim to do the same by 2025, with a focus on facilities in high-water-risk regions. We are progressing against our PwP 2025 goal, achieving an efficiency improvement of two percent in 2017, compared to 2016, across our company-owned manufacturing locations.

Improving water efficiency in direct manufacturing operations is important. But water impact needs to be considered in a more holistic way. Our goal to achieve Positive Water Impact by 2025 includes aiming to:

- Improve water-use efficiency in our direct agricultural supply chain in high-water-risk areas by 15 percent
- Replenish as much water as we consume in PepsiCo-owned manufacturing sites in high-water-risk areas by returning it back to the same watershed from which it was extracted
- Ensure that 100 percent of wastewater from our operations meets PepsiCo standards, which can be more stringent than local regulations

Fresh water is a shared resource, and it is limited. PepsiCo advocates for strong local water governance in the communities and watersheds where we operate. In any watershed, particularly those in areas that experience water scarcity, good water stewardship requires collaboration between the businesses, farmers, local communities and governments that together rely on the same local source. We believe that it is only through this approach that the needs of all local users — and the natural environment — can be met in a sustainable way.

<sup>1</sup> The World Bank: Employment in agriculture (% of total employment), accessed June 15, 2018, <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS>

<sup>2</sup> World Resources Institute: Creating a Sustainable Food Future, 2013-14, [https://www.wri.org/sites/default/files/wri13\\_report\\_4c\\_wrr\\_online.pdf](https://www.wri.org/sites/default/files/wri13_report_4c_wrr_online.pdf)

## AGRICULTURE

PARTNERING WITH  
LOCAL FARMERS

PepsiCo works with farmers for our directly sourced crops — such as potatoes, oats, whole corn and oranges — to increase adoption of environmentally responsible agricultural practices, improve crop yields and growers' livelihoods, conserve water and advance respect for workers' rights.



### HELPING FARMERS REALIZE THE ECONOMIC POTENTIAL OF POTATOES

By the end of 2017, globally nearly 80 percent of our crops sourced directly were from farmers that had been engaged through PepsiCo's Sustainable Farming Program. We provide education on field agronomy, fertilizers, irrigation, plant protection techniques and new technologies, supporting farmers to adapt best practices to fit the crop and local circumstances.

Take potatoes. In the U.S., we work with approximately 115 growers to source our chipping potatoes. With PepsiCo's support, each supplier assesses its performance against our sustainable sourcing principles, which include environmental, social and economic factors.

Based on this assessment, PepsiCo engages directly with these farmers to help them build capability and address risks, and we encourage them to make continuous improvements to meet our rigorous standards.

Already, over 97 percent of our North American potato farmers have achieved our sustainable sourcing standards.

In other producing countries such as Vietnam, pictured here, PepsiCo partners with farmers to pass on the skills and information needed to boost productivity and comply with our sustainable farming principles. For example, introducing modern irrigation techniques for dry season cultivation can reduce water use and increase full-year production. Already, by working directly with PepsiCo, farmers' incomes in Vietnam have been enhanced and their vulnerability to market volatility reduced.



### CANE SUGAR

Having focused on capacity building in key markets over the previous two years, we made significant progress on our goal to source 100 percent of our cane sugar sustainably, with 34 percent of cane sugar sustainably sourced in 2017.

# 34%

of cane sugar sustainably  
sourced in 2017



### SOURCING SUSTAINABLE PALM OIL

In 2017, we achieved 32 percent RSPO (Roundtable on Sustainable Palm Oil) physically certified sustainable palm oil, exceeding our interim target of 30 percent for the year. This performance has improved from 16 percent in 2016 and eight percent in 2015. For 2018, we have set an interim objective to achieve 50 percent on our journey to 100 percent by the end of 2020. We recently published additional information about our palm oil sourcing and approach in Indonesia, including how we manage grievances raised by third parties. We also published our list of direct palm oil suppliers and our list of palm oil mills.

Our aim

# 50%



RSPO certified sustainable  
palm oil by end of 2018 and  
100% by 2020



Our most recent **Palm Oil Action  
Plan Progress Report** is available  
on [pepsico.com](http://pepsico.com)



## CLIMATE

TAKING A LEAD  
ON CLIMATE

In 2017, we continued to reduce GHG emissions across Scopes 1, 2 and 3.

#### SCOPE 1 & 2: WITHIN OUR FOUR WALLS

In these early years of our goal, we are focusing on investing in capability and upgrading equipment to more efficient and low carbon options. This has enabled us to deliver a 2.2 percent decrease in emissions in 2017 against the 2015 baseline, which represents 11 percent progress to our 2030 goal.

#### SCOPE 3: INDIRECT EMISSIONS THROUGHOUT OUR VALUE CHAIN

While we continue to progress on reducing GHG emissions within our operations, we know that our greatest opportunity for progress lies in reductions outside of our direct operations. Our Scope 3 emissions account for approximately 92 percent of our carbon footprint. For PepsiCo, these emissions originate from farming, packaging manufacture and third-party transportation, among other sources.

In 2017, we reduced Scope 3 emissions by approximately 2.1 million metric tonnes versus our 2015 baseline. This represents approximately seven percent of our 2030 target-reduction amount. These reductions

were driven by improvements in our vending and cooler equipment, where we reduced GHG emissions by 19 percent in 2017. We did it by replacing less energy-efficient models with more efficient ones, all compliant with latest standards of DOE2017 and e-star3, saving approximately 1.2 billion kWh of energy. Transitioning to hydrofluorocarbon (HFC)-free equipment has been a major focus for us — all of our company-owned units in Europe are now HFC-free, with those in North America expected to follow by 2020, and globally by 2025.

At least

**20%**

reduction in absolute  
GHG emissions by 2030



#### GOING ELECTRIC ON THE HIGHWAY

We're focused on finding innovative ways to minimize our impact on the environment while reducing our operating costs. Delivering products using a more efficient fleet is a key component of achieving our goal to reduce absolute GHG emissions across our value chain by at least 20 percent by 2030.

As part of this effort, in 2017 we placed one of the largest reservations for Tesla, Inc.'s new electric Semi trucks, reserving 100 of the all-electric trucks. This initial reservation will allow us to deploy the trucks across both our snacks and beverage businesses and help us evaluate how best to leverage the technology moving forward.

In 2017, we reduced  
Scope 3 emissions  
by approximately



**2.1** MILLION

metric tonnes versus  
our 2015 baseline



## PACKAGING

# PACKAGING, WASTE AND HOW WE'RE WORKING TO REDUCE BOTH



### EXPLORING THE POTENTIAL OF PLANT-BASED BAGS

We're focused on finding better, more responsible ways to package our products. That's why we're excited to be piloting our use of plant-based, bioplastic bags in three locations across the globe. In 2017, we began packaging Tostitos in these bags for food service accounts in the U.S. This year we're launching pilots in Chile and India using the same bag for select lines of our Lay's potato chips. The bags are produced from renewable resources and can be composted in industrial composting facilities.

We're also collaborating with biotechnology firm Danimer Scientific to develop our next-generation snacks packaging: truly biodegradable film resins that break down in any end-of-life environment.



More information can be found in the **Packaging** section of **A-Z Topics** on [pepsico.com](https://www.pepsico.com)

### INCREASING rPET USAGE

We continue to increase our use of rPET (recycled PET) in our beverage containers. In 2017, we were one of the largest users of food-grade rPET in the U.S., resulting in an average of approximately nine percent rPET use across our company-owned beverage portfolio in the U.S. And in our company-owned beverage operations in Europe, our rPET use was approximately 16 percent in 2017.

# 100%

**2025 Goal: Strive to design 100 percent of our packaging to be recyclable, compostable or biodegradable by 2025.**

### BETTER PACKAGING

Our key initiatives to increase sustainability in our packaging include developing solutions to flexible films, improving the environmental footprint of our beverage containers, providing consumer activation and education on recycling, and increasing recycling rates. In 2017, an estimated 85 percent of our packaging worldwide was recyclable, compostable or biodegradable.

### BUILDING BETTER BEVERAGE BOTTLES

We've worked diligently to ensure that much of our beverage packaging is recyclable. Yet, because we recognize that some components of our packaging inhibit recyclability, we're replacing some materials such as labels to make our packaging more recycling-friendly. We're also looking to reduce the volume of materials used in each package.

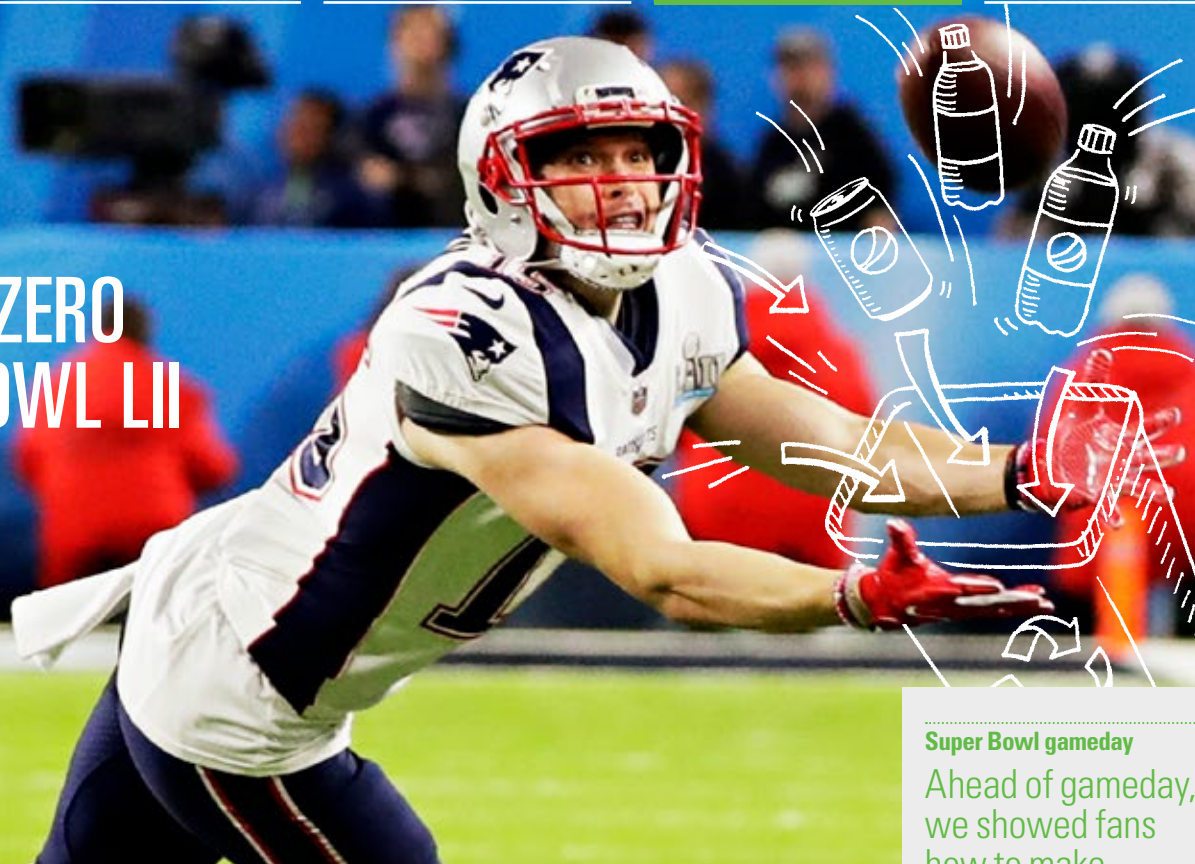
### ZERO WASTE TO LANDFILL

**2025 Goal: Strive to achieve zero waste to landfill in our direct operations by 2025.**

By the end of 2017, we had reduced the amount of waste our operations sent to landfill to five percent of total waste versus seven percent of total waste by the end of 2016.



## WASTE

GETTING TO ZERO  
AT SUPER BOWL LII

Last February, we teamed up with the NFL and other partners to create the first-ever near-zero waste Super Bowl.\*

Nearly  
**63 TONS**

of the 69 tons of gameday waste were recovered, reducing waste disposal costs while providing several environmental benefits.



## GETTING TO ZERO WASTE

When all the confetti had been cleared, 91 percent of the trash generated by 67,612 fans was responsibly recovered through composting, recycling and reuse. That's the highest diversion rate ever achieved at a Super Bowl, and the benchmark for future large-scale events. The key to this successful effort was preparation. It all started years before kickoff, with our work to make our packaging increasingly sustainable, along with our investments in recycling programs around the world. In the weeks leading up to the game,

we showed fans how to make recycling fun and easy in the stadium and at Super Bowl parties.

At the stadium, a team of PepsiCo zero-waste ambassadors greeted fans and showed them the correct bins for recycling, composting and waste-to-energy. Overall, nearly 63 tons of the 69 tons of waste were recovered, decreasing disposal costs and providing several environmental benefits, including reductions in landfill use and the greenhouse gas generated by the landfill process.

\*All gameday waste recovery calculations were provided by the NFL and venue management company SMG.

## Super Bowl gameday

Ahead of gameday, we showed fans how to make recycling fun and easy in the stadium and at Super Bowl parties across the country.



The NFL is proud that this program was not only successful at Super Bowl LII, but will also serve as a permanent installation at the stadium and leave a lasting impact on the community."

**Jack Groh**  
Director, NFL Environmental Program

**91%**

of the waste generated on gameday from 67,612 fans was responsibly recovered through composting, recycling and reuse.



## GLOBAL ACTION

## WORKING TO EXPAND OUR POSITIVE WATER IMPACT



## DELIVERING ON OUR WATER REPLENISHMENT GOAL

We focus on improving efficiency of the water we use in our high-water-risk agricultural and manufacturing operations because healthy watersheds are important to the continuity of our business, our license to operate and the health of our communities. That's also why we have set a goal to replenish 100 percent of the water we consume in company-owned manufacturing operations located in high-water-risk areas in the same watershed where the water was extracted by 2025.

In 2017, we replenished 22 percent of the water we consumed in company-owned high-water-risk manufacturing operations through projects in ① Brazil, ② Guatemala, ③ India, ④ Mexico and the ⑤ U.S.

Water stewardship has been one of our top priorities since the establishment of Performance with Purpose in 2006. We've teamed up with organizations that share our concern about water to preserve this vital resource. We're working with The Nature Conservancy to protect several watersheds, including Arizona's Verde Valley (pictured here). In 2017, PepsiCo's support helped enable 415 million liters of water to be replenished in the Verde River.



## A CRITICAL RESOURCE

Water stewardship is among the most important strategic initiatives we have as a company. Water is a critical resource for our business at all points along our value chain — from the farms where we grow the fruits, vegetables and grains that make up our product portfolio, to our manufacturing processes where water is used to ensure we meet the highest quality food safety standards, and as one of the key ingredients in many of our products.

We believe that water is also a fundamental human right, indispensable to every community around the world. Through our seven Performance with Purpose water goals, we intend to dramatically expand our Positive Water Impact by 2025. That means rethinking, replenishing and reusing water to support long-term water security for our business and for others who depend on water availability in communities around the world.

**415 MILLION LITERS**

of water replenished in the Verde River



More information on our water strategy can be found in the [Water section of A-Z Topics](#) on [pepsico.com](#)

## SUPPORTING THE HUMAN RIGHT TO WATER

In Latin America, our work with The Nature Conservancy includes a \$3 million investment aimed at contributing to the long-term sustainability of five watersheds from which PepsiCo and other users source water. Our goal is to help both the communities where we operate and our own manufacturing facilities improve water sustainability.



# TURNING THE TABLES ON WATER SCARCITY

# 5 BILLION

## LITERS TOTAL RECHARGE POTENTIAL

### WATER RECHARGE PROJECTS

In 2017, we scaled up our water recharge projects in India to cover additional plant sites, creating a total recharge potential of more than five billion liters with average rainfall across seven states impacting more than 60,000 people.



After the pond rejuvenation that PepsiCo supported, farmers who were previously only able to do single cropping are now growing multiple crops because of the availability of water for irrigation."

**T. Kuppe Karivaradaiah**

Former President of Budihal Village  
in Nelamangala



Using less, conserving more. That's how we're striving to have a Positive Water Impact across the globe, especially in water-stressed communities.

In India, which has 16 percent of the world's population but only four percent of the world's fresh water, we are focused on driving water-use efficiency in our operations and in our potato and corn agricultural supply chains, delivering replenishment, providing safe water access to communities and advocating for good water governance.

It all starts with our own operations, where we're increasing efficiency in water used to make our products. We're accomplishing this through diligent water conservation efforts and effective use of technology advancements.

In communities where we operate, we're also training local farmers on practices such as sustainable cropping and water and land conservation. Community members have learned how to maintain rainwater harvesting ponds, building an improved understanding of groundwater resources.

Since we know we're more effective when we work with expert partners, the PepsiCo Foundation recently made a \$4.2 million grant to WaterAid, a leading international water and sanitation non-governmental organization, to provide clean water access to communities in Palakkad, Nelamangala and Sri City in southern India, which are facing extreme water shortages.



# PEOPLE

**We aim to sustain a world-class workforce by empowering all of our associates.** Diversity, a core PepsiCo value since our inception, has helped propel our company forward for decades. In a time of persistent income inequality, we play an important role in contributing to prosperity and our global reach gives us a platform for positive impact in the communities where we work. We're committed to economic development and the highest standards of human rights and diversity, and align with the UN's "Gender Equality" and "Decent Work and Economic Growth" Sustainable Development Goals.

## SUSTAINABLE DEVELOPMENT GOALS



See page 9 for more information

## 96%

↑9 pps\* vs 2016

of required business-critical direct third-party suppliers completed on-site audits as part of our Sustainable Sourcing Program

## 39%

↑1 pp\* vs 2016

women in management roles

## 6.4MILLION

↑0.4 MILLION vs 2016

women and girls benefited in communities around the world near where we work (since 2015)

More information on other PwP goals and progress is in our [PwP Performance Metrics sheet](#)

\*pps(s) = percentage point(s)



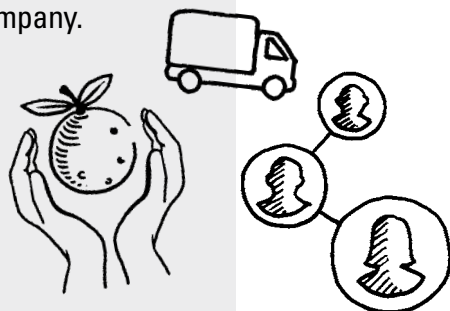


## PERSPECTIVES

# SEEKING TO BE A POSITIVE FORCE IN THE COMMUNITIES WHERE WE OPERATE

We believe in building a workforce that reflects the diverse consumers and communities we serve. To operate as a global corporate citizen — and as a positive force in the community — we need to conduct business fairly in the global economy, advancing economic well-being and human rights across our supply chain. That's not only the right way to do business, it's the way we uphold our values as a company.

Any steps taken to improve our global food system must prioritize improving all people's livelihoods and working conditions. Protecting and supporting the safety, wellness and professional development of our global workforce and those across our value chain is important to our success as a company.



with **Chloe Christman Cole**

Senior Advisor,  
Land Rights and Markets,  
Oxfam America

**Q** What is the biggest human rights challenge for the food and beverage industry to address?

**A** A core challenge for the industry is how to get down to the local level, at scale, and quickly. Companies like PepsiCo need to know what affected communities and workers themselves define as the most pressing human rights issues. While there will be trends, this will differ from place to place. Addressing issues and mitigating risks require local interventions, developed in consultation with the people who live and work there.

**Q** What would you like to see the industry do next?

**A** One of the most important steps that food and beverage companies can take is to use their influence to get others moving. This includes doing more to economically incentivize suppliers — including local suppliers — to address and prevent human rights violations, encourage peer companies to engage in meaningful collaboration and engage with governments on creating enabling environments for respect for human rights.

**Q** What progress has PepsiCo made in addressing challenges in its supply chain and where should it focus?

**A** PepsiCo has taken significant steps to strengthen its human rights and related policies and implementation plans. It now has the foundation it needs to take this work to the next level. And there's a

lot of work ahead, from using all leverage possible to address known grievances — such as a land conflict in Brazil — to ensuring that its suppliers also have the necessary policies and implementation plans in place to mitigate risks to people.



Addressing issues and mitigating risks require local interventions, developed in consultation with the people who live and work there."



## OUR STRATEGY

# WORKING TO CREATE POSITIVE CHANGE

PepsiCo and the PepsiCo Foundation are investing

**\$100** MILLION

toward women's economic success

**\$14.3** MILLION

invested to date

Creating change in a complex industry requires trust and collaboration among many diverse stakeholders with different needs, experiences and perspectives.

Often, it's the organizations with the strongest relationships that have the greatest leverage for change. By harnessing both our business and the PepsiCo Foundation, we seek to leverage our scale and external partnerships to support women, increase prosperity in the communities where we work and ensure that the human rights of all people in our business, value chain and communities are respected.



### ADVANCING RESPECT FOR HUMAN RIGHTS AROUND THE WORLD

We continue to advance respect for human rights in our direct operations, with our third-party suppliers and with our other business partners. We track our progress in a variety of ways, including annual assessments of our company-owned manufacturing operations, ongoing monitoring of direct third-party supplier compliance with our Supplier Code of Conduct, and expanding our Sustainable Farming Program to thousands of smallholder farmers around the world.



### DIVERSITY

Diversity, a core PepsiCo value since our inception, has helped propel our company forward for decades. We define diversity broadly, including personality, lifestyle, ways of thinking, work experience, ethnicity, race, religion, gender, gender identity, sexual orientation, marital status, age, national origin, disability and veteran status.



### SEEKING GENDER PARITY IN MANAGEMENT ROLES AND PAY EQUITY FOR WOMEN

We continue to support diversity and working caregivers globally through gender parity in management roles and pay equity for women. The percentage of women in management roles increased to 39 percent in 2017 globally, and in the 21 countries where we have measured pay equity, women and men were paid within one percent of each other in 2017, based on base compensation and after controlling for legitimate drivers of pay.



### WORKING TO FACILITATE WOMEN'S ECONOMIC SUCCESS

PepsiCo and the PepsiCo Foundation are investing \$100 million by 2025 as part of our Performance with Purpose Agenda toward women's economic success, with a focus on education and workforce training, with \$14.3 million invested to date.

More information on PepsiCo's work in these areas can be found in [A-Z Topics](#) on [pepsico.com](#)



## HUMAN RIGHTS

# PROMOTING HUMAN RIGHTS AROUND THE WORLD

PepsiCo is committed to respecting the human rights of workers and local communities throughout our operations and value chain. Our aim is that all rights holders that might be affected by PepsiCo directly or through our value chain enjoy the human rights described in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

## 96%

of required business critical direct third-party suppliers completed on-site audits as part of our SSP

Our approach is guided by the UN Guiding Principles on Business and Human Rights, and it is centered on:

- Embedding respect for human rights throughout our business
- Conducting due diligence to proactively identify, address and track potential human rights impacts in our value chain
- Engaging with stakeholders, including rights holders, to inform our programs and approach
- Providing effective grievance mechanisms and access to remedy in the event we may have caused or contributed to adverse human rights impacts

### STANDARDS

Our Global Human Rights & Salient Issues Statement sets out our overall approach to respecting human rights in our own operations and in our relationships with suppliers and other business partners throughout our value chain. It's complemented by a number of underlying policies and commitments that we manage in our operations with our direct suppliers and other business partners. In our operations, for example, we have a Global Code of Conduct and Global Human Rights Workplace Policy that apply to all PepsiCo employees, members of the Board when they act in their capacity as directors and Joint Ventures over which we have management control. Our Supplier Code of Conduct (SCoC) applies to all suppliers, vendors, contractors, consultants, agents and other providers of goods and services who do business with PepsiCo entities worldwide.

Concerns related to human rights can be raised through our Speak Up! Hotline, as well as through our enhanced agricultural grievance mechanism that we launched in 2017. The new process allows third parties, such as international non-governmental organizations (NGOs), to raise concerns about environmental and social issues in our value chain — including potential human rights, forest stewardship and land rights issues — for PepsiCo to review in a transparent and credible way. The process also has guidelines that create a path to successful resolution.

We have established programs to assess potential risks, independently audit sites, and help safeguard human rights found along these areas of our value chain.

### Global Labor Human Rights Assessment Program (GLHR)

Our GLHR assesses potential human rights impacts at all of our nearly 300 company-owned manufacturing sites. GLHR assessments are conducted by third-party auditors and conform to the Sedex Members Ethical Trade Audit (SMETA) protocol requirements. The program takes steps to identify and address the root cause of non-compliances, including by implementing on-site corrective action plans. Approximately 80 percent of our direct operations have completed GLHR assessments, and we anticipate achieving 100 percent completion by the end of 2018.

### Sustainable Sourcing Program (SSP)

Our SSP assesses risk and monitors supplier compliance with our Supplier Code of Conduct through scored self-assessments and third-party auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations across 68 countries. SSP audits leverage SMETA 4-Pillar requirements. In 2017, 96 percent of required business critical direct third-party suppliers completed on-site audits as part of our SSP.

### Sustainable Farming Program (SFP)

Our SFP helps us assess our direct growers, identify potential non-compliances and implement corrective action plans to safeguard human rights and improve agricultural practices at the farm level.

More information is available in the [Human Rights section of A-Z Topics](#) on [pepsico.com](#)



## ECONOMIC GROWTH FOR GROWERS

# WORKING TO ACHIEVE SUCCESS WITH GROWERS AROUND THE WORLD

Through our Sustainable Farming Program (SFP), we engage with growers on farms of all sizes and types around the world to encourage continuing improvement in sustainable farming practices, expand respect for workers' human rights, enhance growers' capabilities and address risks. We work with our direct growers to optimize economic, social and environmental on-farm practices and outcomes.

### SUPPORTING SMALLHOLDER FARMERS

**Mexico** is one of PepsiCo's largest sourcing regions for palm oil. In Mexico, palm oil is grown predominantly by smallholders and in states that have few drivers for economic development. PepsiCo identified that boosting sustainable palm production in the country can help to support livelihoods and contribute to economic development while protecting the environment. We have taken a leading role in bringing together companies, civil society, government and associations to develop and implement a holistic program to achieve this.

The program operates at three different levels: at the sector level (with Femexpalma, the national palm oil federation), in the PepsiCo Supply Base (with our supplier, Oleofinos) and with smallholders (with Oleopalma, which includes smallholders in its supply base).

We provided scholarships to local people to train them as experts to identify High Conservation Value (HCV) land. Mexico has around 82,000 hectares dedicated to palm cultivation. The 50,000 hectares of that total that are in our supply base will have undergone HCV assessment by the end of this year.

The first RSPO Smallholders Support Fund grant for Mexico was launched in February 2018, supported by PepsiCo. This three-year program is expected to benefit more than 2,200 people and their

communities over the next three years. Smallholders will be supported to obtain the RSPO Certification, improve incomes and protect local forests and biodiversity. The aim is for it to serve as a model for a sustainable palm oil industry in Mexico.

**Indonesia and Malaysia** represent the majority of global palm oil production and we recognize there are significant environmental and human rights challenges, often systemic ones. Acting alone is not an effective way to bring about transformational change, which makes increasing the level of collaboration particularly important. In Indonesia, PepsiCo is working with expert NGOs to implement impact programs that support sustainable change among farmers.

Earlier this year, PepsiCo committed to participate in Oxfam's FAIR Company-Community Partnerships project in Indonesia. The project promotes a model for sustainable palm oil that benefits women, smallholder farmers, local communities, the environment and participating companies. FAIR Partnerships address sustainability, human rights and economic development issues holistically through a multi-stakeholder, inclusive and landscape-based approach. The initiative will operate as a multi-stakeholder platform that brings together companies across the palm oil value chain, local communities, local governments and a range of civil society organizations.



### SUSTAINABLE FARMING PROGRAM

Through the SFP, we encourage and support best practices that benefit growers, their workers and our business. As part of the larger SFP Framework, which comprises additional environmental and economic goals, we work with participating growers to promote the well-being of agricultural workers and surrounding communities. As of 2017, SFP was implemented in 38 countries with active programs representing over 40,000 growers.



For more details on our sustainable farming protocol and Scheme Rules visit the [A-Z Topics](#) on [pepsico.com](#)

As of the end of 2017, SFP has active programs representing

**>40,000**   
growers

And was implemented in

**38**  
countries 



Our most recent **Palm Oil Action Plan Progress Report** is available in [A-Z Topics](#) on [pepsico.com](#)



## DIVERSITY AND INCLUSION

# EMPOWERING WOMEN



### OUR GIRLS ARE GOING TO SCHOOL

Seeing that young girls were dropping out of school at higher rates than boys, employee volunteers in Turkey raised funds to create the Our Girls Are Going to School scholarship program (pictured here). The program was launched in 2009 with a goal of encouraging girls living in Southeastern Anatolia to continue their education after the age of 14. The project, now supporting 74 girls, is sustained through funds donated by PepsiCo employees, which are matched by PepsiCo.

At PepsiCo, we're working to expand women's participation in the workforce and actively increasing diversity across the company, including more women in management. We believe that empowering women in our current workforce — and the next generation — is good for women and good for business.

### READY TO RETURN

Ready to Return supports caregivers who have taken a career break of more than two years and are looking for opportunities to return to the workforce. We provide participants in this paid 10-week program with mentoring and coaching support, training to refresh skills and opportunities to network and learn about working at PepsiCo, easing the transition back to full-time work. We are expanding the program into Brazil and the U.K.

### LEAD NETWORK

In March 2017, PepsiCo's Europe and Sub-Saharan Africa sector signed a partnership with influential gender equality network LEAD — Leading Executives Advancing Diversity. LEAD is dedicated to advancing, retaining and attracting women across Europe's Consumer Goods and Retail industry through education, leadership and business development. PepsiCo is a Gold Sector Partner, giving associates access to their Europe-wide network and local chapters. As of the end of 2017, five local chapters were launched in Spain, the U.K., Turkey, Switzerland and Germany. We will continue to expand LEAD chapters to other countries and look to leverage the cross-company mentoring program.

### PEPSICO EMPLOYEES SHARE STEM KNOWLEDGE

As part of our support for women, we created the PepsiCo STEM Council in 2014 to attract and retain STEM talent and to educate and prepare students for STEM careers. Million Women Mentors and Career Accelerator Day leverage the passion of PepsiCo STEM employees to increase the number of underrepresented minorities and women in STEM fields through education and mentorship. The Million Women Mentors program at PepsiCo has thriving chapters in Canada, Ireland and the U.S. PepsiCo STEM employees have pledged more than 12,400 mentoring hours with over 600 female students and early-career professionals

with the goal of connecting 2,200 mentorship pairs by 2022. This global, multi-company movement has already surpassed the original goal of one million completed mentoring relationships by 2020.

STEM employees have pledged

# >12,400

mentoring hours

## GLOBAL ACTION

## PROSPERITY FOR COMMUNITIES



## EXPANDING SAFE WATER ACCESS

The PepsiCo Foundation has expanded access to safe water to nearly 16 million people since 2006 in some of the world's most water-stressed areas across the ① U.S., ② Latin America, ③ China and ④ India with a portfolio of partners. As part of its Performance with Purpose vision and goal to support a total of 25 million people with safe water access by 2025, the company has already invested more than \$40 million to help communities effectively conserve, manage and distribute water locally.

**\$40** MILLION

invested to help communities manage and distribute water

## THE PEPSICO FOUNDATION HELPS STRENGTHEN OUR COMMUNITIES

We want to see positive change in the world. That's how the PepsiCo Foundation was born, and it's still working to increase access to nutritious food and safe water, help young women progress through school to work, make it easier to recycle, support communities in times of greatest need through disaster relief support — and much more. Here are some of the ways the Foundation helped last year.

**Disaster Recovery.** The PepsiCo Foundation has a long-standing history of working with relief partners to help communities that have suffered as a result of natural disaster. In the aftermath of Hurricanes Harvey and Irma in the ① U.S. and Hurricane Maria in ⑤ Puerto Rico, PepsiCo and Food for Good worked with local partners like the Salvation Army to provide more than one million meals to people affected by the disasters. We were humbled to support recovery efforts in the aftermath of flooding in ⑥ Peru, wildfires in ⑦

California and the rebuilding of 180 earthquake-devastated homes in Morelos, ⑧ Mexico in partnership with Habitat for Humanity.

## FOOD SECURITY

**Akshaya Patra.** The PepsiCo Foundation is “adopting” 35,000 school children (50 percent girls) in Surat and Vadodara, Gujarat ④ India. These children will receive school meals for a full year. This hunger-free education is expected to lead to a significant increase in school attendance and enrollment, notably for girls. The grant will provide eight million meals and benefit 17,500 young women.

**The Global FoodBanking Network (GFN).** The PepsiCo Foundation is partnering with GFN to expand access to millions of nutritious meals for hungry people in a number of countries including ⑨ Colombia, ⑩ Dominican Republic and ⑪ South Africa, among others.

Our work to help underserved people with nutritious meals and affordable nutrition spans the globe from ⑦ California to ⑫ Massachusetts and from ⑬ Egypt to the ⑭ Philippines.

## WORKFORCE READINESS

**Robin Hood Foundation.** The PepsiCo Foundation made a \$4 million grant to the Robin Hood Foundation — ⑮ New York City's largest poverty-fighting organization — to support high-quality education and workforce training programs for local young women and girls. The grant will fund initiatives to help 20,000 Bronx women increase their earning potential, addressing an acute need in New York City's poorest borough in which one in three women is living in poverty.

**Women with Purpose.** PepsiCo's women's empowerment program in ⑮ Argentina, ⑰ Chile, ⑱ Venezuela, ⑲ Brazil, ⑨ Colombia and ⑧ Mexico (featured on the following page) is one powerful example of how the PepsiCo Foundation supports local, culturally relevant solutions to prepare women and girls to enter the workforce in countries around the world — work enabled by the company's global partnership with the International Youth Foundation, a leading NGO specializing in preparing young people to be engaged, productive citizens.





# EMPOWERED WOMEN POWER ECONOMIES

# \$1.5 MILLION

## INVESTMENT SUPPORTING WOMEN IN LATIN AMERICA THROUGH EDUCATION, EMPLOYMENT AND ENTREPRENEURSHIP OPPORTUNITIES



### WOMEN WITH PURPOSE

Women with Purpose empowers women working throughout our value chain, enabling them to contribute to improve business productivity and further their own development.



I learned a lot of new information, and other ways of approaching projects. The Women with Purpose program enriched my life."

**Nadia Bretto, Women with Purpose  
Argentina participant**



When more women work, economies grow. That simple fact is why we launched Women with Purpose, a program designed to expand women's economic horizons by providing the training and skills they need to compete effectively for jobs.

To date, Women with Purpose has begun creating more opportunities for women in seven Latin American countries. Working in partnership with the International Youth Foundation and Fundes, a non-governmental organization focused on economic empowerment, Women with Purpose plans to support at least 12,000 women through education, entrepreneurship and employment opportunities over the next five years. In Brazil, for example, we're working with Fundes to train 2,000 women over the next five years and integrate them into the local economy, where they'll benefit themselves, their families and their communities, either as employees or entrepreneurs.

PepsiCo is supporting the program with a \$1.5 million investment, part of our Performance with Purpose goal to invest \$100 million to support at least 12.5 million women and girls worldwide by 2025. Our goal is to build a more diverse, more inclusive, and more engaged workforce that reflects and supports the communities where we do business.

## GRI MATERIALITY TOPICS ASSESSMENT RESULTS

### HOW WE DETERMINE GRI MATERIALITY TOPICS\*

Year-round engagement with diverse stakeholders informs our sustainability reporting and overarching sustainability strategy. We publicly report on topics that are priorities for both our business and our key stakeholders.

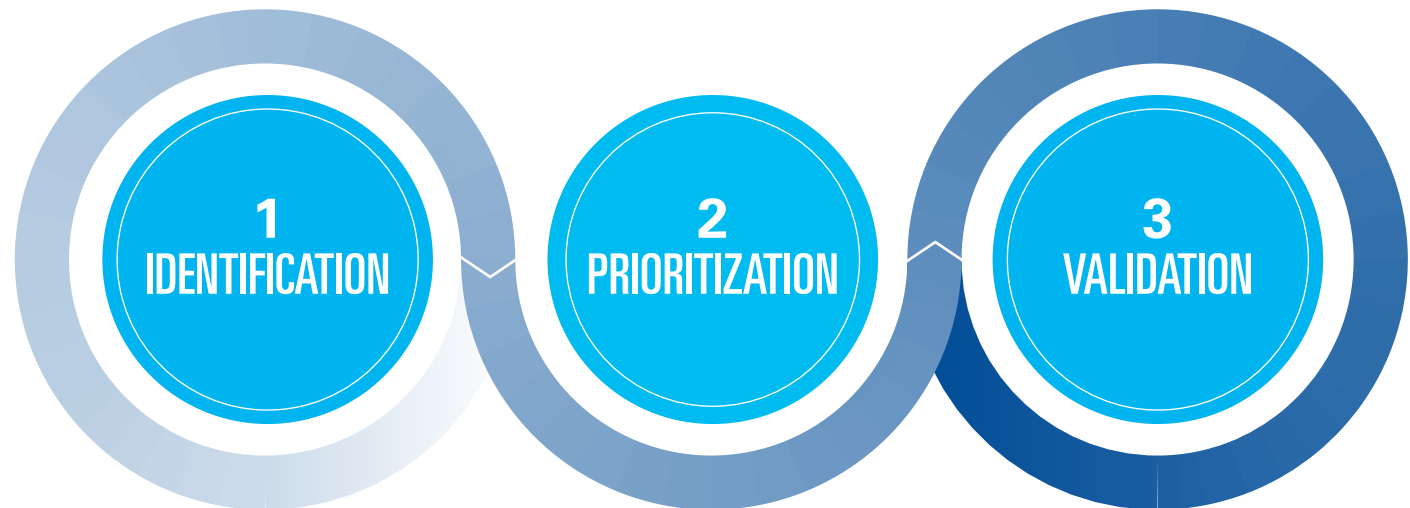
In 2017, we completed our second formal assessment to identify Material Topics, defined by the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines as those topics “that reflect an organization’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders.” In addition, GRI recommends that qualitative analysis, quantitative assessment and discussion be used to determine if a topic is material.

Our 2017 assessment of Material Topics included:

#### Identification, Prioritization and Validation

We will continue to monitor emerging issues and changes in topics and priorities through internal discussions, our bi-annual forums with Ceres and through other external opportunities as they arise.

\*In this communication and in our other sustainability reports and statements, when we use the terms “material,” “materiality” and similar terms, we are using such terms to refer to topics that reflect PepsiCo’s significant economic, environmental and social impacts or to topics that substantially influence the assessments and decisions of stakeholders in what the GRI Sustainability Reporting Guidelines define as “material topics.” We are not using these terms as they have been defined by or construed in accordance with the securities laws or any other laws of the U.S. or any other jurisdiction, or as these terms are used in the context of financial statements and financial reporting, and nothing in this communication or other sustainability reports and statements should be construed to indicate otherwise.



#### IDENTIFICATION

We identified 28 industry-specific topics for prioritization, based on industry research and a benchmarking analysis of competitors and peers. This includes priorities for not only our business but also for key stakeholders.

#### PRIORITIZATION

We prioritized the 28 industry-specific topics based on feedback from key internal and external stakeholders through interviews, surveys and review of source materials. We interviewed knowledgeable internal and external stakeholders to gather diverse insights into topics where PepsiCo has significant impact, and topics that influence stakeholders’ view of PepsiCo. We supplemented these interviews with internal and external prioritization surveys.

#### VALIDATION

After analyzing stakeholder input, we narrowed the list of 28 industry-specific topics for prioritization to 17 topics specific to our business across the product, planet, people and company and governance pillars. We validated the results in a workshop with members of our Sustainability, Communications and Public Policy and Government Affairs leadership teams. We then shared results for validation by members of the PepsiCo Executive Committee (PEC) before disseminating them more broadly, both internally and externally.



## GRI MATERIALITY TOPICS ASSESSMENT RESULTS

### THE RESULTS OF OUR PROCESS TO IDENTIFY GRI MATERIAL TOPICS

Through our process to identify Material Topics, we reconfirmed that our identified Material Topics align with our corporate priorities, support our 2025 Performance with Purpose agenda and reinforce the integration of sustainability throughout our business. The results of this assessment largely reaffirmed our current Material Topics with only slight changes from the Material Topics we reported in our 2016 Sustainability Report.

This list of 17 Material Topics comprises issues that we intend to manage, measure and report on. These are the topics that our stakeholders have said are the most relevant to PepsiCo, and those that they are most interested in understanding our management of and progress on. Our Material Topics may change in accordance with future assessments, which may result in adopting new Material Topics, should they rise in importance, or removing current Material Topics, should they no longer be considered of significant importance.

PepsiCo has an impact on most of these topics through our direct operations. However, we recognize that for many of these topics, the most significant impacts occur within our value chain. We seek to manage these impacts regardless of where they reside through direct management or through working relationships with partners in our value chain and industry.

The GRI Material Topics assessment process identifies sustainability-related topics that are most frequently prioritized in conversations with external stakeholders focused on sustainability-related topics and that are important to PepsiCo in achieving our PwP 2025 Agenda.

#### ♥ PRODUCTS

Food Quality & Safety  
Nutritional Product Profile  
Marketing & Labeling

#### 🌱 PLANET

Agriculture  
Deforestation  
Energy & Climate Change  
Operational Waste & Food Waste  
Packaging  
Water

#### 👤 PEOPLE

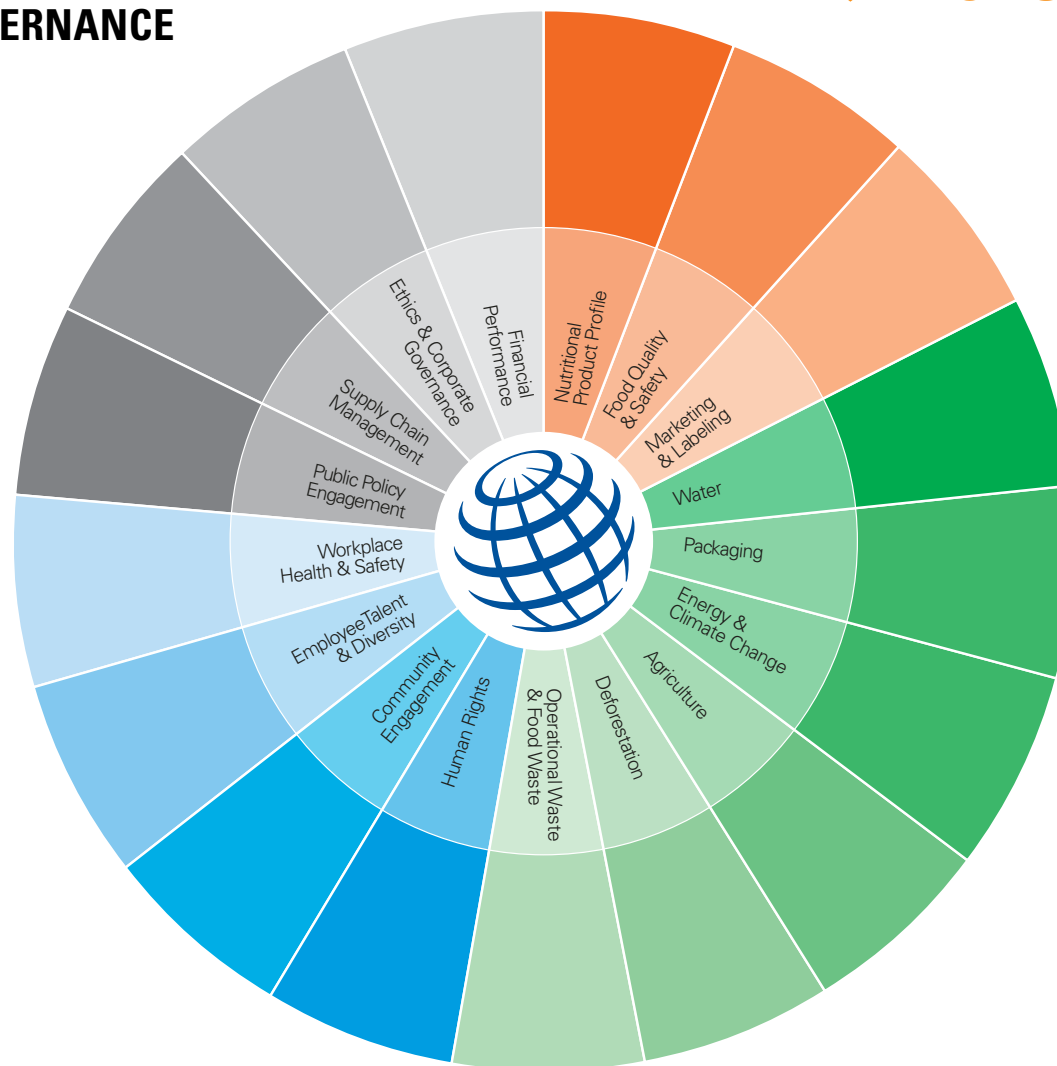
Community Engagement  
Employee Talent & Diversity  
Human Rights  
Workplace Health & Safety

#### COMPANY & GOVERNANCE

Ethics & Corporate Governance  
Financial Performance  
Public Policy Engagement  
Supply Chain Management

## COMPANY & GOVERNANCE

## ♥ PRODUCTS



PEOPLE

PLANET



More information is available in [A-Z Topics](#) and the [GRI Index](#) on [pepsico.com](#)

## GOVERNANCE

### ROLES & RESPONSIBILITIES

#### Governance as a driver of performance

We believe strong sustainability governance is the foundation for delivering on Performance with Purpose (PwP). At PepsiCo, sustainability topics are integrated into, and not separate from, our business.

#### Role of the Board of Directors

As stewards of PepsiCo, our Board plays an essential role in determining strategic priorities and considers sustainability issues an integral part of its business oversight. In addition, to align with our PwP 2025 Agenda, our Board redefined the roles of its Committees by creating a Public Policy and Sustainability Committee in 2017. The Committee assists the Board in providing more focused oversight for the Company's policies, programs and related risks that concern key public policy and sustainability matters.

#### Role of PepsiCo's senior leadership

In 2016, PepsiCo reviewed its sustainability governance structure to identify opportunities to strengthen the integration of PwP into its business agenda and processes. Beginning in 2017, the PepsiCo Executive Committee (PEC) assumed direct oversight of the sustainability agenda, strategic decisions and performance management. The PEC is made up of the Chairman and CEO, Sector CEOs and top functional leaders, ensuring that sustainability is a key accountability for every member of our senior leadership team.

Strategy and progress against our PwP goals are discussed during meetings of the full PEC four times per year. In between these meetings, PEC members remain actively engaged in executing against our PwP goals, driving the agenda with their teams.

Dr. Mehmood Khan, Vice Chairman and Chief Scientific Officer, Global Research and Development, oversees the Company's implementation of PwP 2025 goals.

Dr. Khan brings deep science-based knowledge and insights to guide the Company's product portfolio transformation, as well as an intimate understanding of the challenges and opportunities that lie at the intersection of food, the environment and people.

#### Thematic and geographic leadership

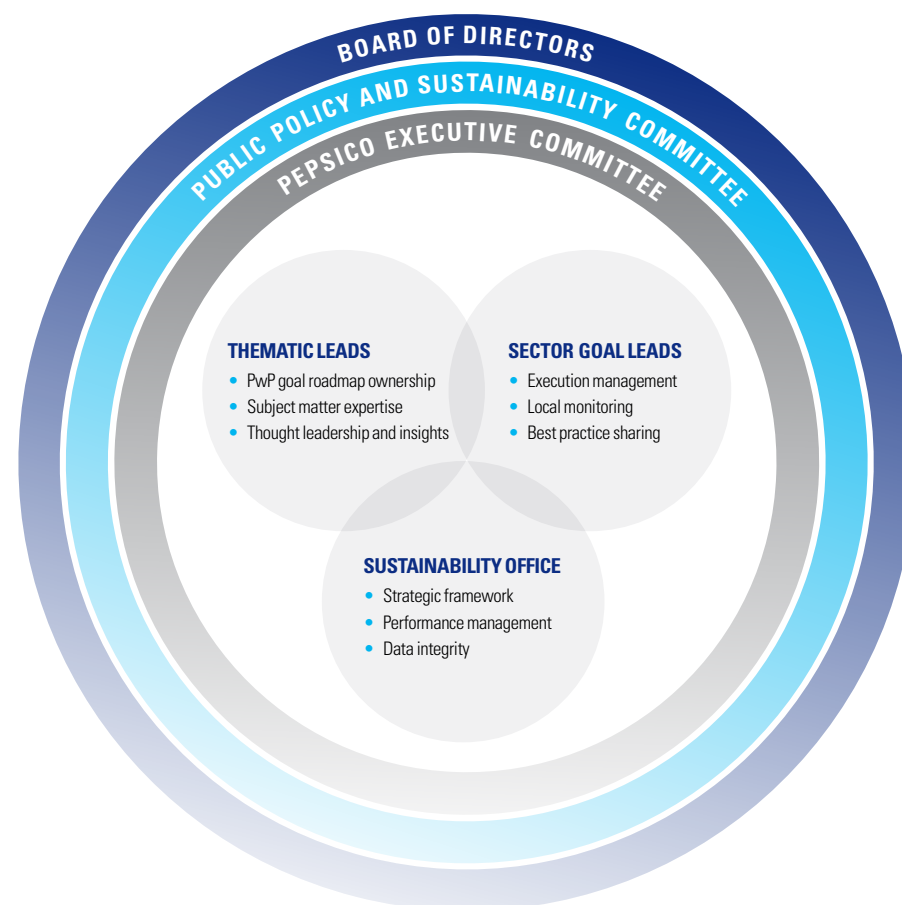
The PEC has empowered select Senior Vice Presidents and Vice Presidents within the Company, referred to as Theme Leads, to create and oversee global strategy and execution for each of the PwP goals. These Theme Leads, selected for their subject-matter expertise, work with teams comprising representatives from key functions and all geographic sectors to ensure successful implementation of processes across our businesses.

#### Sustainability Office

In 2016, PepsiCo formed a Sustainability Office to drive governance and delivery of the Company's sustainability agenda. The Sustainability Office works closely with Theme and Functional Leads from across the business to ensure continued performance progress against our PwP 2025 Agenda. It also plays a key role in bringing a sustainability lens to long-term corporate strategic planning and key business processes, ensuring that PwP is always embedded into the fabric of what we do as a company.

Another key role of the Sustainability Office is managing the integrity of the data on which we report. A team within the Sustainability Office leads development of the robust data governance structure underpinning each of our PwP 2025 goals, ensuring accuracy and consistency of the data, while driving accountability among our teams.

### OUR GOVERNANCE STRUCTURE





## MORE INFORMATION

Detailed information on our policies and performance is in our online A-Z Topics. Topics include, among others:

- Advertising and marketing
- Animal welfare
- Corporate governance
- Deforestation
- Diversity and engagement
- Ethics and integrity
- Health and safety
- Nutritional labeling
- Product safety and quality
- Public policy and political engagement
- Stakeholder engagement
- Sustainable sourcing
- Talent and employee well-being

## FORWARD-LOOKING STATEMENTS

This PepsiCo, Inc. ("PepsiCo" or the "Company") Sustainability Report contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "drive," "estimate," "expect," "goal," "intend," "may," "plan," "project," "strategy," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements, including changes in demand for PepsiCo's products, as a result of changes in consumer preferences or otherwise, changes in, or failure to comply with, applicable laws and regulations, imposition or proposed imposition of new or increased taxes aimed at PepsiCo's products, imposition of labeling or warning requirements on PepsiCo's products, changes in law related to packaging and disposal of PepsiCo's products, PepsiCo's ability to compete effectively, political conditions, civil unrest or other developments and risks in the markets where PepsiCo's products are made, manufactured, distributed or sold, the ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption, damage to PepsiCo's reputation or brand image, loss of any key customer or disruption to the retail landscape, including rapid growth in hard discounters and the e-Commerce channel and the other factors that may adversely affect the price of PepsiCo's publicly traded securities and financial performance. For additional information on these and other factors that could cause PepsiCo's actual results to materially differ from those set forth herein, please see PepsiCo's filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. PepsiCo undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

This publication contains many valuable trademarks owned and/or used by PepsiCo, Inc. and its subsidiaries and affiliates in the U.S. and internationally to distinguish products and services of outstanding quality. All other trademarks featured herein are the property of their respective owners.

## PEPSICO WEBSITE

For more information about our company, our sustainability priorities, our policies and the awards we've received, please see our corporate website at:

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

For greater detail on our sustainability performance, download our PwP Performance Metrics sheet and see our A-Z Topics on:

 [www.pepsico.com/sustainability/Sustainability-Reporting](http://www.pepsico.com/sustainability/Sustainability-Reporting)

For additional information about PepsiCo, please see our latest annual report at:

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

We also welcome any inquiries on this report or our Performance with Purpose journey through email at: [performancewithpurpose@pepsico.com](mailto:performancewithpurpose@pepsico.com)

This Sustainability Report was printed with Forest Stewardship Council® (FSC®)-certified paper made from post-consumer recycled fiber, using sustainable energy and fully recyclable toners. PepsiCo continues to reduce the costs and environmental impact of sustainability report printing and mailing by utilizing a distribution model that drives increased online readership and fewer printed copies. You can learn more about our environmental efforts at [pepsico.com](http://pepsico.com).

## **CORPORATE HEADQUARTERS**

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