



# PERFORMANCE WITH PURPOSE

2025 AGENDA

SUSTAINABILITY  
REPORT 2015



**PEPSICO**



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**On front cover:** PepsiCo sources an increasing number of agricultural commodities from growers around the world, such as the oats, oranges, tomatoes, corn, blueberries, tea leaves and chickpeas pictured here.

**Above:** Commodities harvested from our global growers, many of whom participate in our Sustainable Farming Initiative, become Quaker bars, Tropicana juices, Alvalle gazpachos and cold soups, Tostitos Multigrain chips, Naked juices, Lipton Pure Leaf teas and Sabra hummus.



# PEPSICO'S JOURNEY

A decade ago, we launched Performance with Purpose — PepsiCo's vision to deliver top-tier financial performance over the long term by integrating sustainability into our business strategy. Since then, we have demonstrated what's possible when a company does well by also doing good.

Over the next decade, we are directing our Performance with Purpose efforts toward creating a healthier relationship between people and food while continuing to grow our business.

We will focus on expanding the work of the past 10 years across areas we are now calling Products, Planet and People.

Together with our business partners and leading organizations committed to positive change, we are determined to make our vision a reality.



INDRA K. NOOYI  
CHAIRMAN AND CEO

# A LETTER FROM INDRA NOOYI

*Over the past 10 years, we have been on an important journey as a company, transforming the way we do business so we can deliver strong long-term financial returns in a way that is sensitive to the needs of the world around us.*

We have called our approach Performance with Purpose, and it has guided all of our efforts, galvanizing us to embrace a deeper sense of meaning in our work at PepsiCo.

As we reach the 10-year mark in our journey, I want to reaffirm my view that this approach is the only way to run a successful global corporation in the 21st century.

Understanding why Performance with Purpose has propelled PepsiCo forward starts with acknowledging a simple truth: we live in challenging times. That was the case when we began this journey in 2006, and it is the case today.

We are seeing levels of political and economic volatility that we have not confronted for many years. Technological change is disrupting entire industries. Governments are facing budget shortfalls. And trust in institutions is near all-time lows, as consumers increasingly expect companies to make money in a way that does not burden society.

These challenges are compounded for global businesses like PepsiCo that also need to act locally — satisfying local preferences, complying with local rules and meeting local needs — in every country where we work.



To succeed in this kind of environment, corporations — and the executives who lead them — need to do three things exceedingly well.

First, we need to focus on delivering strong financial performance. Second, we need to deliver it in a way that is sustainable over time. And, finally, we need to deliver it in a way that is responsible and responsive to the needs of the communities all of us share. That is how we will work to create the conditions for people to prosper, helping ensure they continue to welcome PepsiCo and our products into their neighborhoods and homes.

For the past 10 years, Performance with Purpose has been helping us deliver returns in this way — and we are incredibly proud of the progress we are making.

We are reducing added sugars, saturated fat and salt in many of our products, while continuing to expand our lineup of nutritious foods and beverages to meet growing consumer demand. We are significantly improving our operational water use and energy efficiency, reducing our packaging

and waste, and promoting responsible agricultural practices globally. We are building a workplace that attracts the world's best and brightest. And we are doing all of this while nearly doubling our net revenue and outperforming the S&P 500, with a total shareholder return of 142 percent since 2006. Simply put, we are not just changing the way we spend money — we are changing the way we make it.

As proud as we are of these results, however, we also know that our work is far from complete. There are major challenges to overcome around the globe. From obesity and undernutrition to resource scarcity and climate change to underemployment and injustice and inequality of all kinds, we must stop and ask ourselves what is required of leaders over the next decade — to serve our shareholders, our employees and the world all of us inhabit.

*We recognize that we are stewards of a great company with the opportunity not only to make a profit, but to do so in a way that makes a difference in the world.*

*Everyday Nutrition\* now nearly 25% of our portfolio by revenue*

*Sustainable Farming Initiative expanded to more than 28,000 growers globally*

*PepsiCo named one of the World's Most Ethical Companies by Ethisphere® Institute for 10 consecutive years*

*\$9 billion returned to shareholders in 2015 through share repurchases and dividends*

\*PepsiCo products with positive nutrition like whole grains, fruits and vegetables, dairy, protein and hydration.

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## PERFORMANCE WITH PURPOSE: OUR AGENDA FOR THE NEXT DECADE

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*To substantially increase our efforts to improve the products we sell, protect our planet and empower people around the world in order to contribute solutions to shared challenges*



## PRODUCTS

### TRANSFORM OUR PORTFOLIO & OFFER HEALTHIER OPTIONS

- Reduce added sugars
- Reduce saturated fat
- Reduce salt
- Offer more positive nutrition like whole grains, fruits and vegetables, dairy, protein and hydration
- Provide access to healthier options for underserved communities and consumers

## PLANET

### WORK TO ACHIEVE POSITIVE WATER IMPACT

- Improve water-use efficiency among growers and in our operations
- Replenish water within local watersheds
- Advocate for and collaborate on local solutions & enable access to safe water, with a focus on communities near where we work

### SIGNIFICANTLY LOWER CARBON EMISSIONS

- Address greenhouse gas emissions across our value chain

### SOURCE SUSTAINABLY

- Advance sustainable sourcing — including for palm oil & cane sugar

### REDUCE & ELIMINATE WASTE

- Send no waste from direct operations to landfill
- Halve our food waste
- Design our packaging to be recoverable or recyclable, and support increased recycling rates



In response, we are redoubling our commitment to Performance with Purpose and renewing our goals, to help create a healthier relationship between people and food over the coming decade. Our focus will include transforming our portfolio and offering healthier options while making our food system more sustainable and communities more prosperous. In doing so, we believe we will pave the way for PepsiCo's future growth and help others thrive.

Our 2025 agenda has been informed by many of the world's leading experts and institutions. We have closely mapped our plans to the United Nations 2030 Sustainable Development Goals, as we work to make valuable contributions to our shared global agenda. We have worked to respond to the

expectations of our investors and stakeholders. And we are focusing our efforts where we believe PepsiCo can achieve the greatest impact by leveraging our people, our capabilities and our global partnerships.

To date, we have centered our Performance with Purpose work on human sustainability (now *Products*), environmental sustainability (now *Planet*) and talent sustainability (now *People*). Going forward, we look to achieve greater progress in these areas, as previewed at left and described in more detail later in this report.

I believe that Performance with Purpose will lift our company to even greater heights in the coming years. But we cannot achieve those heights alone. Delivering solutions to shared challenges will require working together with governments, nongovernmental organizations (NGOs) and other stakeholders. Inside corporations, there are valuable capabilities and resources that can be harnessed to advance sustainable development. Inside governments, there are dedicated public servants who work to improve people's lives. And inside NGOs, there are passionate leaders who are committed to their cause and whose tireless advocacy is essential to bringing about change.

We live in an interconnected, interdependent world, and we cannot afford to operate in silos. We need to use our collective strengths in ways that benefit everyone. As PepsiCo renews our Performance with Purpose journey and begins work on our 2025 goals, that is exactly what we are doing, recognizing that we are stewards of a great company with the opportunity not only to make a profit, but to do so in a way that makes a difference in the world.

INDRA K. NOOYI  
CHAIRMAN AND CEO

# PEOPLE

## ADVANCE RESPECT FOR HUMAN RIGHTS

- *Promote application of the UN Guiding Principles on Business and Human Rights across our operations and with all franchisees and joint venture partners*
- *Improve farmers' livelihoods, conditions for farm workers and crop yields while increasing environmentally responsible agricultural practices*

## SUPPORT DIVERSITY, WOMEN'S ADVANCEMENT & WORKING CAREGIVERS

- *Increase diversity across PepsiCo, including striving for gender parity in management*
- *Offer policies and benefits that support working caregivers*

## SPUR PROSPERITY

- *Invest in initiatives to benefit at least 12.5 million women and girls, to help build sustainable communities near where we work*



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# PERSPECTIVES FROM DR. MEHMOOD KHAN

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DR. MEHMOOD KHAN  
PEPSICO VICE CHAIRMAN AND  
CHIEF SCIENTIFIC OFFICER, GLOBAL  
RESEARCH & DEVELOPMENT

## THE NEED FOR AN INTEGRATED APPROACH

Many of the biggest challenges the world faces today are interconnected. For example, global health issues related to diet and nutrition require changes to our global food system. These changes, in turn, have implications for our environment and the availability of natural resources. At the same time, changes in food production and the environment will affect the livelihoods and working conditions of a large portion of the global workforce. Viewing these issues in isolation risks uneven outcomes that could undermine progress as a whole.

That's why PepsiCo, from the start, has taken a holistic approach to our sustainability work. We do not view our goals as independent targets, but rather as a collective scorecard that requires progress across the board. As you'll see throughout this report, our 2025 goals have been similarly designed to work together — an integrated approach to drive further progress across all of our focus areas.

## EXPANDING FROM OPERATIONS TO ECOSYSTEMS

While companies like ours must take aggressive action within our direct operations, we must also act far beyond our own walls. We have a tremendous opportunity to use our global scale and resources to influence positive change across our value chain. For this reason, our Performance with Purpose agenda for the next 10 years is significantly broader in scope than that of our first decade.

Our new Planet goals, for instance, reach well beyond our direct manufacturing operations, enabling us to focus on reducing environmental impacts across our value chain — beginning with a product's sourcing and extending through its use. The scope and collaborative nature of our water, energy and waste goals will be key to reaching a new level of progress, as illustrated in Striving for Positive Water Impact (p. 25), Tackling Scope 3 GHG Emissions (p. 26) and Closing the Loop (p. 23).

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*In developing our 2025 agenda, we did not simply  
ask ourselves how we could do **more**.  
We asked ourselves how we could do **enough**.*

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## SETTING AMBITIOUS TARGETS BY DESIGN

In developing our 2025 agenda, we did not simply ask ourselves how we could do *more*. We asked ourselves how we could do *enough*. As a result, we purposefully set the bar high, creating targets that won't be easy to achieve, including some that will require us to partner with others in bold new ways.

The stakes are high for all companies, and early adopters like PepsiCo must continue pushing boundaries. Our hope is that ambitious agendas will inspire others to act and contribute solutions to shared challenges. A few companies coming together, with sufficient scale, can create enough critical mass to change behavior, creating new approaches that over time become standard practice.

## THE PATH FORWARD IS COLLABORATIVE

The level of progress needed today will require that companies and organizations engage with one another across sectors, listen to diverse perspectives, resolve current tensions and coalesce around the latest research to find a collective path forward. It's inevitable that we'll disagree on certain issues, but those disagreements need not be roadblocks to implementing solutions.

An ongoing dialogue with diverse stakeholders made the first decade of Performance with Purpose a success, and engagement of this kind will become even more important going forward, as we work together to restore and maintain our shared ecosystem. The health of that ecosystem depends on the sum of our actions.

## A TRADITIONAL GRAIN MEETS MODERN TECHNOLOGY

PepsiCo's Research & Development (R&D) teams successfully adapted **optical sorting technology** to more efficiently and accurately sort oat grains by their colors. This improvement to our oat milling process supports our efforts to broaden what we refer to as our Everyday Nutrition product offerings, reduce energy use and deliver cost savings.

## PRODUCTS

Through our global Quaker Oats brand, we're adding to the number of products in our portfolio that contain positive nutrition such as whole grains. Optical sorting technology ensures that the highest-quality oats are selected for use in Quaker products, improving the overall finished-product quality as a result of the efficiency of oat separations while also reducing unintended food waste.



## PLANET

Through the use of optical sorting technology, extraction rates of quality oats for Quaker products during the milling process increased, creating energy and cost savings within our operations. This R&D breakthrough can also be replicated to improve PepsiCo's oat milling operations and efficiencies around the globe.



## PEOPLE

The sorting process our R&D teams adapted employs high-definition, custom-built cameras; algorithm-based scanning technology; and high-speed computers. To develop the sustainable products, processes and packaging that are part of PepsiCo's 2025 agenda, we will continue to need contributions from leading talent, particularly employees and business partners with science, technology, engineering and math (STEM) capabilities.

# PERFORMANCE

*Our Performance with Purpose agenda is designed to enable sustainable long-term growth. We believe achieving our 2025 goals will continue to enhance our ability to create shareholder value and deliver sustainable financial performance.*

## 2015 FINANCIAL HIGHLIGHTS

### NET REVENUES

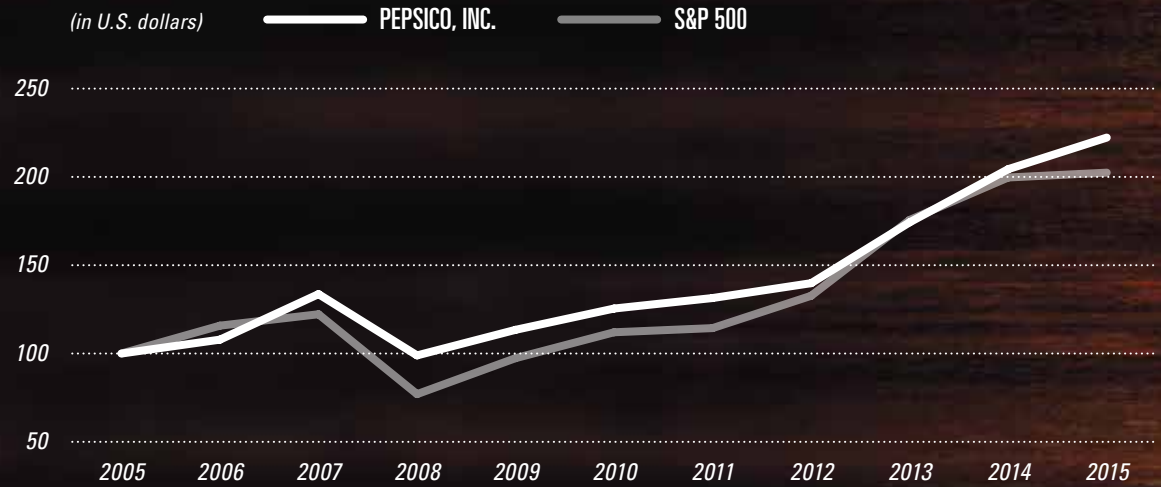


### DIVISION OPERATING PROFIT



## CUMULATIVE TOTAL SHAREHOLDER RETURN

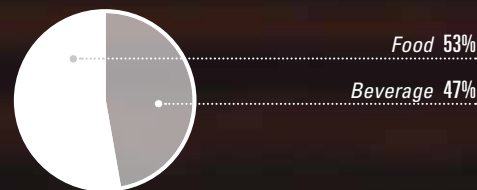
*Return on PepsiCo stock investment (including dividends) and the S&P 500*



|               | 12/05 | 12/06 | 12/07 | 12/08 | 12/09 | 12/10 | 12/11 | 12/12 | 12/13 | 12/14 | 12/15 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| PEPSICO, INC. | \$100 | \$108 | \$134 | \$99  | \$113 | \$125 | \$131 | \$140 | \$174 | \$204 | \$222 |
| S&P 500       | \$100 | \$116 | \$122 | \$77  | \$97  | \$112 | \$114 | \$133 | \$176 | \$200 | \$202 |

The returns on PepsiCo common stock and the S&P 500 Index are calculated through December 31, 2015. Past performance is not necessarily indicative of future returns on investments in PepsiCo common stock.

### MIX OF NET REVENUE





# LEADERS IN THEIR FIELD

*We enjoy a portfolio of category-leading\* brands that are well positioned for continued growth, including #1 brands in key categories: Gatorade, the #1 sports drink. Tropicana, the #1 chilled orange juice. Naked, the #1 super premium juice. Quaker, the #1 hot cereal. Sabra, the #1 hummus. Starbucks, the #1 ready-to-drink coffee. And Lipton, the #1 ready-to-drink tea.*



\*All data as of YTD September 2016 (total U.S. grocery, drug, club, dollar, military and convenience stores).



# PERFORMANCE WITH PURPOSE

♥ PRODUCTS

🌱 PLANET

👏 PEOPLE

≤ 100

Calories from added sugars  
per 12-oz. serving in at least  
2/3 of our global beverage  
portfolio volume



7

MILLION

acres to be covered by our  
Sustainable Farming Initiative, to  
advance respect for workers' human  
rights, improve growers' livelihoods  
and yields, and increase sustainable  
agricultural practices





Provide access to

≥ 3

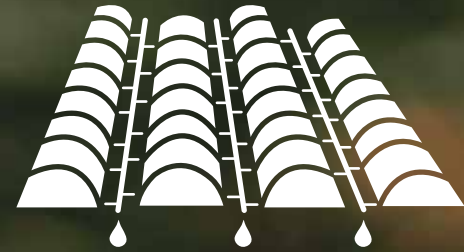
BILLION



servings of nutritious foods  
and beverages for underserved  
communities and consumers



15%



improvement in water-use  
efficiency among our direct  
agricultural suppliers in high-  
water-risk sourcing areas

≥ 20%



reduction in  
absolute GHG  
emissions across  
our value chain  
by 2030



≥ 12.5

MILLION



women and girls to  
benefit from \$100 million  
in investments



See following pages for our complete 2025 agenda.





# ♥ PRODUCTS

TRANSFORMING OUR PORTFOLIO AND  
OFFERING HEALTHIER OPTIONS

**7UP, Sugar Down**

*As effervescent as ever, but with up  
to 30 percent fewer added sugars.*

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## IN CONTEXT: PRODUCTS

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Helping to create a healthier relationship between people and food means continuing to transform our product offerings and increasing people's access to more nutritious options. PepsiCo's 2025 agenda starts with what we make.

According to the World Health Organization (WHO), worldwide obesity has more than doubled since 1980. At the same time, hunger and malnutrition remain two of the world's most serious health problems. And with the world's population expected to surge to 9.7 billion by 2050, according to the United Nations, the private food industry will need to make nutritious food available in greater quantities and at affordable prices. Simultaneously, consumer demand for more nutritious foods and beverages continues to rise, presenting growth potential for PepsiCo.

As shown in Our 2015 Progress, we continued to address these global consumer trends by reducing added sugars in many of our beverages, reducing saturated fat and salt in many of our foods, and expanding our range of more nutritious options in 2015. We also continued to provide clear information about our products' ingredients and adhered to responsible marketing policies.

And as you'll see in Our 2025 Agenda, we intend to build on this progress over the next decade with plans for the further transformation of our portfolio as well as a significant expansion of food and beverage offerings containing positive nutrition, with a focus on reaching more underserved communities and consumers with healthier choices.

Bringing about systemic and comprehensive improvements in the global diet will require the engagement of large food and beverage companies like PepsiCo. Our global scale, resources and capabilities will continue to be valuable assets as governments and NGOs manage health and nutrition priorities around the world.

Because no one company can solve public health challenges alone, we will continue to work with partners and experts to meet our Products goals while contributing to global efforts around food security, improved nutrition, health and well-being.



### *Recipes for Success: Three Trailblazers*

*Using new recipes in markets around the world, we removed up to 40 Calories from added sugars per 12-ounce serving of our 7UP carbonated soft drink, owned by PepsiCo outside of the U.S. — including reducing up to 30 percent of calories from added sugars in Mexico, Russia and China. Committed to scaling innovations of this kind, we are rolling out a new 7UP recipe in India this year, with more markets to follow.*

*Similarly, added sugars were reduced by 30 percent in the new green citrus Lipton tea recipe in Mexico as compared with the original flavor. Additionally, our new Mirinda Orange recipe in China has 30 percent less sugar than the original. Using what we're learning, we aim to offer more beverages with fewer added sugars to meet changing consumer preferences going forward.*





# OUR 2015 PROGRESS: PRODUCTS

*2015 marks the culmination of our reporting on PepsiCo's Human Sustainability goals. These objectives are now evolving into our Products goals for 2025, which substantially expand our efforts in this area while building on our achievements to date, noted below.*

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

## ADDED SUGARS +4%

In 2009, we set a goal to reduce the average amount of added sugars per serving in our key global beverage brands in key countries\* by 25 percent by 2020, compared with a 2006 baseline. Eight out of the 10 countries we tracked reduced the average amount of added sugars per serving in their total beverage portfolios in 2015 against the 2006 baseline. In the U.S. and Canada alone, we successfully removed approximately 372,000 metric tons of added sugars from our total beverage portfolio compared with the 2006 baseline.

Although progress was made, in key countries we increased the average amount of added sugars per serving in our total beverage portfolio by 4 percent compared with the 2006 baseline. We continue to invest in research and development to reduce added sugars, and we believe these efforts could yield significant progress.

## SATURATED FAT -3%

In 2009, we set a goal of reducing the average amount of saturated fat per serving in key global food brands in key countries\* by 15 percent by 2020, compared with a 2006

baseline. In 2015, in key global food brands across all key countries, we reduced average saturated fat per serving by 3 percent compared with a 2006 baseline. Five of the 10 countries we measured against this goal met the 15 percent target in 2015, compared with the 2006 baseline. Going forward, we will work to continue to produce foods that are lower in saturated fat.

## SODIUM -12%

We set a goal to reduce the average amount of sodium per serving in key global food brands in key countries\* by 25 percent by 2020,\*\* compared with a 2006 baseline. In 2015, we reduced the average sodium per serving by 12 percent and removed more than 2,300 metric tons of sodium from key global food brands in key countries\* as compared with 2006. In the UK and China, we had already met our 25 percent sodium reduction target in key brands. Additionally, Brazil, Canada, India, Mexico, Russia and Turkey all reduced the average amount of sodium per serving in key brands by more than 10 percent compared with 2006 levels. Our primary challenge in further reducing sodium has been consumer acceptance of reduced-sodium products in the U.S. and Saudi Arabia. Going forward, we will continue to work to reduce sodium by further investing in research and development.



## A Breakthrough in Whole Grains

In 2015, we blended ground oats with milk to create a silky, great-tasting beverage for the popular dairy-drink market in China. Named **"Best Dairy Drink of 2015"** at the World Beverage Innovation Awards, our **Quaker High Fiber Oats Dairy Drink** was made possible through SoluOats, PepsiCo's proprietary technology that offers a "drinkable" version of oats, and is a prime example of our efforts to add more positive nutrition to the global diet.

The drink contains the nutrients of natural whole grains and the dietary fiber of a bowl and a half of Quaker oatmeal — a help for Chinese diets, most of which have below the recommended daily intake levels of dietary fiber. And our patented technology can be used with other grains as well, allowing us to deliver a variety of whole grains in delicious, nutritious blended products in markets around the world.

## REVENUE CONTRIBUTION FROM EVERYDAY NUTRITION ~25%

We are working to grow our portfolio of more nutritious products by building on our expertise and leveraging our iconic and trusted brands. In 2015, we introduced new whole grain products around the world, including a broader lineup of multigrain Sunbites snacks. We also expanded some of our established fruit and vegetable brands in 2015, including adding popular new flavors and cold-pressed juices in our Naked line, and green and fortified juices in our Tropicana family. Growing what we refer to as our Everyday Nutrition business to meet changing consumer demand is a core objective of our 2025 Products goals.

*Sold and marketed our products appropriately to our consumers, including children, in line with our global policies and accepted global standards, and continued to provide clear nutritional information on them*

## RESPONSIBLE ADVERTISING 98%

PepsiCo is committed to helping consumers make informed choices by communicating responsibly about our products. We do this by providing consumers with fact-based nutritional information, responsibly advertising to children, and restricting direct sales to schools to only our most nutritious products. Our Responsible Advertising to Children Policy provides that on a global basis, we advertise to children under 12 only those products that meet PepsiCo's Global Nutrition Criteria for Advertising to Children, to encourage the consumption of healthier food and beverage products. Over two different monitoring periods in the first half of 2015, we collectively achieved 98 percent compliance with this goal in globally representative markets. We will continue to strive for full compliance with this policy in the years ahead, working with others and adapting our marketing practices as needed in the evolving landscape.

\*Key countries measured for these goals: Brazil, Canada, China, India, Mexico, Russia, Saudi Arabia, Turkey, the UK and the U.S. These countries together represented approximately 80 percent of our net revenue in 2015.

\*\*In 2014, we adjusted the target date for our sodium goal from 2015 to 2020 to allow additional time to meet this goal and align the sodium reduction target date with the target dates for reductions in saturated fat and added sugars.

## COMPLIANCE WITH LABELING POLICY >93%

On-package labeling is a critical part of responsible marketing that we continually look to improve upon. In 2010, we voluntarily committed to display calorie count and key nutrients on our packaging—where feasible to print and where permissible by local regulations—for all of our products in key countries\* by year-end 2015. In addition to achieving over 93 percent compliance with this goal in 2015, PepsiCo also committed to participation in the SmartLabel™ Program to provide additional transparency to consumers on attributes in thousands of products, including nutrients, ingredients, allergens and the use of bioengineered ingredients.

In 2014, PepsiCo adopted our Global Labeling Policy, which calls for key nutrients to be labeled on the front, side or back of our packaging, in addition to making other nutritional information easily available. In 2015, in globally representative markets that represented over 97 percent of net revenue, 82 percent of our products complied with our side- and back-of-package labeling commitment, and 67 percent complied with our front-of-package labeling commitment. We will work to advance compliance with our labeling commitment in the years ahead.

**More local choices:** Our global potato chip portfolio offers flavors that appeal to local taste profiles and culinary trends. Many of our snacks, such as the Walkers Cheese & Onion crisps pictured below, already have reduced saturated fat levels—progress we'll work to build on over the next decade.





## OUR 2025 AGENDA: PRODUCTS

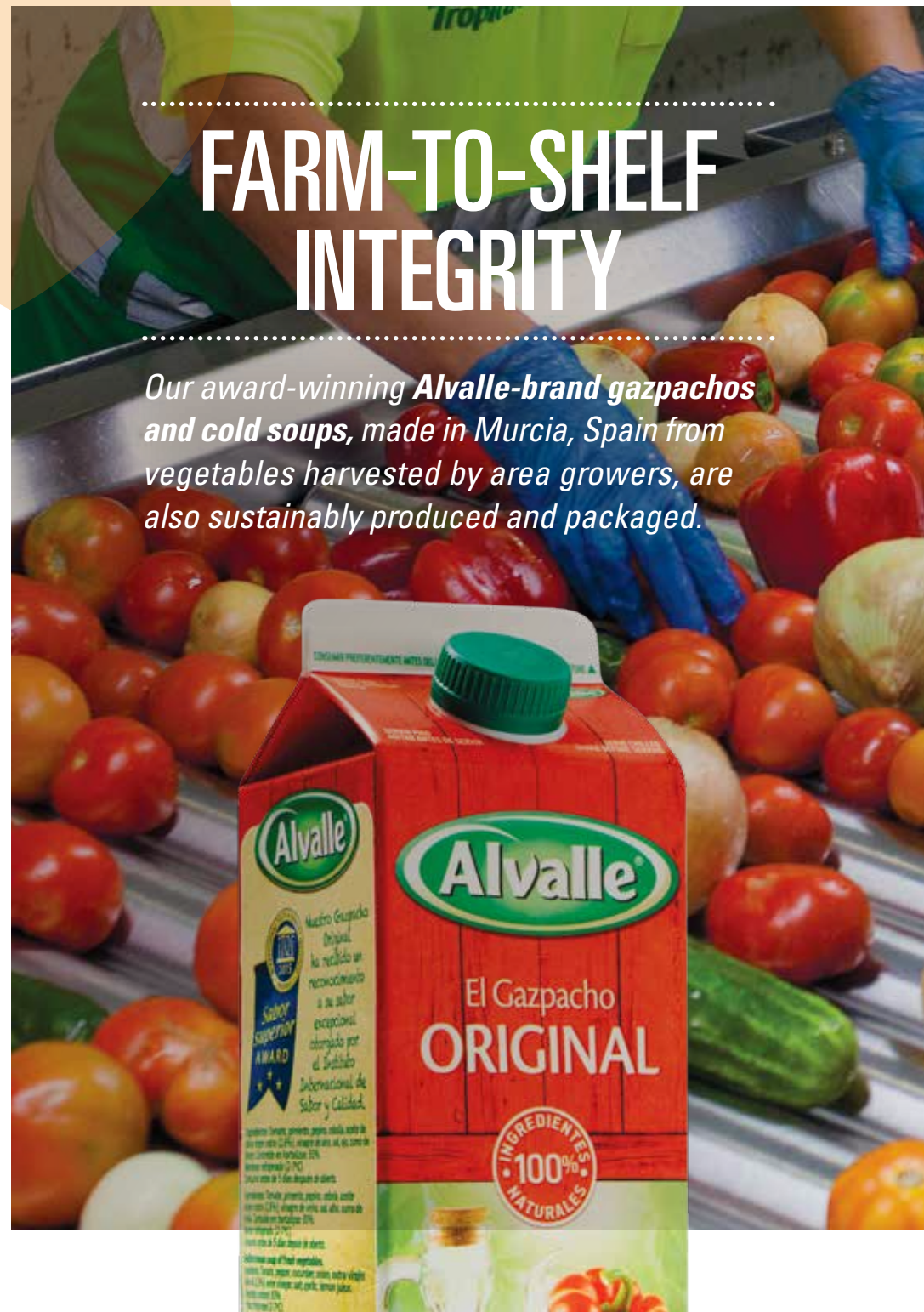
*Through our new Products goals, we will continue to refine our food and beverage choices to meet changing consumer needs by reducing added sugars, saturated fat and salt, and by developing a broader portfolio of product choices, reaching more underserved communities and consumers.*

### WHAT'S NEW ABOUT OUR PRODUCTS GOALS?

- Our targeted reductions in added sugars, saturated fat and salt have been further informed by the latest dietary guidelines of the World Health Organization and other authorities.
- We'll be significantly investing to provide access to healthier options, with a focus on underserved communities and consumers.
- Our Products performance measurement is changing from key brands in 10 key markets to our global portfolios.

## FARM-TO-SHELF INTEGRITY

*Our award-winning **Alvalle-brand** gazpachos and cold soups, made in Murcia, Spain from vegetables harvested by area growers, are also sustainably produced and packaged.*





## PLANET

From 2006 through 2015, PepsiCo associates at our facility in Murcia improved water-use efficiency by approximately 60 percent, and electricity and gas efficiency by 39 and 37 percent, respectively, while also reducing waste sent to landfill by approximately 70 percent — and we will seek further reductions going forward.

What's more, Alvalle's gazpachos and cold soups are packaged in Forest Stewardship Council–certified cartons, made from materials in compliance with high environmental, social and economic standards.

## PRODUCTS

Made of the high-quality tomatoes, peppers, onions, cucumbers and other produce that arrives daily from 30 local growers, our Alvalle (*pr. Al-va'-yay*) gazpachos and cold soups add an abundance of positive nutrition to our portfolio.

Winner of the 2015 "Foods from Spain" prize for contributions to sustainable and efficient developments within Spain's food sector, Alvalle has enjoyed an almost fivefold increase in exports over the past decade, one reason for its faster-than-average growth rate in the emerging chilled-soup category from 2005 to 2015.

## PEOPLE

With over 90 percent of the brand's vegetables sourced from within 300 kilometers of our production facility, and 100 percent sourced within Spain, Alvalle gazpachos and cold soups support local farmers' livelihoods, while the Murcia facility employs local workers.





# OUR 2025 AGENDA: PRODUCTS

## TRANSFORM OUR PORTFOLIO & OFFER HEALTHIER OPTIONS

### REDUCE ADDED SUGARS

We will work to help our consumers reduce the amount of added sugars in their diets, as informed by the WHO's and other authorities' guidelines on sugars intake.

**2025 GOAL:** At least 2/3 of our global beverage portfolio volume will have 100 Calories or fewer from added sugars per 12-oz. serving

### HOW WILL WE DO IT?

- Primarily by reformulating carbonated soft drinks and investing to create new low- and no-calorie beverages;
- By launching smaller pack sizes for our full-sugar carbonated soft drinks; and
- By boosting promotion of lower-calorie beverages and those with fewer added sugars.

### REDUCE SATURATED FAT

We will work to help our consumers reduce the amount of saturated fat in their diets, as informed by the WHO's dietary recommendation for saturated fat intake.

**2025 GOAL:** At least 3/4 of our global foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 Calories

### HOW WILL WE DO IT?

- By using oils with lower saturated fat, such as high oleic sunflower and canola oils; and
- By employing new cooking methods.

### REDUCE SALT

We will work to help our consumers reduce the amount of salt in their diets, as informed by the WHO's dietary recommendation for sodium intake.

**2025 GOAL:** At least 3/4 of our global foods portfolio volume will not exceed 1.3 milligrams of sodium per calorie

### HOW WILL WE DO IT?

- By creating new recipes and ways to season foods; and
- By exploring salt-reduction methods and technologies that will allow us to maintain our products' great taste, including using smaller salt particles to enhance taste while reducing a product's overall level of salt.

Established in 1962, the **PepsiCo Foundation** and its nonprofit partners work to develop innovative, sustainable solutions that address challenges in underserved communities around the world. Along with PepsiCo businesses and our global employees, the PepsiCo Foundation seeks to catalyze efforts that advance our Performance with Purpose 2025 goals related to increasing access to positive nutrition, enabling access to safe water around the communities where we work and supporting women and girls.



**Less salt, in any language:** The diverse brands pictured here are part of the PepsiCo global foods portfolio, including Hrusteam Baguettes King Crab from Russia, Doritos Cool Original from the UK, Gamesa Habaneras Integrales bran from Mexico, Cereza TV Sweetcorn from Turkey and Lay's Labneh & Mint from Saudi Arabia. Great tasting, these offerings already feature lower levels of salt to suit changing consumer preferences.

## INCREASE POSITIVE NUTRITION

We will strive to become the global leader in what PepsiCo refers to as Everyday Nutrition by increasing the availability of convenient, affordable and enjoyable nutrition.

**2025 GOAL:** *The rate of sales growth of what we refer to as our Everyday Nutrition products will outpace the rate of sales growth in the balance of our product portfolio. Specifically, we will work to:*

- Increase positive nutrition — like whole grains, fruits and vegetables, dairy, protein and hydration — by expanding our portfolio containing one or more of these ingredients
- Provide access to at least 3 billion servings of nutritious foods and beverages to underserved communities and consumers, through a variety of channels and programs supported by the PepsiCo Foundation — with an increasing focus on products that are locally sourced and produced, and readily accessible

## HOW WILL WE DO IT?

- By using our trusted, global nutrition brands — Tropicana, Quaker, Naked and Gatorade — to develop more locally relevant and affordable nutrition products;
- By finding more ways to deliver what we refer to as Everyday Nutrition, such as through our Hello Goodness vending machines (below) and our Food for Good initiative (p. 32); and
- By supporting the PepsiCo Foundation and its partners' efforts on solutions aimed at:
  - Providing nutritious options for those who are food-insecure,
  - Developing holistic solutions that break the cycle of hunger, and
  - Creating sustainable sources of nutritious food.

*"I applaud PepsiCo for its new commitments to Performance with Purpose, which will make a crucial contribution to achievement of the Sustainable Development Goals. Two specific topics are particularly noteworthy: the commitment to rethinking core products, and the value chain approach taken on climate and water."*

—Aron Cramer, President & CEO, BSR

### Key Programs and Partners



World Food Programme

helloGoodness™

food for good  
Fresh thinking by PepsiCo



### Making the Healthier Choice the Easier Choice

In 2015, we launched a state-of-the-art food and beverage vending initiative called **Hello Goodness**.

As part of the initial pilot, we rolled out 500 Hello Goodness vending machines in the mid-Atlantic region of the U.S. that feature a thoughtfully chosen selection of products such as Naked Juice, Smartfood Delight popcorn, Lay's Oven Baked potato chips, Quaker Real Medleys bars, Lipton Pure Leaf iced tea, Propel Electrolyte water, Tropicana Pure Premium juice and Sabra Hummus Grab & Go cups.





# PLANET

PRODUCING MORE FOOD WITH  
LESS ENVIRONMENTAL IMPACT

***On-farm Innovation***

*Growers at Whitewater Farm in the UK are part of a program to halve the water and energy needed to grow the potatoes PepsiCo uses in our Walkers crisps.*

## IN CONTEXT: PLANET

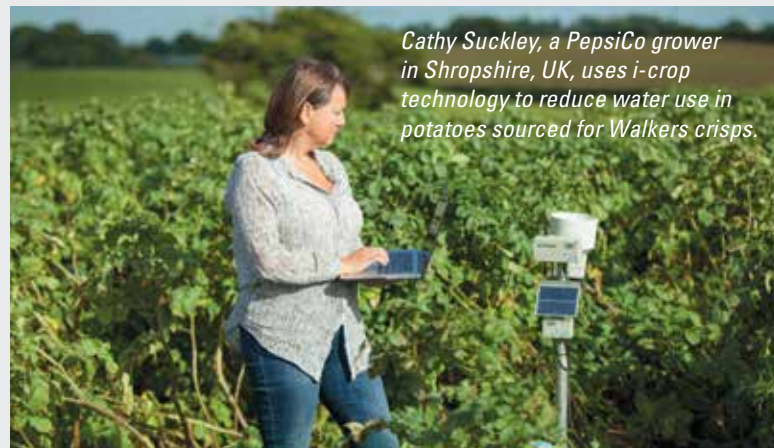
Helping to create a healthier relationship between people and food includes protecting the environment and finding sustainable ways to produce more food.

PepsiCo's business depends on the availability of the natural resources needed to make our products. Agriculture uses the vast majority of the world's available freshwater at the same time that water availability is becoming increasingly limited. As the world's population grows, the demand for water and energy will also rise. And if society follows business as usual, leading global organizations expect that greenhouse gas (GHG) emissions will increase in the coming years, further accelerating climate change and putting crops at potential increased risk. Alongside these complex environmental problems, by 2050 it is expected that, to meet the rising demand for food, society will either need to increase food production by 70 percent or drastically reduce the food that is currently wasted or lost.

Amid the urgency of these issues and their relationship to societal health and our business, PepsiCo made considerable progress in our protection and conservation of natural resources in 2015. As presented in Our 2015 Progress, we exceeded our operational water-use efficiency goal while providing access to safe water to 9 million people since 2006 through the PepsiCo Foundation and its partners. We also made progress in decoupling the growth of our production volume from our GHG emissions, supported sustainable agricultural practices, decreased our packaging footprint and further reduced the amount of waste we sent to landfill.

As you'll see in Our 2025 Agenda, we will work to extend our environmental stewardship efforts to many more members of our supply chain and communities where we work while continuing to improve the efficiency of our manufacturing operations. Our size, influence, resources and relationships, coupled with our sense of responsibility to make a difference, present a considerable opportunity to incentivize, support and scale more sustainable practices in the years ahead.

Surely, changing the current environmental equation will require many hands. We will work with others, therefore, to achieve our Planet goals while also striving to contribute to global frameworks such as the Paris Climate Agreement and the UN 2030 Sustainable Development Goals.



*Cathy Suckley, a PepsiCo grower in Shropshire, UK, uses i-crop technology to reduce water use in potatoes sourced for Walkers crisps.*

### ***"50 in 5": Scalable Solutions in Water & Energy***

*It can be done. In 2015, we met our five-year goal of reducing by 50 percent the GHG emissions and water use on the farms of our UK potato growers operating in water-stressed areas.*

*Halving water use was accomplished through employing different irrigation methods and by using the i-crop technology that PepsiCo developed with Cambridge University. I-crop is a Web-based platform for "precision farming" that allows growers to more accurately manage water application to their crops. Cutting GHG emissions by 50 percent since 2010 was achieved by working with growers to use the Cool Farm Tool—a GHG emissions calculator—and supporting their use of new potato varieties and crop-storage techniques, renewable energy and fuel-efficient vehicles. Moreover, growers that achieved these water and carbon reductions actually saw their potato yields increase, including yields with new varieties, compared with their yields in 2010.*

*Using what we're learning in the UK, we intend to help other farmers around the world reduce their environmental footprint while improving their crop yields and livelihoods. (See "Source Sustainably" on p. 27.)*





# OUR 2015 PROGRESS: PLANET

*2015 marks the culmination of our reporting on PepsiCo's Environmental Sustainability goals. These are now evolving into our Planet goals for 2025, which significantly expand our efforts in this area while building on PepsiCo's historic achievements to date, noted below.*

*Helped protect and conserve global water supplies, especially in water-stressed areas, and provided access to safe water*

**OPERATIONAL WATER-USE EFFICIENCY +25.8%**

We are pleased to report that we met or exceeded all of our water-related goals set for 2015. By year-end, we had reduced our water use per unit of production by 25.8 percent since 2006, exceeding our goal of 20 percent, while saving approximately \$80 million in costs over five years.

In 2015, we also continued to pursue integrated watershed management, prioritizing PepsiCo sites in water-stressed or water-scarce areas and supporting growers in our value chain in better managing their water use (see "50 in 5" on page 21). And the PepsiCo Foundation and its partners successfully worked to provide access to safe water for more than 9 million people globally since 2006, significantly exceeding our goal of 6 million by 2015.

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

**ENERGY EFFICIENCY +18%**

Our 2015 GHG emission reduction efforts in our operations focused on energy use, renewable energy and our fleets. We improved energy efficiency for our legacy operations by nearly 18 percent since 2006, resulting in estimated energy cost savings of more than \$96 million in 2015 as compared with the 2006 baseline. The improvement was narrowly below our 2015 goal of 20 percent efficiency per unit of production, as our growth outpaced the reductions we made through greater energy efficiency and conversions to renewable forms of energy.

In 2015, we also achieved a slightly more than 4 percent reduction in absolute GHG emissions for legacy operations as compared with 2008, despite significant production volume growth in our business. While continuing to create energy efficiencies in our own operations, we plan to work with more of our suppliers to address GHG emission "hot spots" in our value chain over the next 10 years.

*Continued to support sustainable agriculture by expanding best practices with our growers and suppliers*

**NUMBER OF COUNTRIES WHERE SUSTAINABLE FARMING INITIATIVE IS OPERATING 15**

In 2015, we continued to expand best practices in sustainable agriculture through our Sustainable Farming Initiative (SFI), a comprehensive, global, on-farm program aimed at improving crop yields and growers' livelihoods; increasing environmentally responsible agricultural practices; and respecting workers' human rights. In 2015, we implemented SFI across 15 countries, with active programs representing over 28,000 growers in our supply chain and over 800,000 acres of direct cropping land, doubling the acres represented in 2014. In addition to this work across a range of commodities, we took steps in 2015 toward delivering 100 percent sustainable palm oil and cane sugar by 2020. Progress in palm oil included traceability (72% traced to the mill as of July 2016), risk assessment and common standards setting. In cane sugar, we assessed mills and farms, engaged local representatives and strengthened our audit questions. Going forward, we intend to work with growers and suppliers to source sustainably and with increasing traceability.

*PepsiCo scored **9 out of 9** on the World Wildlife Fund's Palm Oil Buyers Scorecard for 2015. The WWF Scorecard measures companies' progress on their commitments and actions toward being a responsible user of palm oil.*

*Worked to eliminate solid waste to landfills from our production facilities*

#### WASTE RECYCLED AND REUSED 94%

In 2015, PepsiCo sent approximately 6 percent of our waste to landfill (94% diverted), meeting our goal and saving an estimated \$4.3 million compared with 2009 landfill waste generation rates. In the coming decade, we will look to eliminate waste sent to landfill altogether and also decrease and recover food waste within our manufacturing operations.

*Innovated our packaging to make it increasingly sustainable, minimizing our impact on the environment*

#### REDUCTION IN PACKAGING MATERIALS 100M LBS.

We successfully acted on our goal to reduce packaging weight and size and increase post-consumer recycled content in our packaging in 2015. We removed approximately 100 million pounds of packaging materials from the market compared with the prior year, through various packaging optimization and redesign initiatives, resulting in \$25 million of cost savings in 2015. Also in 2015, we used 139 million pounds of food-grade recycled polyethylene terephthalate (rPET), an increase of approximately 4 percent, or 5 million pounds, versus 2014. In addition to changing our own product packaging to be more sustainable and efficient, we continued to work to increase the recycling rates of beverage containers among consumers in the U.S. — efforts that we will work to expand through our 2025 Planet goals.

## CLOSING THE LOOP

### ADDRESSING THE WASTE ECOSYSTEM



PACKAGING DESIGN



CONSUMER BEHAVIOR



PUBLIC RECOVERY INFRASTRUCTURE

*In designing all of our product packaging to be recoverable or, ideally, recyclable,\* PepsiCo is working to enable the safe reuse of plastic packaging and other materials rather than their single use and disposal—thus promoting a “circular economy.” However, we recognize that the actual recovery rates of our food packaging are minimal, given the few recovery methods available to the consumer. Similarly, the current recycling rate of our beverage packaging is not as high as it could be—or as high as the demand for recycled polyethylene terephthalate (rPET) on the part of PepsiCo and other companies, who use this recycled material to reduce their packaging footprint.*

*That is why we're working to close the loop through efforts in packaging design, public recovery and recycling infrastructure, cross-sector collaboration such as with the Closed Loop Fund, and consumer behavior—all of which must work in concert to avoid more packaging waste being sent to landfill or polluting our oceans.*

\*Recoverable refers to items that can be either recycled (as defined by ISO 18604), used to generate energy (as defined by ISO 18605) and/or organically recycled/composted (as defined by ISO 18606).

Recyclable refers to recovered items that are diverted from the waste stream and that can be processed and returned to use in the form of raw materials or products (defined in accordance with ISO 18604).



# OUR 2025 AGENDA: PLANET

*Through our new Planet goals, we will reduce our environmental impact while growing our business and helping to meet the food, beverage and natural resource needs of our changing world.*

## WHAT'S NEW ABOUT OUR PLANET GOALS?

- We'll be engaging in a comprehensive effort to reach Positive Water Impact (pictured at right), including more work with growers to address agriculture's important role in water security.
- We'll be proactively working to reduce the approximately 93% of our total GHG emissions that originates outside of our direct operations\* (Scope 3 emissions), while continuing to reduce Scopes 1 and 2.
- We'll strive to halve food waste in our direct operations.

\*Company-owned and -operated sites that manufacture our products.



## PLANET

Having recently exceeded all of our first-decade Performance with Purpose water goals, PepsiCo will work to address the world's largest user of freshwater — agriculture — by working to improve water-use efficiency among our direct agricultural suppliers by 15 percent, and to deliver an additional 25 percent increase in water-use efficiency in our direct manufacturing operations.



## PRODUCTS

PepsiCo takes into consideration the water intensity of the crops needed to grow what we refer to as our Everyday Nutrition business and broaden our global products portfolio. We will continue to work to increase agricultural water-use efficiency through programs like our Sustainable Farming Initiative.



## PEOPLE

Access to safe water is a UN-recognized, fundamental human right, and essential to good health and prosperity. That is why the PepsiCo Foundation and its partners have worked to enable access to safe water for 9 million people to date, with a goal of reaching another 16 million around the communities where PepsiCo works by 2025.



### DIRECT AGRICULTURAL SUPPLIERS

- Work to increase water-use efficiencies of direct agricultural suppliers
- Promote less-water-intensive irrigation methods, low-water crop varieties where appropriate, and use of on-farm water-saving technology and tools
- Help growers manage the water leaving their farm fields that can carry pollution — as part of what is known as agricultural water runoff — to avoid contamination of local surface and ground water

### LOCAL WATERSHEDS

- Replenish the water consumed to make our products within the watershed — meaning the land from which it came — in high-water-risk areas
- Support watershed conservation projects where we work, such as reforestation and wetland preservation
- Contribute to programs that lead to the more productive use of water in high-water-risk areas, which can be as simple as repairing leaks and educating youth on responsible water use

# STRIVING FOR POSITIVE WATER IMPACT

*PepsiCo will contribute to Positive Water Impact in and near the communities where we work — 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.*

### DIRECT MANUFACTURING OPERATIONS

- Increase water-use efficiencies in manufacturing operations
- Ensure wastewater from operations meets PepsiCo's high-quality standards to protect the environment
- Provide water, sanitation and hygiene for our global manufacturing employees

### ADVOCACY, COLLABORATION & SUPPORTING ACCESS TO SAFE WATER

- Advocate for strong water governance locally and nationally, with the aim of promoting solutions that meet local needs and reflect best practices in water management
- Work with cross-sector partners to develop new tools and methods that mitigate water insecurity, which we intend to make available to the public
- Through the PepsiCo Foundation and water partners, enable access to safe water for 25 million people (2006–2025), with a focus on communities near where PepsiCo works





# OUR 2025 AGENDA: PLANET

## WORK TO ACHIEVE POSITIVE WATER IMPACT

We will strive to achieve Positive Water Impact by applying a strategic approach to water stewardship globally, informed by PepsiCo's respect for water as a fundamental human right and the imperative for integrated water management within local watersheds.

### Water-use efficiency in agriculture:

- **2025 GOAL:** Improve the water-use efficiency of our direct agricultural supply chain by 15% in high-water-risk\* sourcing areas, a volume approximately equivalent to the entire water use of all PepsiCo direct operations

### Water-use efficiency\*\* and WASH in direct operations:

- **2025 GOAL:** Build on the 25% improvement in water-use efficiency achieved to date with an additional 25% improvement by 2025, with a focus on manufacturing operations in high-water-risk areas
- **2025 GOAL:** Maximize water reuse in high-water-risk areas and ensure that 100% of wastewater from our operations meets PepsiCo's high standards for protection of the environment
- **2025 GOAL:** Ensure appropriate access to safe water, sanitation and hygiene (WASH) for 100% of our own manufacturing employees

### Local replenishment:

- **2025 GOAL:** Replenish 100% of the water we consume in manufacturing operations located in high-water-risk areas, ensuring that such replenishment takes place in the same watershed where the extraction has occurred

### Respect for water as a human right:

- **2025 GOAL:** Advocate for strong water governance in communities and watersheds where we operate, promoting water solutions that meet local water needs
- **2025 GOAL:** Initiate and support collaborative efforts with other stakeholders to address water risk and mitigate water insecurity
- **2025 GOAL:** With the PepsiCo Foundation and its partners, work to provide access to safe water to a total of 25 million people since 2006 in the world's most at-water-risk areas, with a focus on communities near where PepsiCo works

To see how we will work toward achieving these goals, please see Striving for Positive Water Impact on page 25.

## SIGNIFICANTLY LOWER CARBON EMISSIONS

### HOW WILL WE DO IT?

**2030 GOAL:** In support of the United Nations' 2030 Agenda for Sustainable Development and call to combat climate change and its impacts, work to reduce absolute greenhouse gas (GHG) emissions across our value chain by at least 20% to do our part to limit global temperature increase to below 2° Celsius

- By targeting the largest GHG emission sources in our value chain first — agriculture, packaging and transportation — in collaboration with our suppliers, business partners and customers;
- By designing low-carbon solutions into our product development and manufacturing processes;
- By reducing fossil fuel-based energy use in our operations through energy efficiencies and by shifting to renewables and/or low-carbon solutions where possible; and
- By purchasing credible carbon offsets, as needed.

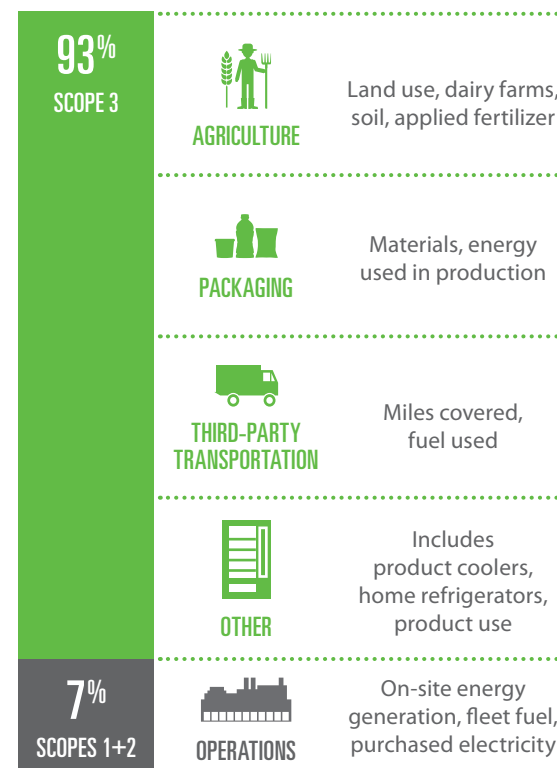
\*Water risk will be informed by the World Resources Institute's Aqueduct tool as well as internal and external expertise.

\*\*Water-use efficiency benchmarking for our beverage operations will be informed by the Beverage Industry Environmental Roundtable (BIER) tools. Water-use efficiency benchmarking for snacks operations requires additional development with peers and third parties.

## TACKLING SCOPE 3 GHG EMISSIONS

**The other 93%:** While we've reduced energy use intensity in our fleet fuel use and direct operations (Scope 1 emissions) and in our purchased electricity (Scope 2 emissions) over the past decade, and will continue to seek further reductions, these emissions account for just 7 percent of our total carbon footprint. Going forward, we'll be actively pursuing emission reductions across our value chain — working with suppliers, business partners and customers.

Achieving reductions in Scope 3 emissions — the other 93 percent of our total footprint that originates from sources such as farming, packaging, third-party transportation and consumer use of our products — is critical to doing our part to help keep global temperature increase below 2° Celsius.



| SOURCE SUSTAINABLY                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | HOW WILL WE DO IT?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>2020 and 2025 GOALS:</b> Through PepsiCo's Sustainable Farming Initiative (SFI) or equivalent industry programs, strive to sustainably source our direct agricultural raw materials by 2020; and seek to sustainably source our non-direct major agricultural raw material ingredients by 2025</p> <p><b>2020 GOAL:</b> Building on our earlier goal, continue to invest in the necessary measures to complete our plans to sustainably source 100% of palm oil and cane sugar by 2020</p> | <ul style="list-style-type: none"> <li>• By extending our SFI across additional key crops;</li> <li>• By investing to close compliance gaps so that more growers can meet the minimum SFI standards;</li> <li>• By working with suppliers, peers, and joint venture, franchise and other business partners to identify new solutions and collaborate on successful programs and methods of implementation;</li> <li>• By engaging with industry NGOs and experts to map a pathway to certified supplies of specific commodities; and</li> <li>• By gaining Roundtable on Sustainable Palm Oil (RSPO) certification (for palm) and Bonsucro® certification (for cane sugar) and implementing related sourcing plans.</li> </ul> |

| REDUCE & ELIMINATE WASTE                                                                                                                                        | HOW WILL WE DO IT?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>2025 GOAL:</b> Strive to achieve zero waste to landfill across all of our direct operations through efficient and responsible waste management</p>        | <ul style="list-style-type: none"> <li>• By expanding recycling and small-scale waste-recovery projects in PepsiCo's manufacturing facilities; and</li> <li>• By supporting recycling infrastructure in global markets.</li> </ul>                                                                                                                                                                                                                                                                                                            |
| <p><b>2025 GOAL:</b> Work to reduce the food waste we generate in our direct operations by 50%</p>                                                              | <ul style="list-style-type: none"> <li>• By using the first global Food Loss &amp; Waste Standard — published in 2016 — to refine and develop appropriate internal systems to measure, manage, minimize and prevent food waste; and</li> <li>• By working with peers, supply chain partners and community leaders to explore further beneficial uses for food waste and new food-waste-recovery options.</li> </ul>                                                                                                                           |
| <p><b>2025 GOAL:</b> Strive to design 100% of our packaging to be recoverable or recyclable, and partner to increase packaging recovery and recycling rates</p> | <ul style="list-style-type: none"> <li>• By eliminating materials in PepsiCo-designed packaging that impact recycling sorting or contaminate recovery streams;</li> <li>• By redesigning the film used in our snacks packaging to enable its recovery;</li> <li>• By targeting investments in local recovery and recycling infrastructure and education; and</li> <li>• By partnering with associations and governments globally, and with cross-sector coalitions such as the Closed Loop Fund, to implement long-term solutions.</li> </ul> |



### Converting Waste to Energy

PepsiCo's commitment to renewable energy and reducing waste is on display at **Frito-Lay North America's manufacturing facility in Casa Grande, Arizona**. Here, locally sourced waste — white wood (primarily from chipped wooden pallets) and pecan shells — are used as the primary fuel source for our biomass boiler, which heats the frying oil for our potato chips. The ash produced by this process is then used as filler for concrete.

**"PepsiCo understands that water is far more than an ingredient** needed to make its food and beverage products. Water is our most precious resource, critical for both people and nature. We're proud of our work with PepsiCo to protect sources of clean drinking water and promote increased recycling rates, two urgent priorities that will preserve our planet for future generations."

—Ben Packard, Managing Director, Corporate Engagement, The Nature Conservancy

Key Programs  
and Partners



WORLD  
RESOURCES  
INSTITUTE



BEVERAGE INDUSTRY  
ENVIRONMENTAL ROUNDTABLE





# PEOPLE

LAYING THE GROUNDWORK  
FOR A HEALTHIER FUTURE

**La Linea Rosa**

*The first all-women production line at PepsiCo's Vallejo, Mexico plant is still run by women, including packagers, operators and palletizers.*

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## IN CONTEXT: PEOPLE

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Economic well-being and respect for human rights are part of the foundation of a healthier relationship between people and food.

Today, billions of people live in poverty, and significant economic disparities and gender inequalities persist around the world. As addressed in the UN Sustainable Development Goals, unemployment, particularly among youth, also remains a key global economic challenge. At the same time, employees' technical skills do not currently match employers' needs. And within the agricultural sector, which according to the Food & Agriculture Organization of the UN employs one out of every three workers in the world, over half of whom are women in some developing countries, we believe that improvements must have livelihoods and working conditions at their core.

In our own operations, PepsiCo considers it essential to protect and support the safety, health, professional development and human rights of our employees. Fostering a diverse and engaging culture, promoting women's equal advancement, and offering policies and benefits for working caregivers are some of the ways we continue to attract the talent base needed to grow our business. We also support our value chain partners to take the same approach to talent development and workers' rights.

As presented in Our 2015 Progress, PepsiCo improved safety practices within our manufacturing operations while expanding wellness offerings last year. In addition, we continued to strengthen diversity across PepsiCo, including the representation of women and people of color. Finally, our support for human rights was extended to more suppliers and their workers through our Supplier Code of Conduct training and through the significant growth of our Sustainable Farming Initiative.

As a multinational company, global employer, and volume buyer of commodities, ingredients, materials and services, PepsiCo has the capacity to influence employment and the rights of workers within our own company, in communities where we work, and in our suppliers' businesses. We view our involvement in agriculture, in particular, as an opportunity to strengthen growers' livelihoods and respect for farm workers' rights. This understanding informs our new People goals, as you'll see in Our 2025 Agenda.

As in all our sustainability efforts, we will continue to work with partners around the world to achieve our People goals while aiming to contribute to broader efforts in human rights, diversity and engagement, and prosperity.



*Above, young women and men in Mexico are taught skills sought by employers through an educational program co-sponsored by the International Youth Foundation and the PepsiCo Foundation. (Photo: CONALEP, state of Mexico, 2016)*

## Diversity & Engagement and Workforce Readiness: A Holistic Approach in PepsiCo Mexico

In our manufacturing operations and in local communities across Mexico, PepsiCo promotes diversity and engagement through a range of initiatives. Begun in 2014, **La Línea Rosa ("The Pink Line")** project at our Vallejo, Mexico biscuits production facility (at left) offers female employees a pathway to occupying roles within the plant traditionally held by men. And, through our **Different Abilities** and **Golden Years** programs, our business benefits from the talents and perspectives of employees with disabilities and/or individuals over 55 years of age, while also supporting employment within these populations.

In parallel, the **PepsiCo Mexico Foundation** — with the aim of helping to strengthen vulnerable communities — is engaged in its fifth consecutive year of support for the **Desafío** program, teaching soft skills through sports and hard skills through technical education to more than 2,000 youth. The PepsiCo Foundation is also partnering with the **International Youth Foundation** to increase the workforce readiness of Mexicans between the ages of 15 and 29, a group with the third-highest out-of-work or out-of-school rates in the world. Some 30,000 Mexican youth will be reached directly through this program (above), with the potential for a tenfold impact.

Finally, in partnership with the **FUNDES** organization, PepsiCo's **Tostitos** brand is engaged in its 10th year of supporting and promoting local economic development in Mexico, as it continues to train entrepreneurs participating in the creation of microfranchises that promote culinary innovations for our 100% Mexican corn Tostitos.





# OUR 2015 PROGRESS: PEOPLE

*2015 marks the culmination of our reporting on PepsiCo's Talent Sustainability goals. These are now evolving into our People goals for 2025, which substantively extend our efforts in the areas in which we believe we can have the greatest impact while building on our achievements to date, noted below.*

*Respected human rights in the workplace and across the supply chain*

**TOP-TARGETED KEY SUPPLIERS  
TRAINED ON OUR SUPPLIER CODE OF CONDUCT ~88%**

PepsiCo is committed to respecting the human rights of our employees and workers throughout our value chain as well as the local communities where we work. We do that by training new staff on our Human Rights Policy and our Global Code of Conduct, as well as by asking business partners to review and comply with PepsiCo's Supplier Code of Conduct (SCoC). Our human rights focus to date has been on our own operations, on direct suppliers and on the highest-risk agricultural issues. In 2015, nearly 250,000 salaried and hourly employees were trained on the company's Code of Conduct. Meanwhile, approximately 88 percent of our top-targeted key suppliers completed the SCoC training, while our Sustainable Farming Initiative, which grew substantially in 2015, helped us identify potential human rights issues on more farms within our value chain. Our 2025 agenda aims to continue building on these efforts.

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

**FEMALE SENIOR EXECUTIVES (U.S.) 27%  
SENIOR EXECUTIVES OF COLOR (U.S.) 36%**

PepsiCo strives to create a workforce that reflects the diversity — including gender, race, ethnicity and sexual orientation — of our consumers and local communities, and we encourage our associates to incorporate their individual perspectives into their work. In 2015, the percentage of U.S. executives, managers and associates who are people of color increased compared with the prior year. In recent years, we have undertaken numerous initiatives to increase female representation across all levels of our organization, and externally, our spending with women-owned businesses. In the years ahead, we will continue to work to create an engaging workplace that maximizes the diversity of thought and experience of our talented workforce.

**LOST-TIME INCIDENT RATE -10%**

Protecting the safety, health and well-being of our associates around the world is one of our top priorities, and we aspire to achieve world-class health and safety performance. We have historically measured this through a total lost-time incident rate (LTIR), which represents the annual rate at which employees miss work due to a work-related injury. In 2015, LTIR across PepsiCo was 10 percent lower than in 2014. By 2015, PepsiCo had reduced employee LTIR by 30 percent since 2013 and by 62 percent since 2011. To continue improving our health and safety performance, we will use proactive approaches based on behavioral science and technology to support positive behavioral changes and drive performance improvement. We will also continue to standardize and replicate best practices across PepsiCo global teams.

**Prioritizing safety:** Camilo Quilodrán wears fall-protection equipment while inspecting solar panels on the roof of PepsiCo's Cerillos, Chile, snack plant. PepsiCo's lost-time incident rate (LTIR) decreased in 2015, part of the 62 percent improvement in our LTIR since 2011.

**FREE ON-SITE WELLNESS  
SCREENINGS PROVIDED >500 LOCATIONS**

PepsiCo provides a variety of wellness, work-life quality and financial counseling programs to help our associates and their families. Our global well-being program, Healthy Living, encourages employees and their families to engage in healthy lifestyles in an effort to "be a little bit better every day." In 2015, we introduced four new Healthy Living educational campaigns to our global associates. In the U.S., we also expanded our Employee Health and Wellness Centers to 47 clinics, and offered free on-site wellness screenings to 27,000 associates in more than 500 locations. In total, more than 40,000 U.S. employees, spouses and partners received wellness screenings in 2015.





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## OUR 2025 AGENDA: PEOPLE

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*Through our new People goals, we will advance respect for human rights, promote diversity and engagement, and spur social and economic development in communities around the world.*

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### WHAT'S NEW ABOUT OUR PEOPLE GOALS?

- We'll be working to reach substantially more members of our supply chain in our efforts to advance respect for human rights.
- We'll be pursuing greater diversity within our global operations, including supporting women's advancement and equitable compensation, while offering support for working caregivers.
- We'll be strategically focused on improving livelihoods and spurring prosperity in communities near where we work, including through substantial investments to benefit millions of women and girls around the world.

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## FOOD FOR GOOD: MOBILIZING TO FEED CHILDREN

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*Food for Good (FFG) is an award-winning, purpose-driven business initiative that, together with local nonprofits and government agencies, tackles child hunger in the U.S. by making healthy food more accessible to low-income families.*



food for  
good

*Our Food for Good initiative received Ethical Corporation's Responsible Business Award for the Most Effective Domestic Community Investment in 2015.*



## PEOPLE

Launched in 2009 by PepsiCo associates who sought to make a meaningful impact in urban communities, FFG exemplifies the passion and innovation that PepsiCo's global employees bring to Performance with Purpose.

Child hunger is a persistent problem in the U.S. and impedes child development. FFG helps children from low-income families get the nutrition they need to learn, play and grow by working with partners to provide food using mobile units that strategically increase points of access. FFG also hires from the communities it serves.



## PRODUCTS

Delivering more than 30 million healthy servings to date to children in underserved U.S. cities, FFG is making healthier choices more accessible.

At the same time, what we define as our growing Everyday Nutrition portfolio helps stock FFG's healthy pre-packed meals, which include fresh fruits and vegetables, whole grains, low-fat milk and top-quality Quaker and Tropicana items — meeting USDA standards and contributing to a balanced diet.



## PLANET

The cold-box technology developed within our FFG business unit is a low-cost solution for the transportation and short-term storage of refrigerated food and beverages, and helps prevent food loss.

Cold boxes are used to transport other PepsiCo products in the U.S. as well — an innovation that continues to meet business and community needs.





# OUR 2025 AGENDA: PEOPLE



**Field work:** Our expanding **Sustainable Farming Initiative** will help PepsiCo work to increase sustainable agricultural practices, improve yields and livelihoods, and advance respect for workers' human rights amongst our growers in the coming decade. Above, Rick Langford, PepsiCo Global Procurement (left), and Steve John, SMR Farms Citrus Production Manager (right), work together in a Bradenton, Florida grove from which PepsiCo sources Tropicana oranges.

## ADVANCE RESPECT FOR HUMAN RIGHTS

### HOW WILL WE DO IT?

**2025 GOAL:** Continue to advance respect for human rights in our operations and with third-party suppliers consistent with the UN Guiding Principles on Business and Human Rights, and extend the principles of our Supplier Code of Conduct (SCoC) to all franchisees and joint venture partners

- By extending the monitoring of compliance with our SCoC to all of our most business-critical, direct third-party suppliers, and to all palm and cane sugar suppliers that are covered by sustainable sourcing commitments;
- By making the principles of our SCoC and human rights due diligence applicable to all franchisees and joint venture partners; and
- By addressing any issues of forced labor through active participation in industry leadership groups.

**2025 GOAL:** Work to expand our Sustainable Farming Initiative (SFI) across approximately 7 million acres to increase environmentally responsible agricultural practices, improve crop yields and growers' livelihoods, and advance respect for workers' fundamental human rights; the expanded SFI includes action in crops that collectively represent approximately 75% of PepsiCo's current agricultural-based spend

- By investing to include the growers of an additional 11 key crops in our SFI;
- By accelerating the application of new agricultural technologies and SFI practices, including in employment and commercial relationship management;
- By incorporating appropriate external technologies and practices through collaboration with industry peers, NGOs and public-private partnerships;
- By prioritizing programs and investments that maximize positive on-farm impacts, including microloans to scale solutions and SFI practices; and
- By supporting women who work in farming through education and community investments.

## SUPPORT DIVERSITY, WOMEN'S ADVANCEMENT & WORKING CAREGIVERS

### HOW WILL WE DO IT?

**2025 GOAL:** Continue to develop a diverse, inclusive and engaged workforce that reflects the global communities where we do business; strive to achieve gender parity in our management roles and pay equity for women; and support working caregivers

- By attracting, hiring and developing diverse talent with different perspectives, experiences and backgrounds in the countries, territories and communities we serve;
- By cultivating an environment and mind-set for behaviors that support diversity and engagement at all levels across PepsiCo;
- By measuring our progress in women's advancement in part against how well the company's programs support women's unique needs and by applying holistic solutions across our global business;
- By implementing a comprehensive review process to support pay equity for women; and
- By actively managing equitable and supportive workplace policies and benefits to address the needs of all of our associates and to help working caregivers meet their responsibilities in the workplace and at home, such as paid family leave, childcare support, and flexible work hours and arrangements, where possible.

## SPUR PROSPERITY

**2025 GOAL:** In partnership with the PepsiCo Foundation, invest \$100 million to support initiatives to benefit at least 12.5 million women and girls around the world in communities near where we work

*We believe that a comprehensive and holistic approach will help these young women achieve success, which in turn has the power to transform and build sustainable communities.*

## HOW WILL WE DO IT?

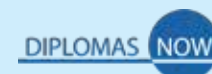
- By focusing our expertise, resources and strategic partnerships in communities around the world near where we work to enable 1.5 million young women to progress through school and be successful in the workforce, creating social and economic opportunities that will benefit their broader communities;
- By supporting skills development in specialized disciplines such as science, technology, engineering and math, as preparation for active roles in the global economy; and
- By providing women and their families with education and market-relevant workforce training as well as support for nutrition, safe water access, infrastructure and sustainable agriculture.

***“Our collaboration with PepsiCo and the PepsiCo Foundation*** has shown the immense potential public-private partnerships have to accelerate sustainable development. Working together, we have improved the lives of more than 1 million people across 12 countries in Latin America and the Caribbean since 2008. PepsiCo’s on-the-ground capabilities and expertise in key areas such as agriculture, recycling and nutrition have enabled us to launch innovative new programs that both catalyze growth and improve people’s lives.”

—Luis Alberto Moreno, President,  
Inter-American Development Bank



### Key Programs and Partners



***Enabling education:*** With our partners, PepsiCo will work to enable 1.5 million young women to progress through school through programs such as **Diplomas Now**, in which students at risk of dropping out of high school receive assistance to stay on track to graduation.





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# COLLECTIVE ACTION

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Sustainability is integrated across PepsiCo's business. Our Board of Directors considers sustainability issues as part of its business oversight, and our 2025 agenda and continued progress reflect the input of all members of PepsiCo's Executive Committee as well as ownership on the part of all our global associates.

We are grateful to the many stakeholders and partners who provided invaluable input in the development of our 2025 goals, and who will accelerate our shared success in the years to come.

Here, several leaders of our global community share their thoughts on collective action and the work ahead.

***"The planet is facing unprecedented challenges*** that call upon us to make transformational changes to the way we grow the economy, feed the world and provide dignified employment. I welcome the breadth of PepsiCo's approach, across supply chain, operations, products and brand. I urge you to continue to take a leadership approach as an agent of change, demonstrating how business transformation can enable us to thrive in a resource-constrained world."

—Dr. Andrew Steer, President & CEO, World Resources Institute

***"Access to safe water and sanitation*** can protect and save lives. It can enable education, commerce and improved health. By working together to meet Sustainable Development Goal number 6, we can pave the way to progress on the other goals and improve the lives of billions of people."

—Gary White, CEO & Co-founder, Water.org

***"Keeping waste out of landfills*** and returning recycled packaging material to the manufacturing supply chain protects our environment, saves money and creates jobs. Through its participation in the Closed Loop Fund, PepsiCo demonstrates the important role partnerships play in achieving meaningful and lasting progress."

—Ron Gonen, Co-founder & CEO, Closed Loop Fund

***"Thousands of farmers and communities*** around the world benefit from PepsiCo's sustainable sourcing practices. Beyond improving the livelihoods of families and contributing to positive social outcomes, sustainable sourcing is increasingly important to a growing number of consumers who want to shop their values through Fair Trade Certified™ products."

—Paul Rice, President & CEO, Fair Trade USA

## CONTRIBUTING TO THE UN SUSTAINABLE DEVELOPMENT GOALS

PepsiCo's Performance with Purpose agenda allows us to make valuable contributions to goals shared by the global community. The SDGs call for worldwide action among governments, business and civil society to end hunger, protect the planet and enrich the lives of people around the world.

|                                                                                                                                | <br><b>PRODUCTS GOALS</b> | <br><b>PLANET GOALS</b> | <br><b>PEOPLE GOALS</b> |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
|  1. NO POVERTY                                |                                                                                                              |                                                                                                            | ✓                                                                                                          |
|  2. ZERO HUNGER                               | ✓                                                                                                            | ✓                                                                                                          | ✓                                                                                                          |
|  3. GOOD HEALTH AND WELL-BEING                | ✓                                                                                                            | ✓                                                                                                          | ✓                                                                                                          |
|  4. QUALITY EDUCATION                         |                                                                                                              |                                                                                                            | ✓                                                                                                          |
|  5. GENDER EQUALITY                           |                                                                                                              |                                                                                                            | ✓                                                                                                          |
|  6. CLEAN WATER AND SANITATION                |                                                                                                              | ✓                                                                                                          | ✓                                                                                                          |
|  7. AFFORDABLE AND CLEAN ENERGY               |                                                                                                              | ✓                                                                                                          |                                                                                                            |
|  8. DECENT WORK AND ECONOMIC GROWTH           |                                                                                                              |                                                                                                            | ✓                                                                                                          |
|  9. INDUSTRY, INNOVATION AND INFRASTRUCTURE  | ✓                                                                                                            | ✓                                                                                                          |                                                                                                            |
|  10. REDUCED INEQUALITIES                   |                                                                                                              |                                                                                                            | ✓                                                                                                          |
|  11. SUSTAINABLE CITIES AND COMMUNITIES     |                                                                                                              | ✓                                                                                                          | ✓                                                                                                          |
|  12. RESPONSIBLE CONSUMPTION AND PRODUCTION | ✓                                                                                                            | ✓                                                                                                          |                                                                                                            |
|  13. CLIMATE ACTION                         |                                                                                                              | ✓                                                                                                          |                                                                                                            |
|  14. LIFE BELOW WATER                       |                                                                                                              | ✓                                                                                                          |                                                                                                            |
|  15. LIFE ON LAND                           |                                                                                                              | ✓                                                                                                          | ✓                                                                                                          |
|  16. PEACE, JUSTICE AND STRONG INSTITUTIONS |                                                                                                              |                                                                                                            | ✓                                                                                                          |
|  17. PARTNERSHIPS FOR THE GOALS             | ✓                                                                                                            | ✓                                                                                                          | ✓                                                                                                          |



performance  
WITH purpose



## CORPORATE HEADQUARTERS

PepsiCo, Inc.  
700 Anderson Hill Road  
Purchase, NY 10577

## PEPSICO GUIDING PRINCIPLES

To advance our mission and vision with honesty, fairness and integrity, we are committed to six guiding principles. When conducting business around the world, we must always strive to:

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

## PEPSICO WEBSITE

For more information about our company, our Performance with Purpose efforts, our policies and the awards we've received, please see our corporate website at [www.pepsico.com](http://www.pepsico.com) and <http://www.pepsico.com/Purpose>.

For greater detail on our sustainability performance, see our latest Global Reporting Initiative (GRI) Report at <http://www.pepsico.com/Purpose/Performance-with-Purpose/Sustainability-Reporting>.

For additional information about PepsiCo, please see our latest Annual Report at [www.pepsico.com/investors](http://www.pepsico.com/investors).

## PEPSICO #HOWWILLWE MICROSITE

PepsiCo has created an immersive microsite that looks at some of the issues relevant to the world and to our business. To explore and share ideas around the questions of "How Will We: Grow Sustainably, Thrive in a Changing Environment and Create Opportunity," please visit [howwillwe.com](http://howwillwe.com).

## 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," "believe," "estimate," "expect," "goal," "intend," "may," "plan," "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, changes in the legal and regulatory environment, imposition by any jurisdiction (within or outside of the U.S.) of new or increased taxes or other measures that impact our products and the timing thereof, PepsiCo's ability

to compete effectively, PepsiCo's ability to achieve its goals with respect to Products, Planet and People, unfavorable economic conditions in the countries in which PepsiCo operates and the other factors discussed in the risk factors section of PepsiCo's 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.

